

SOUTHERN ALKALI CORPORATION
Fifth Avenue At Bellefield
Pittsburgh 13, Pa.

September 4, 1947

In re: Utilization of Power Plant No. 1,
Plancor 264, Lake Charles, La.

Mr. Paul L. Mather
Acting Deputy Administrator
Office of Real Property Disposal
War Assets Administration
Washington 25, D. C.

Att: Mr. Hunnicutt

Dear Mr. Mather:

The purpose of this letter is to summarize this Company's present and prospective requirements of power to be generated in the leased power plant for its chlorine-caustic production operations and to submit, in outline form, for consideration by your Administration a proposal for a three-way contract for the sale of power between Southern, Cities Service and Gulf States Utilities which, in our opinion, will afford the only practical means of fully utilizing and economically disposing of such power as it will be possible to generate in the leased power plant in excess of Southern's own prospective requirements.

It is presently contemplated that Southern will commence operation of the leased plant on or about October 6 and that during the period October 6 to October 15, it will bring into production one string of cells having a daily chlorine production capacity of 60 tons. During the last half of October a second string of cells will be placed in operation; during the first half of November, a third string; and by the end of November the fourth and final string of cells will be placed in operation so that the full productive capacity of the present plant, estimated at 240 tons per day of chlorine, will be in operation on or before December 1, 1947.

The following tabulation indicates the estimated power requirements for the operation of Southern's plant based on the above starting-up schedule to which is added the maximum power load which may be taken by Mathieson Alkali Works, Inc. under the terms of the recent letter contract between Southern and Mathieson as authorized by your Administration. The tabulation also shows the power load that may be taken by Gulf States Utilities Company until October 31, 1947, the expiration date of the contract with RFC.

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Period (1947)	Estimated Chlorine Production	Southern Avg. Load	Max. Load	Mathieson Max. Load	Gulf States Load	Est. Max. Load
Sept. 1-30	0	1000	3000	2000	22000	27000
Oct. 6-15	60	12000	15000	2000	22000	39000
Oct. 15-31	120	19000	24000	2000	22000	48000
Nov. 1-15	180	27000	34000	2000	?	36000
Nov. 15-30	240	34000	45000	2000	?	47000

It will be seen from the above tabulation that from and after the starting-up of the final string of chlorine cells, when the chlorine-caustic plant is operating at full capacity, there will be no firm power in the power plant in excess of Southern's requirements for its own operations on the leased premises which could be made available to your Administration for resale pursuant to the provisions of Paragraph NINETEEN of the Agreement of Lease dated March 22, 1946. However, in recognition of the extreme power shortage in the area, an effort has been made to devise some arrangement that will permit the fullest utilization of the generating capacity of the leased power plant for the mutual benefit of your Administration as Lessor and of Southern as Lessee.

We have ascertained that Gulf States will have requirements for a period of at least two years for firm power to the extent of 10,000 to 15,000 KW. We also learn that Cities Service has in its plant a generating capacity of 50,000 KW, consisting of two 25,000 KW units, to cover its normal power load ranging from 25,000 to 30,000 KW. However, in order that it may be protected in the event of an emergency breakdown of its power plant, Cities Service requires that sufficient power be available from outside sources to enable it to shut down its refinery operations in an orderly manner to avoid costly damage to its facilities and equipment. This would necessitate approximately 22,000 KW from such outside source for a period not to exceed four hours. In addition, as a safeguard in event of such an emergency shut-down, Cities Service will require standby power in the amount of 5,000 KW to provide for maintenance requirements, fire protection etc., and to enable it to start up its own power plant at the close of such emergency.

We have had numerous discussions with representatives of both Cities Service and Gulf States and have tentatively concluded that the interests and requirements of both Gulf States and Cities Service could best be met, and the mutual interests of your Administration and of Southern with respect to the fullest practical utilization of the generating capacity of the leased power plant could best be served, by a three-one contract between Gulf States, Cities Service and Southern that would provide in substance as follows:

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1. GULF STATES REQUIREMENTS: Southern and Cities Service would jointly agree to furnish to Gulf States 10,000 KW of firm power for the term of the contract together with such additional power as may be available and scheduled by Gulf States on a day-to-day basis. Southern and Cities Service would agree to so arrange their respective scheduled outages as to result in the maximum assurance that Gulf States contract demand can be supplied. Southern would supply Gulf States with its contract requirements of power to the extent that such power would be available from the leased power plant in excess of Southern's own power requirements for its own operations, and Cities Service would agree to furnish to Gulf States all or part of its contract demand at such intervals and for such periods as Southern should be unable to supply such requirements.
2. CITIES SERVICE REQUIREMENTS: Southern would agree to furnish Cities Service with the power required by Cities Service to effect an orderly shut-down of its refinery operations in the event of an emergency breakdown of Cities Service's generating facilities, for a period of not to exceed four hours. This would involve a maximum power load during such period of approximately 22,000 KW, (the maximum capacity of available transformers) and will necessitate a temporary cut-back by Southern of its chlorine-caustic operations during such period to make such power available to Cities Service. Southern would also agree to furnish Cities Service standby power up to 5000 KW for the contract term.
3. RATES AND CHARGES: It is proposed that there will be an energy charge at the rate of two mills per KWH for all energy delivered under the contract to either Gulf States or Cities Service, and also demand charges at the rate of \$1.50 per KW of firm demand or standby service for the respective quantities that could be required by either Gulf States or Cities Service under the contract. There would be a demand charge on all additional power delivered to either Gulf States or Cities Service over and above their respective firm or standby contract demands at the rate of five cents per day per KW according to daily demand scheduled or emergency service utilized. The demand KW would be based on maximum fifteen minute integrated demand. Southern and Cities Service, respectively, would invoice Gulf States for the quantities of power supplied by them, respectively, during a given month at the average sale price for that month as determined according to the above stated rates and charges.
4. TERM OF CONTRACT: In the light of Gulf States' recognized need, it is proposed that the contract run for a fixed term of two years from November 1, 1947, and that it continue thereafter

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unless or until cancelled by any party to the contract on sixty (60) days' prior written notice to the other two parties.

Obviously such a three-way contractual arrangement can be operable only if there is the closest cooperation among all parties involved. The day-to-day administration of such an arrangement can be effectively carried out only by representatives of the respective companies who are actively engaged in the power operations of their respective principals, who have intimate knowledge of the constantly varying requirements and capacities of the other parties concerned, and who, by cooperation with one another, can effect a daily interchange of operating information concerning their respective needs and capacities. For these reasons, while we are reasonably confident that such an arrangement is practicable and of mutual advantage to all parties concerned, including your Administration, we are equally certain that it would be virtually impossible of successful operation and servicing by your Administration from the outside.

Paragraph NINETEEN of the Agreement of Lease of March 22, 1946 states in considerable detail provisions intended to govern the sale and disposition of any power that would be surplus to Southern's own requirements. As will be noted from a reading of Paragraph TWELVE of the Lease Agreement, it was originally contemplated that the initial chlorine-caustic installation was to be for a daily capacity of 120 tons of chlorine. Obviously such an installation would have left some excess power capacity in the leased power plant which could have been sold as firm power. However, as you know, Southern's initial installation is of a plant double the capacity originally contemplated. This fact accounts for the unavailability of any firm power for resale as contemplated in Paragraph NINETEEN once Southern's plant is in full operation.

Since, under Paragraph NINETEEN of the Lease Agreement, your Administration has the paramount right to sell any and all power that may be surplus to Southern's own requirements, it is respectfully requested that you formally authorize Southern to enter into a contract with Gulf States and Cities Service for the purposes and to the extent hereinabove outlined with the stipulation that Southern shall pay to your Administration, as rental under the Lease, ten per cent (10%) of Southern's net realization from the sale of electric power thereunder as provided in Paragraph FIFTEEN of the Lease Agreement. A stipulation in such authorization that Southern must terminate the contract at any time after its initial two year term at the written request of your Administration would negative any implication that such authorization constituted a permanent and irrevocable waiver of your Administration's rights under Paragraph NINETEEN of the Lease Agreement and would enable you to effect a cancellation of the contract if its operation during its initial term did not, in your opinion, prove to be for the best interests of your Administration.

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Upon receipt of such authorization, we propose to incorporate the features above outlined in a formal contract with the understanding that such contract would be submitted to you for your approval as to its conformity with the authorization granted prior to its execution by the respective parties.

In view of the shortage of time remaining in which to formalize such a proposal, if approved, and the imperative necessity of prompt action by Gulf States and Cities Service to arrange for the protection of their power requirements elsewhere in the event Southern is not authorized to effectuate such a proposal, it is respectfully requested that you give this matter your immediate attention and that you take prompt and definitive action on this request for authorization and advise us of such action not later than Monday, September 15.

Yours very truly,

"E. T. ASPLUNDH"

Vice President

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