

**ORIGINAL**

Decision No. 46058

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 )  
to carry out the terms and conditions )  
of an agreement with the UNITED STATES )  
OF AMERICA, dated April 2, 1951, copy )  
whereof is attached hereto, marked )  
Exhibit "A". )

Application No. 32333

R. H. Gerdes, R. W. DuVal and W. B. Kuder, for applicant; Edson Abel for California Farm Bureau Federation, interested party; Dion R. Holm and Paul L. Beck for City of San Francisco, interested party; Homer R. Ross for California Manufacturers Association, interested party; Bruce Renwick for Southern California Edison Company, interested party; Glenn A. Baxter for Alameda Dept. of Public Utilities, interested party; John C. Curren for West Side Irrigation District, interested party; Oliver O. Rands for Bureau of Reclamation-Region II, interested party; Joseph Rosman for Dept. of Navy, U. S. Government, interested party; Daniel S. Carlton and Philip W. Storm for City of Redding, interested party; William L. Anderson for Office of the Solicitor, U.S.D.A., interested party; John W. Collier and Loren W. East for City of Oakland, interested party; David Hendrickson for East Bay Municipal Utility District, interested party; R. B. Cassidy, L. R. Knerr, and C. T. Mess for the Commission's staff.

O P I N I O N

Pacific Gas and Electric Company, a California corporation, applicant in this proceeding, by the above-entitled application filed April 23, 1951, requests an order of the Commission authorizing it to carry out the terms and conditions of an agreement dated April 2, 1951, with the United States of America, Department of the Interior, Bureau of Reclamation, Central Valley Project, California. Said agreement is entitled

"Contract with Pacific Gas and Electric Company for Transmission and Exchange Service" and relates to the transmission and exchange of electric power and energy to serve the United States and certain customers of the United States. A copy of said contract, numbered I75r-2650 and marked "Exhibit A", is attached to the application and by reference made a part hereof for all purposes.

A public hearing on this application was held before Examiner Edwards on May 28, 1951, at San Francisco, California. A large number of interested parties appeared at the hearing and many asked questions of the applicant's witnesses in order to determine the effect of the proposed contract.

The United States, in the process of constructing the Central Valley Project in the State of California, including facilities for the generation and transmission of electric power and energy, has made certain contracts for the marketing of electric power and energy under existing laws. By terms of the agreement here under consideration, the applicant agrees to accept delivery of electric power and energy from the United States into its electric transmission system at certain points of interconnection and, in return, to the extent that applicant has available excess capacity in its transmission system, it undertakes to deliver an equivalent amount of electric power and energy (adjusted for losses) to the United States and certain customers of the United States entitled to preference under the Reclamation Law (32 Stat. 388, as amended), within the Sacramento and San Joaquin Valleys and the counties of Solano, Contra Costa, Alameda and Santa Clara.

The power facilities constructed by the Bureau of Reclamation to date consist of generators having 450,000 kva of capacity at the Shasta and Keswick Dams of the Central Valley

project, three 230 kv transmission lines from Shasta and Keswick power plants to applicant's Shasta Substation, the East Side Transmission Line from Shasta Substation to Tracy Switchyard near Tracy, California, two 230 kv lines under construction on the west side of the Sacramento Valley from Shasta Substation to the Tracy Switchyard, and 69 kv lines to serve pumps on the Contra Costa Canal from Tracy Switchyard. The primary point of delivery of power to the applicant's system will be at the Tracy Switchyard at 220 kv. The contract also provides for delivery of power to applicant at such other points of interconnection as the parties may agree upon in writing.

Requests have been made by the United States for transmission and delivery of exchange power to the following establishments in the quantities indicated below:

|   | Estimated Maximum Demand<br>for Calendar Year - kw |             |             |             | Delivery<br>Voltage |
|---|--|-------------|-------------|-------------|---------------------|
|   | <u>1951</u>  | <u>1952</u> | <u>1953</u> | <u>1954</u> |                     |
| West Side Irrigation<br>District near Bethany | 1,536  | 1,536       | 1,536       | 1,536       | 2,300               |
| Mare Island Naval<br>Shipyard                 | 21,500   | 27,500      | 33,000      | 38,000      | 110,000             |
| Naval Air Station -<br>Moffett Field          | 2,300  | 3,500       | 4,000       | 4,500       | 11,000              |
| Naval Supply Annex,<br>Stockton               | 4,750  | 5,000       | 5,000       | 5,000       | 11,000              |

In addition to the above customers, the applicant may be requested to serve loads of 500 kw or more rating of municipalities, other public corporations or agencies, cooperatives and other nonprofit organizations financed in whole or part by loans made pursuant to the Rural Electrification Act of 1936, and any amendments thereof. It also may be requested to serve customers classed as Bureau of Reclamation projects which are part of the Central Valley Project, of

100 kw or more demand, and such future loads of customers of the United States as become prospective. The applicant shall not be required to deliver energy at less than 2,000 volts, three-phase, 60 cycles.

The area in which the exchange service is to be rendered is shown on the Service Area Map included in the contract. The Plumas-Sierra Rural Electric Cooperative, Incorporated serves energy outside of this service area and applicant has agreed to waive the area limitation for this prospective customer. For another prospective customer, the City of Biggs, it has agreed to waive the 500 kw demand limitation. In neither case do these waivers terminate existing contracts between the applicant and these customers. Such prospective customers must wait until existing contracts terminate before becoming customers of the United States.

The primary concern of the representatives of the City of Redding in attendance at the hearing was that existing contract arrangements with the applicant to supply resale power until December 5, 1954 be not disturbed. Applicant's witness assured the city that their position was protected by Section 5 of the contract.

The Southern California Edison Company was concerned over the fact that a portion of its service area in the San Joaquin Valley was included within the map area of transmission and exchange service. Applicant's witness replied that it was not intended by the contract that Pacific Gas and Electric Company would render the service provided by the contract in any area now served by the Southern California Edison Company or any other utility.

The contract (Article 9 (c)) provides for the delivery of electric power and energy by the applicant herein

to the United States or its customers necessary for, among others, (i) preference customers and federal establishments which on the effective date of the agreement are served by the applicant herein. Thus it would appear that any loads served by the Southern California Edison Company as of April 2, 1951, the effective date of the contract, would not be included.

Article 9 (c) (iii) provides as follows:

"In view of the difficulty of anticipating future facts and conditions, it is understood that if additional loads of the United States or customers of the United States become prospective, the parties hereto will then consider the problem of serving such loads, and the Contractor will advise the United States within ninety (90) days after request whether or not service to such additional loads or customers shall be made available hereunder."

It is apparent from the language of the above-quoted provision that the applicant herein has an absolute right to determine whether it will grant or deny a request by the United States for service under the contract to any additional loads to preference customers and federal establishments.

Applicant's witness also testified that he understood it was not the intent, under the contract, that the company shall serve any federal project now served by a municipal utility such as the City of Alameda. He said the company did not have transmission lines into Alameda and did not intend to build any into that city.

The United States will compensate applicant for the use of its system at the rate of 1 mill per kwhr for delivery at 44 kv or higher, subject to a monthly minimum charge of 25 cents per kw of demand where load exceeds 25,000 kw. For delivery at less than 44 kv, but not less than 22 kv, where demand is not less than 20,000 kw, the rate will be 1 mill per kwhr plus 10 cents per kw of demand. The rate for all other delivery will be 1 mill per kwhr plus 22 cents per kw of demand.

It is apparent that the capacity and energy available at Shasta and Keswick plants is in excess of the proposed exchange load and applicant has offered to buy such excess power as is not required by the United States or its customers. Heretofore, substantially all of the Central Valley Project's power has been sold to the applicant, delivery being made to the utility at Shasta Substation. The first contract was dated September 23, 1943 and expired December 31, 1948. Since December 31, 1948 the power has been purchased under a day-to-day agreement. Such excess power is needed by applicant to serve its system load. A day-to-day contract is not a desirable type of contract from the standpoint of the public interest.

The record shows that applicant's reason for entering into this transmission and exchange service contract is to avoid waste of government funds for construction of duplicate or unnecessary transmission facilities. During the past 10 years the Pacific Gas and Electric Company has consistently opposed government appropriations for such transmission facilities. The execution of this contract was suggested by a member of the Senate Committee on Appropriations and has met with the approval of the House Committee on Appropriations.

The contract provides that applicant, by entering into the contract, does not dedicate or intend to dedicate its facilities to the common carrying of electric energy for the account of the United States or anyone else. By granting to applicant authority to carry out the terms and provisions of said contract, the Commission does not thereby imply that it concurs in the legal effect thus attributed to the contract by the parties. Subject to the order of this Commission authorizing the company to carry out the provisions of the contract,

it is effective as of April 2, 1951 and will remain in effect for a period of 10 years.

The West Side Irrigation District urged the Commission to authorize the contract. It estimated that the new contract with the Bureau of Reclamation would reduce its power bill by 50%. Last year it paid a power bill to applicant of \$47,996.08. While this reduction appears sizeable there is no evidence that the utility will suffer a loss on this business such as will throw a burden on its regular customers. The utility not only will save the purchase cost of the energy transmitted but will be paid for transmitting the energy and will be allowed 5% for losses for delivery at 44 kv or above and 9% for delivery below 44 kv.

Applicant's expert witness, who computed the rates of compensation applicable to the transmission and exchange service, testified that the rates are fair and reasonable for the portion of the transmission system which will be involved in this exchange service. He also testified that the rate is fair and reasonable to the United States.

The contract contains a provision which requires applicant to provide standby service, when available, in connection with the exchange service above its own requirements in event of inability of the United States to deliver such electric energy by reason of plant failure or reduction in generation.

Another provision requires that a power factor of not less than 90% lagging shall be maintained on the exchange service, except where a lower power factor will not prevent full use of generators and transmission facilities. Several provisions of general nature common to contracts of this sort are also included. Applicant's witness claimed that this

contract was patterned after government power "Wheeling" contracts which are already in effect in the states of North Dakota, South Dakota, Idaho, Colorado, Wyoming, New Mexico, Arkansas, Oklahoma, Texas, and Montana.

✓ [Under the circumstances, it appears that the consummation of the contract is in the public interest and we are of the opinion that the contract should be authorized. Nevertheless, our authorization is granted on the premise that performance under the contract shall not be permitted to burden or prejudice applicant's customers. While applicant's revenues will be reduced somewhat as these loads are placed on an exchange service basis, expenses of purchased energy also will be reduced and revenue will be received for the transmission service.]

The contract was executed by Pacific Gas and Electric Company on April 2, 1951, and contains a provision that if such contract is not authorized by this Commission within six months, the Government may terminate this contract by giving written notice thereof to the applicant. The contract does not contain the clause, usually required by this Commission, under its General Order 96 providing that the contract shall be subject, at all times, to change or modification as the Commission may direct in the exercise of its jurisdiction. The fact that such clause does not appear in the agreement does not in any way exempt the company or the contract from the Commission's continuing jurisdiction in this matter.

#### O R D E R

Public hearing having been held on the above-entitled application, the matter having been submitted and now being ready for decision,



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IT IS HEREBY ORDER<sup>ED</sup> that applicant be and it is authorized to carry out the terms and conditions of the written contract dated April 2, 1951 with the United States of America, Department of the Interior, Bureau of Reclamation, Central Valley Project, California, and to render the service under the rates, terms, and conditions prescribed therein.

IT IS HEREBY FURTHER ORDERED that applicant shall notify this Commission promptly of the termination of said contract if such contract is terminated prior to April 2, 1961, and shall request further authorization from this Commission for any change or modification of such contract or for any extension of said contract beyond its original term.

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

Dated at San Francisco, California, this 7<sup>th</sup> day of August, 1951.

Justin J. Casner  
Harold P. Huls  
Francis P. Patten  
Robert E. Mitchell

Commissioners.