

Decision No. 9022

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

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In the Matter of the Application of
PACIFIC GAS AND ELECTRIC COMPANY, a
corporation, and SAN JOAQUIN LIGHT
AND POWER CORPORATION, a corporation,
for an order of the Railroad Commis-
sion of the State of California ap-
proving a certain agreement dated
September 16, 1920; and for a further
order fixing and establishing the rate
to be charged for electric energy to
be sold and delivered under the provi-
sions of said Agreement.

ORIGINAL

Application No. 6197

C. P. Cutten, for Pacific Gas and Electric
Company.

Murray Bourne, for San Joaquin Light and
Power Corporation.

ROWELL, Commissioner:

O P I N I O N

This is the joint request of Pacific Gas and Elec-
tric Company and San Joaquin Light and Power Corporation, here-
inafter referred to as "Pacific Company" and "San Joaquin Com-
pany" respectively, for the approval of a certain agreement
dated the 16th day of September 1920 as amended by a further
agreement dated the 14th day of February 1921, covering the
advance of certain moneys by Pacific Company to San Joaquin
Company for the construction of a transmission line, and the
agreement for the sale by San Joaquin Company and purchase by

Pacific Company of surplus power available on the San Joaquin system. The petition further requests the fixing and establishing of a fair and reasonable rate for the sale and delivery of the power as proposed in the agreement.

The San Joaquin Light and Power Corporation, due to the completion of certain additional hydro-electric and steam plants, finds itself capable of producing a considerably greater amount of power than required on its own system. Part of the power is produced by gas, costing considerably less than the cost of producing power by the use of oil on the Pacific Company's system. Pacific Company agrees to advance to San Joaquin Company funds for the construction of a transmission line from its Kerckhoff hydro-electric plant to Merced in order to make available to Pacific Company the surplus power which is available. San Joaquin Company agrees to supply to Pacific Company, unless otherwise directed by the Commission, half of the surplus power which it may have and Pacific Company agrees to take in so far as it may do so economically, half of the available surplus, not exceeding 7,000,000 k.w.hrs. per month. San Joaquin Company also agrees to pay Pacific Company interest at the rate of 9% per annum upon the money which that company advanced.

The agreement has been the subject of careful analysis by the Commission and the original agreement as amended by the agreement of February 14th, 1921 is found reasonable.

Relative to the rate to be charged for this service, this matter was the subject of investigation by the Commission's engineers and conferences between the parties, the result of which was an agreement that for power delivered prior to January 1st, 1921 the rate would be 1¢ per k.w.hr. and that

thereafter Pacific Company would pay San Joaquin Company 12% per annum for interest and depreciation upon the moneys which were advanced by it to San Joaquin Company, and, in addition, a rate of .705 cents per k.w.hr. for energy delivered, this rate being based upon a price of oil to Pacific Gas and Electric Company of \$1.93 per barrel f.o.b. San Francisco. Pacific Company agreed to pay an increase in rate of 1/225-th of the increase in cost of oil per k.w.hr. in case the price of oil should increase. It was later agreed by both parties that in case the price of oil was reduced below the price of \$1.93 per barrel an adjustment should be made in the rate.

Since the petition was filed and the rate agreed upon the price of oil to Pacific Gas and Electric Company has been reduced 25 cents per barrel. In view of the change in the price of oil and the possibility that further change may occur it does not appear that any definite rate can be fixed or approved by this Commission. The basis of the rate agreed to by the parties meets with the approval of the Commission's engineers. A division of the apparent savings on the basis of two-thirds to the San Joaquin Light and Power Corporation and one-third to the Pacific Gas and Electric Company should I believe be in general followed out, especially in case of a reduction in the price of oil, with the limitation that the minimum rate to be paid shall be not less than 6 mills per k.w.hr.

I recommend that the agreement be approved and that the basis of rate determination be accepted with the understanding that in case variation in the price of oil occurs, the two parties submit to the Commission for informal approval the

proposed adjustment of rates to conform with the changed conditions.

I recommend the following form of Order:

O R D E R

Pacific Gas and Electric Company and San Joaquin Light and Power Corporation having applied to the Commission for approval of a certain agreement dated the 16th day of September, 1920, as amended by a further agreement dated the 14th day of February, 1921, and for the fixing and establishing of a fair and reasonable rate for the sale and delivery of power as proposed by said agreement, hearing having been held and the matter having been submitted,

IT IS HEREBY ORDERED that the said agreements between Pacific Gas and Electric Company and San Joaquin Light and Power Corporation hereinbefore referred to, be, and the same are, approved.

IT IS HEREBY FURTHER ORDERED that the rates heretofore agreed to between the two parties be, and the same are, hereby authorized subject to such modifications as may be made necessary by changes in the price of fuel oil and as may be informally approved from time to time by this Commission.

Pacific Gas and Electric Company and San Joaquin Light and Power Corporation are hereby directed to submit to this Commission on or before June 30th, a revised contract combining the two agreements hereinabove referred to and including the agreement as to rates herein authorized.

The foregoing Opinion and Order are hereby approved

and ordered filed as the Opinion and Order of the Railroad
Commission of the State of California.

Dated at San Francisco, California, this 28th
day of May, 1921.

H. P. Bundy
H. D. Boardman
James C. Carter
Charles H. Cowell
J. S. Pennington

Commissioners.