

Decision No. 38628

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 SOUTHERN CALIFORNIA EDISON COMPANY LTD.,  
 a corporation, and CALIFORNIA ELECTRIC  
 POWER COMPANY, a corporation, for an  
 order of the Railroad Commission of the  
 State of California authorizing a certain  
 agreement by and between Applicants.

Application No. 27120

ORIGINAL

O P I N I O N

Two proposed electric service contracts are submitted to the Commission for its approval in this application. Under the contracts Southern California Edison Company Ltd. (Edison) proposes to accept at Boulder Power Plant certain electric energy to which California Electric Power Company (California Electric) is entitled and deliver such energy to the latter at Highgrove Substation or at Iron Mountain. (1)

Evidencing applicants' rights to the energy to be delivered and physical ability to perform under the contract are three other contracts which are attached to the application. (2)

Pursuant to the Boulder Canyon Project Act (December 21, 1928, 45 Stat. 1057), the Boulder Canyon Project Adjustment Act (July 19, 1940, 54 Stat. 774) and the General Regulations promulgated by the Secretary of the Interior, applicants together with Metropolitan Water District of Southern California (MWD), The City of Los Angeles and its Department of Water and Power (City of LA) together with a number of smaller municipal and private utilities entered into contracts which by their terms specified the amounts of available Boulder energy to which each of the parties was entitled.

(1) The contracts specifying the details of the proposed operations are attached to the application as Exhibits D and E, respectively.

(2) Exhibits A to C inclusive.

Subsequently it developed that the amount of energy allotted to Metropolitan Water District substantially exceeded current needs and subsidiary agreements were executed to dispose of District's surplus. A substantial portion was utilized during the war by The Reconstruction Finance Corporation (RFC) and/or the Defense Plant Corporation in the Basic Magnesium Project near Las Vegas, Nevada. Curtailment of operations at Basic Magnesium necessitates a reassignment of this District's excess energy. Such reallocation is contemplated in a contract (Exhibit A) already subscribed by Edison, City of Los Angeles, and Metropolitan Water District to which the Secretary of the Interior, The Reconstruction Finance Corporation, and California Electric will likewise be signatories. The contract is designated "District's 1945 Resale Contract." Among other things the contract provides that energy released by District will be delivered to City of Los Angeles, Edison and California Electric in the ratios of .55, .40, and .05.

Exhibit B is a tentative contract between the principal Boulder allottees providing for the use, operation and payment for Boulder generating equipment which is designated "1945 Collateral Contract."

District's excess energy to which Edison and California Electric are entitled is to be transmitted from Boulder to Edison Company's service area via District's transmission facilities to Hayfield and thence over Edison's new transmission line<sup>(3)</sup> to Highgrove and Chino substations. Exhibit C is the "District-Edison Transmission Contract" wherein District and Edison specify the terms and conditions under which Edison may use District's transmission facilities between Boulder Power Plant and Hayfield. The contract provides in substance for the allocation of the joint cost of operating the transmission facilities in proportion to the use made thereof by the respective parties.

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(3) Edison was granted a certificate to construct this line by this Commission's Decision No. 37884 in Application 26616.

The "Edison-California Electric Service Contract" (Exhibit D), for which authorization is sought herein, specifies the agreement between applicants whereby energy released by District will be delivered to California Electric in the amounts to which it is entitled.

Briefly, Edison as one of the Boulder operating agents will generate California Electric's entitlement at Boulder. Edison will pay the generating charges and will be reimbursed therefor by California Electric. California Electric will pay the required energy charges to the United States. Edison will transmit the energy via Metropolitan Water District and Edison lines and will deliver 90 per cent of the amount generated, at 69 kv at Highgrove or such other point as is mutually agreeable. California Electric will isolate that portion of its system utilizing this energy from the remainder of its system and will limit its demand to that equivalent to delivery of its entitlement at 50 per cent load factor. Penalties<sup>(4)</sup> are provided for exceeding the maximum demand so established. California Electric must utilize the energy to which it is entitled from year to year without carry-over privileges.

To compensate Edison for this transmission service California Electric will pay a demand charge. For the initial period of five years the charge is stated at \$1.00 per kw of monthly maximum demand. For the remainder of the contract period the demand charge is to be computed in accordance with a formula specified in the contract. Briefly, the formula provides a method of computing the cost to Edison of producing equal amounts of power in its Long Beach steam generating plant. The minimum performance required of California Electric is to take and/or pay for not less than 90 per cent of the energy to which it is entitled at 70 per cent load factor.

The contract likewise provides for delivery by Edison of excess District energy generated at Parker Power Plant to which California Electric might be entitled.

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(4) For demands in excess of the maximum permitted, the charge will be 150 per cent of the established contract charge. For excess energy the charge will be 115 per cent of Edison's total increment cost. Any excess charges are not to be credited against required minimum charges.

The term of the contract is to run coincidentally with District's 1945 Resale Contract. That contract runs from midnight May 31, 1945 to midnight May 31, 1987 unless terminated at an earlier date because of deficiencies in the amount of available District excess energy.<sup>(5)</sup> Performance by Edison under the contract is predicated upon adequate performance of other correlative contracts with which this contract is supplementary or complementary.

The "Iron Mountain Supplemental Delivery Contract" (Exhibit E), for which authorization is also sought, reduces to writing California Electric's option under the provisions of the Edison-California Electric 1945 Service Contract to take delivery at a point other than Highgrove. Delivery is to be made at Iron Mountain Pumping Plant of Metropolitan Water District at 7 kv. Combined deliveries at Iron Mountain and Highgrove are not to exceed the maximum established in the Edison-California Electric 1945 Service Contract. Deliveries are not to exceed the spare capacity in Metropolitan Water District's transformer bank. If such amount is insufficient for California Electric's needs, it is to be augmented with the installation by Edison of additional transformer capacity. Edison is to be compensated for the use of the transformer facilities at an annual rate of \$1.50 per kw of annual maximum demand where use is made of spare capacity in Metropolitan Water District transformers and not less than 33,750 annually for each year in which at least 2500 kw of such spare capacity is available to California Electric. California Electric is to pay the annual charges associated with any additional transformer capacity Edison may be required to install, determined in accordance with a formula stated in the contract. California Electric proposes to supply energy to a contemplated 88 kv tie line to Blythe from this connection. The term of the contract is the same as the term of the Edison-California Electric Service contract except that California Electric may terminate it on one year's written notice, suitably compensating

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(5) Parties to the contract have the option of cancelling if in any year available excess energy is less than 50,000,000 kwhrs, or if the annual average for the next preceding 5 years is less than 150,000,000 kwhrs. The contract is terminable at the end of the second year of operation after written notice of intention so to terminate by any party.

Edison for any losses which might be incurred as a result of Edison's installation of additional transformer capacity.

Notice of filing of the application and request for any adverse comments were made to the parties to District's 1945 Resale Contract. No opposition to the proposed contracts was made known as a result of these inquiries.

The Commission generally does not favor contractual commitments of long duration. In the present case, however, the length of the contracts are related directly to the basic Boulder contracts and further are so drafted as to react to future cost changes which may occur. Because of the uncertainty of the future, however, the Commission in this case, more so than in most others, may deem it necessary to institute an investigation into the operation of these contracts from time to time.

It is apparent that the proposed contracts will contribute to an economical use of capital expenditures. Fixed charges associated with heavy capital investments constitute a substantial portion of electric rates and the Commission believes that many economies can still be made by promoting the joint or cooperative use of inescapable investments in capital facilities to the optimum degree. Splendid results have been achieved during the war as a result of pooling generation and transmission resources. The public interest requires that such activities be encouraged, continued, and expanded and that needless duplication of electric capital investments be discouraged and, in so far as we have jurisdiction, prevented.

O R D E R

The Commission having considered the application, being of the opinion that a public hearing in the matter is unnecessary and finding that the execution and consummation of the contracts for which authorization is herein sought is in the public interest, now therefore,

IT IS HEREBY ORDERED that Southern California Edison Company Ltd. and California Electric Power Company be and they are hereby authorized to execute

those certain contracts in words and figures as submitted with and made a part of the application as Exhibits D and E thereof, to install the facilities, make the connections and render the service therein contemplated, and to levy the charges, and pay or collect the rates therein specified, and to make the contracts effective as of the date compliance therewith is initiated.

The effective date of this Order is the date hereof.

Dated at San Francisco California, this 22<sup>nd</sup> day of January, 1946.

Harold C. Hudson  
James J. Casser  
Francis J. [unclear]  
John M. [unclear]  
Harold P. Huls

Commissioners