

ORIGINALDecision No. 45512

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 Com-)
 mission of the State of California)
 granting and conferring upon applicant)
 all necessary permission and authority) Application No. 32091
 to carry out the terms and conditions)
 of a written contract entered into by)
 and between applicant and WEST)
 STANISLAUS IRRIGATION DISTRICT, dated)
 December 28, 1950 (Exhibit "A" hereof).)
 (Electric))

OPINION AND ORDER

Pacific Gas and Electric Company requests authority in this application to carry out the terms and conditions of a contract dated December 28, 1950 with the West Stanislaus Irrigation District. A copy of said contract is attached to the application as Exhibit "A". Pacific, under that contract, is to sell and deliver to District all electric energy required for the operation of District's electric machinery and apparatus and in the conduct of District's business. The contracted energy is to be delivered near Pacific's Westley Substation, at a nominal voltage of 12,000 volts.

The contract under its provisions would become effective upon authorization by this Commission, and would continue in force for a period of five years and thereafter until terminated by 90 days' written notice by either party. Electric energy under the terms of the contract is to be supplied to and received and paid for by District at rates which differ from Pacific's filed tariffs. The contract provides that it shall be subject at all times to such changes or modifications as this Commission may direct from time to time in the exercise of its jurisdiction.

The rates and charges to be paid by the District for electric energy to be furnished under said contract are 6.25 mills per kw-hr. In its application Pacific states that it received \$123,253.30 for electric service furnished to the District during the calendar year 1950 in accordance with the rates and charges of Pacific's Schedule C-6 and that District would have paid Pacific for said service \$96,960 under the rates provided in the proposed contract. Based on the service furnished during 1950 the proposed contract would result in a reduction of \$26,293.30, or about 21.3% below the charge on Pacific's Schedule C-6.

In support of its request Pacific states that it has been supplying the District for more than 20 years and that the United States of America, acting through the Department of the Interior, Bureau of Reclamation, has offered to furnish electric energy and service to the District under a contract which contained rates and charges materially lower than those set forth in the contract dated December 28, 1950, between Pacific and the District. Pacific states further that it offered to the District the reduced rates and charges as provided in the proposed contract in order to avoid the loss of the District as one of its electric customers, to protect and prevent diminution in the value of Pacific's investment in electric properties and to obviate the imposition of added costs upon Pacific's other electric customers.

It appears that Pacific's offer to supply service to the District under the proposed contract at rates which are lower than those of its regularly filed tariffs has been made to meet competition and hold the business. In the past this Commission has authorized the supply of service at special rates to customers because of competitive conditions and in so doing has stated that if it should appear in a rate proceeding that any losses are being

incurred because of such services at lower rates, such losses are not to be imposed upon other customers of the utility. Such a situation would result if Pacific were allowed to recover in rates all expenses plus a full return on its investment in plant. Our grant of the authorization requested in this application is conditioned on the premise that the rates charged under this contract shall not be permitted to burden or prejudice in any way other customers of Pacific.

Under its terms the contract of December 28, 1950, will continue in force after an initial five-year period until terminated by 90 days' written notice given by either party to the other. It is our opinion that the authorization for the supply of service in this instance at the reduced rates provided by this contract should not run for an indefinite period, but should be limited to the initial five-year term of the contract. Pacific may request such further extension, if it believes extension to be warranted, in ample time before the termination of said initial period in order that the Commission may consider the reasonableness of the extension of its authorization under the circumstances then prevailing.

The Commission having considered the request of applicant and being of the opinion that the application should be granted in the light of the circumstances discussed above 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, during the five-year period which commences with the effective date of this order, the terms and conditions of the written contract with West Stanislaus

Irrigation District dated December 28, 1950, and to render electric service under the terms and conditions stated in said contract during said five-year period.

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

Dated at San Francisco, California, this 3rd day of April, 1951.

A. Z. [Signature]
Justice F. [Signature]
Harold H. [Signature]
[Signature]
[Signature]
Commissioners.