

Decision No. 43147

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
PACIFIC GAS AND ELECTRIC COMPANY,)
for an order of the Public Utilities.)
Commission of the State of California)
granting and conferring upon appli-)
cant all necessary permission and)
authority to carry out the terms and)
conditions of a written contract with)
the CITY OF REDDING, dated July 5,)
1949 (Exhibit "A" hereof).)
(Electric)

ORIGINAL

Application No. 30465

OPINION AND ORDER

In this application Pacific Gas and Electric Company, sometimes referred to hereinafter as Pacific, asks authority to carry out the terms and conditions of a contract dated July 5, 1949 with the City of Redding. A copy of said contract is attached to the application, marked Exhibit "A", and by reference made a part hereof for all purposes. Said contract provides for the delivery and sale by Pacific and receipt and purchase by the City of all electric energy which shall be required by the City for its own use or for sale to the City's consumers of electric energy whether within or without the City. Under the contract energy is to be delivered, at Pacific's Redding substation, at an electro-motive force of approximately 2,400 volts delta, or 4,000 volts star, or 12,000 volts star, at the City's option.

The contract provides that it shall become effective upon approval by the Commission and shall continue in force thereafter until August 26, 1955. It contains a provision that it shall at all times be subject to such changes or modifications as the Commission may from time to time direct in the exercise of its jurisdiction.

It also contains a provision that all electric energy furnished under the contract shall be supplied, received and paid for in accordance with all applicable rules and regulations duly and regularly established from time to time by and under authority of law and on file with the Commission and relating to the furnishing by Pacific of electric energy.

The rates and charges to be paid by the City for electric energy to be furnished under said contract are as follows:

Demand Charge:

First	200 kw or less of maximum demand	\$300 per month
Next	300 kw of maximum demand	\$1.00 per kw per month
Next	500 kw of maximum demand75 per kw per month
Next	1000 kw of maximum demand60 per kw per month
	All excess kw of maximum demand40 per kw per month

Energy Charge (to be added to the Demand Charge)

First	150 kwh per kw per month	7 mills per kwh
Next	150 kwh per kw per month	5 mills per kwh
	All over 300 kwh per kw per month	4 mills per kwh

The aggregate charges at the above rates shall be subject to a 10% reduction, on each month's bill.

Demand: The maximum demand in any month will be the average kw delivery of the 30 minute interval in which such delivery is greater than in any other 30 minute interval in the month, provided, however, that if the load is intermittent or subject to violent fluctuations a 5 minute interval may be used.

In addition, the contract provides for an adjustment of the total charge for any month by 0.25% for each 1% that the average power factor of the City's load in that month was greater or less than 85%, and further provides that, upon request of the City, demands occurring between 10:30 pm and 6:30 am of the following day, and on Sundays and legal holidays, will be ignored in determining the demand used for computing charges.

Pacific states in its application that the above rates and charges, as provided in said contract, differ from those contained in Pacific's filed Schedule P-31, and also differ from the terms

and conditions of an existing contract under which Pacific now supplies the City in the following particulars: (a) under the existing contract the aggregate charges in the rates set forth therein are subject to a 5% reduction, whereas under the new contract such aggregate charges are subject to a 10% reduction, on each month's bill; (b) the so-called ratchet provision as contained in the paragraph defining demand in the existing contract, under which the maximum demand to be used in computing charges will be the mean of the actual maximum for the billing month and the highest such demand occurring in the year ending with the billing month, is not included in the proposed contract; and (c) the term of the existing contract is five years after the effective date thereof (August 27, 1945), whereas the term of the proposed new contract will be from its effective date until August 26, 1955. It is observed that the rates and charges provided for in the proposed contract, with the exception of the provision for 10% reduction and the elimination of the demand ratchet provision, are the same as those which would be applicable to energy delivered to the City of Redding under Pacific's filed Schedule P-31.

Applicant has referred to Decision No. 38305, dated October 16, 1945, in Application No. 26889 under which authorization was granted for the furnishing of electric service in accordance with the terms of the now existing contract. Applicant states that the proposed new contract, with its reduced charges, was offered to the City in order to avoid the loss of the City as one of Pacific's electric resale customers. Applicant states that prior to the execution of the proposed new contract, the United States of America, acting through the Department of the Interior, Bureau of Reclamation, made offers to furnish electric resale service to the City under a form of written contract for a term commencing on the date of execution thereof and until midnight August 31, 1960, subject to the right of

the City to terminate said contract at any time after August 31, 1955; and that the City Council of Redding, following a consideration of the respective contracts of Pacific and the Bureau of Reclamation, adopted an ordinance calling a special election and submitting to the voters of the City of Redding the proposition of from what source the City of Redding shall purchase electric energy for distribution in the City of Redding; and that on June 28, 1949 a special municipal election was held in the City of Redding, at which election a majority of qualified voters participating therein, voted in favor of the proposition that said City shall purchase electrical energy for re-sale through its electrical distribution system from Pacific for the term and pursuant to the terms and conditions of the proposed contract herein under consideration. It is apparent that the factors which were present at the time of the proceeding in Application No. 26889, and which led the Commission to its determination, stated in Decision No. 38305, to authorize the furnishing of electric service under the now existing contract, remain presently effective. Some change in the electric requirements of the City has occurred as shown in the following statement of sales and charges reported by Pacific in its annual reports for the years 1944 to 1948 inclusive:

<u>Year</u>	<u>Annual Maximum Demand</u>	<u>Kilowatthours</u>	<u>Total</u>
1944	4,200	18,900,000	\$141,447.99
1945	5,360	20,436,000	142,401.03
1946	5,880	24,176,000	155,355.55
1947	7,000	27,670,000	173,755.98
1948	9,500	32,955,540	205,592.93

In this application Pacific states that during the 12 months ended April 30, 1949, it received the sum of \$223,181.05 from the supply of electric energy and service to Redding under the rates and charges set forth in the existing contract, and if such service had been delivered in accordance with the rates and charges set forth

in the proposed new contract, Pacific would have received therefor the aggregate sum of \$213,217.52. Applicant also states it is informed and believes that due to a steady increase in electric sales by the City to its customers, which increase is expected to continue, the amount of electric energy, which will be delivered and sold by Pacific to Redding during the fiscal year commencing May 1, 1949, will be materially in excess of the quantity supplied during any previous 12-month period, and that the gross revenue Pacific will derive from resale service to the City under the proposed new contract during the first year of service thereunder will not be materially different from the gross revenues received during the 12 months ended April 30, 1949 under the existing contract, with increased gross revenues in each succeeding year during the term of the proposed new contract. Applicant alleges that the furnishing of electric service to Redding under the proposed agreement will not constitute a burden upon Pacific's other electric customers, but will, all things considered, be of benefit and advantage to said other electric customers.

We need not repeat here the references to prior decisions in proceedings which involved the right of a utility to reduce its rates in order to meet competition. A clear statement of the Commission's position was given in Decision No. 38305 (46 CRC 120) to which reference has been made above. The Commission has, on numerous occasions, authorized adjustments in rates of a utility to meet competitive conditions, but has pointed out that if it should appear in a rate proceeding that any losses are being incurred because of such adjustments, they will be treated as losses which are not to be imposed on other customers.

The Commission having considered the request of applicant and being of the opinion that the application should be granted, and that a public hearing is not necessary; therefore,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be and it is authorized to carry out the terms and conditions of the written contract, dated July 5, 1949, with the City of Redding, and to render the service described therein under the terms, charges and conditions stated therein.

The effective date of this Order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 26th day of July, 1949.

R. E. Johnson
James J. Galloway
Joseph H. Russell
Harold P. Hills
Wesley H. Potter
Commissioners