

Decision No. 28223

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
GREAT WESTERN POWER CO. OF CALIFORNIA,  
a California corporation, for an order  
of the Railroad Commission of the  
State of California approving a certain  
agreement entered into by and between  
applicant and GREAT WESTERN ELECTRO-  
CHEMICAL CO., a corporation, dated  
June 10, 1935.

} Application No. 20022.

C. P. Cutten and R. W. DuVal, for applicant.

CARR, Commissioner:

#### OPINION

Great Western Power Company of California, the stock of which is controlled by the Pacific Gas & Electric Company and the system of which is operated in conjunction with that of the latter company, requests approval of a special contract it has negotiated with Great Western Electro-Chemical Company for the sale and furnishing of power for a period slightly less than four years' duration, a copy of which contract is attached to the application. A public hearing upon the application was held on September 5th and the matter was submitted.

It appears that the applicant has been furnishing power to the Great Western Electro-Chemical Company for many years. Since 1931 it has furnished such power under a contract approved by the Commission, containing an unqualified three months' shut-off provision. The rate under this contract averaged about 4.246 mills per K.W.H. Under the proposed contract, which contains a similar

shut-off provision, the K.W.E. rate will be 3.8557 mills.

The Chemical Company in the course of its manufacturing processes develops a substantial amount of high pressure steam available for use in a private generating plant if one should be installed. During the year 1934 it advised the applicant company that it was considering the installation of such a private plant. Thereupon the engineers of the Chemical Company and the engineers of the applicant company spent much time and effort in making estimates as to the cost of power to the Chemical Company should a private plant be installed. The best that the engineers of the Power Company could do was to figure that the Chemical Company by installing a plant could generate its own power at a cost of approximately one-third of a cent per K.W.E. Hence the Power Company offered, subject to the approval of the Commission, the contract to furnish power to the Chemical Company at this rate, an offer which under the circumstances was deemed satisfactory by the Chemical Company.

There is one other chemical company having a load comparable to that of the Great Western Electro-Chemical Company and the applicant states that if the instant contract is approved it will offer to this other company power at the terms specified in the instant contract. According to the evidence adduced by the applicant the power which it will furnish under the contract to the Great Western Electro-Chemical Company, as well as to the other chemical company, will be surplus or dump power. Even in a very dry year with a heavy strain on its system the applicant will still have power available, the maximum increment cost of which will not on an annual basis exceed the payments contemplated by the contract.

It being reasonably clear that the rate offered by the contract, approval of which is sought, is necessary to meet a

competitive condition and to retain the business of the chemical company and that the retention of the business of the Great Western Electro-Chemical Company at the contract rate will not constitute a burden upon other consumers but will tend to benefit other consumers, it follows that the Commission should approve the contract.

I recommend the following form of order:

### ORDER

GREAT WESTERN POWER COMPANY OF CALIFORNIA having applied to the Commission for an order approving that certain agreement described above, and good cause appearing therefor,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA hereby approves that certain agreement dated June 10, 1935, as described in the above Opinion.

Dated at San Francisco, California, this 12<sup>th</sup> day of September, 1935.

Leon C. C. C.  
M. J. C.  
M. B. C.  
W. H. C.  
W. H. C.  
Commissioners.