

Decision No. 46073

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of PACIFIC )  
GAS AND ELECTRIC COMPANY and SOUTHERN )  
CALIFORNIA EDISON COMPANY for an order of )  
the Public Utilities Commission of the State )  
of California granting and conferring upon )  
applicants all necessary permission and ) Application No. 29071  
authority to carry out in accordance with ) (1st Supplemental)  
its terms and conditions an electric inter- )  
change agreement, dated December 31, 1947 )  
(Exhibit "A" hereof) )  
(Electric) )

OPINION AND ORDER ON FIRST SUPPLEMENTAL APPLICATION

In this first supplemental petition, filed June 18, 1951, Pacific Gas and Electric Company and Southern California Edison Company request authorization to carry out two agreements which are related to the power interchange agreement of December 31, 1947 between said companies, as submitted in the original application filed February 9, 1948 and authorized by Decision No. 41276 dated March 2, 1948. The two agreements for which authorization is now requested are:

1. A letter agreement dated April 10, 1951, modifying and extending the term of the power interchange agreement of December 31, 1947, and
2. An agreement dated May 9, 1951, relating, among other things, to the establishment of a new 250,000 kva interconnection between the respective electric systems of said companies.

The amendment of the power interchange agreement of December 31, 1947 would extend the term of said agreement for 10 years from December 31, 1951, or from the date of completion of the new 250,000 kva interconnection, whichever date is the later. The interchange agreement of December 31, 1947 provides for the exchange between Pacific Gas and Electric Company and Southern California Edison Company of electric energy for reasons of economy,

and also provides that each party will furnish, to the extent available, generating capacity and energy in the event of emergency on the other's system. The modifications of said agreement other than its term, which are contained in the letter agreement of April 10, 1951 are (a) an understanding that all arrangements for emergency power supplied by one party to the other in excess of the first party's available capacity through procurement of such power from other sources shall be by special arrangement, separate and apart from the provisions of said interchange agreement, and (b) a provision that, upon thirty (30) days' notice by either party, both parties shall undertake to revise said interchange agreement to cover all sales of power between the parties and to provide prices for such sales that will reflect current costs and be fair and equitable to both parties. The agreement provides that if such negotiations should not result in agreement as to prices within ninety (90) days, either party may submit the determination of fair and equitable prices for all power sales between the parties to the Public Utilities Commission of the State of California. A copy of the agreement of April 10, 1951 has been filed with the first supplemental application as Exhibit B and by reference is made a part hereof. It contains a provision that it shall not become effective until authorized by the Commission and at all times shall be subject to changes or modifications by the Commission in the exercise of its jurisdiction.

The second agreement dated May 9, 1951, for which authorization is now requested, is an agreement between Pacific Gas and Electric Company and Southern California Edison Company as to arrangements for a new 250,000 kva interconnection

between the Magunden Substation of Edison and the Midway Substation of Pacific. It contemplates elimination of the present 90,000 kva interconnection between the systems of the parties at Magunden. For the new interconnection Pacific is to provide, in addition to its existing 220 kv transmission line between Panoche Substation and Midway Substation, a second 220 kv transmission circuit with suitable switching facilities between said substations and a 220 kv transmission circuit of approximately 250,000 kva capacity between Midway Substation and a terminus near Kern Steam Plant, with suitable switching facilities at Midway Substation.

Edison is to provide a 220 kv transmission line of approximately 250,000 kva capacity between Magunden Substation and the point of connection with Pacific's line near Kern Steam Plant, together with transformers, meters, and other facilities at Magunden Substation.

According to the agreement the estimated total cost of the facilities Pacific is to install is \$2,283,000 and the estimated cost of facilities Edison is to install is \$1,362,000. The agreement provides that Edison shall pay monthly to Pacific as a carrying charge 1% of one-half of the difference between the cost of facilities provided and installed by Pacific and the cost of facilities provided and installed by Edison. The estimated costs given above are to be used until actual original cost of the facilities initially provided has been determined, at which time a retroactive adjustment is to be made in order that payments may reflect said actual cost. According to the contract, said payments by Edison are to terminate with the expiration of 120 months or when Pacific shall first use its Midway-Kern transmission line for its own use in the event that such use of said line is made prior to the expiration of said 120 months.

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A copy of the agreement for 250,000 kva interconnection, dated May 9, 1951, is attached to the first supplemental application as Exhibit C and is made a part hereof by reference. A clause in said agreement provides that it shall not become effective until authorized by this Commission and that at all times it shall be subject to change or modification by this Commission in the exercise of its jurisdiction.

The supplemental application states that the conversion of Edison's system from 50 to 60 cycles makes possible the interchange of large blocks of power between the systems of Pacific and Edison and that the increase in interconnection capacity will permit both Pacific and Edison to (a) reduce the operation of less efficient steam electric generating units, (b) pool reserves, (c) exchange energy with resultant savings in the cost of production, (d) improve service continuity, and (e) obtain emergency assistance. It is apparent that important advantages to the electric utility industry and its customers in California will be derived from such a large capacity interchange facility between the systems of these two companies. It is our opinion that authorization to carry out the terms and conditions of the two contracts is in the public interest. The letter agreement of April 10, 1951 provides for the future determination or revision of prices for all power sales between the parties. It is expected that said companies will obtain prior authorization from this Commission before making effective such revised or newly developed prices. Since the agreement for the 250,000 kva interconnection dated May 9, 1951 provides for payments predicated upon costs which are yet to be determined, the order herein will provide for the filing of a statement of said costs after they have been determined.

The Commission having considered the proposed agreements and being of the opinion that the carrying out of said agreements should be authorized and that a public hearing is not necessary, and good cause appearing, therefore,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company and Southern California Edison Company be and they are hereby authorized to carry out, in accordance with the terms and conditions thereof:

1. A letter agreement between Pacific Gas and Electric Company and Southern California Edison Company, dated April 10, 1951, modifying and extending the initial term of an existing power interchange agreement between said parties dated December 31, 1947; and
2. An agreement between Pacific Gas and Electric Company and Southern California Edison Company, dated May 9, 1951, which agreement relates, among other things, to the establishment of a new 250,000 kva interconnection between the respective electric systems of said companies.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company and Southern California Edison Company shall file (a) a statement showing the date of completion of said 250,000 kva interconnection, (b) a statement or statements showing the actual original cost of the facilities initially provided for said 250,000 kva interconnection as finally entered on the books of each party in "Electric Plant Accounts", as prescribed by this Commission, and (c) notice of the date of termination of payments by Southern California Edison Company to Pacific Gas

and Electric Company, under Article 11 of the agreement of May 9, 1951, if said payments are terminated prior to the expiration of the 120 months' period specified in said article.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 14<sup>th</sup> day of August, 1951.

R. Z. [Signature]  
Justin J. [Signature]  
Harold P. [Signature]  
[Signature]

Commissioners.