

ORIGINAL

Decision No. 46474

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 applicant )  
all necessary permission and authority )  
to carry out the terms and conditions )  
of an agreement with the UNITED STATES )  
OF AMERICA, dated October 3, 1951, )  
copy whereof is attached hereto, )  
marked Exhibit "A". )

Application No. 32796

Robert H. Gerdes, Ralph W. DuVal and William B. Kuder,  
for applicant; Dion R. Holm and Paul L. Beck, for City of  
San Francisco, interested party; Bruce Renwick, Gail C. Larkin  
and James Davenport, for Southern California Edison Company,  
interested party; Paul E. Shaad, Albert J. Hamilton and  
Frank L. Sprague, for the Sacramento Municipal Utility District,  
interested party; Fred C. Hutchinson, Robert T. Anderson, for  
the City of Berkeley, interested party; Helen Moss and  
Oliver O. Rands, for the Bureau of Reclamation, Region No. 2,  
interested party; C. T. Mess, for the Commission's staff.

O P I N I O N

The above-entitled application was filed October 5, 1951,  
by Pacific Gas and Electric Company, a California corporation, and  
requests an order granting and conferring upon applicant all  
necessary permission and authority to carry out the terms and con-  
ditions of an agreement dated October 3, 1951, between applicant  
and the United States of America. Said contract relates to the  
sale and interchange of electric power and energy between  
applicant's system and that of the Central Valley Project of the  
United States. The contracting agency of the United States is  
the Department of the Interior, Bureau of Reclamation, and the  
contract is numbered I75r-3428. A copy of said contract, 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 Commissioner Huls and Examiner Knerr on November 13, 1951, at San Francisco, California.

In brief, the contract establishes specified terms and conditions for the following:

1. The sale by the United States and purchase by applicant of both dependable and non-dependable capacity of the Central Valley Project, with associated energy, above the capacity and energy required by loads of the United States and its customers which the United States gives notice are to be served from Project Dependable Capacity or from capacity furnished as in 2, below.
2. The supply to the United States by applicant of capacity and energy necessary to supply any deficiency in the capacity and energy of the Central Valley Project for the supported firm load of the United States and its customers as described in Article 12(b)(3) of the contract.
3. The integrated operation of the power facilities of both parties and the furnishing of standby service by either party to the other under certain limitations.

Under its terms the contract is to become effective upon the effective date of this Commission's order of authorization and shall terminate April 1, 1961, unless terminated at an earlier date based on certain of its provisions. Upon becoming effective, the contract will supersede and cancel presently effective Contracts Nos. I75r-1595 and I75r-1631, which provide, respectively, for the sale of energy from the Central Valley Project to applicant and for the storage of energy in Shasta Reservoir for applicant's account.

Payments for electric power and energy sold to applicant under Contract No. I75r-3428 are to be at the following rates:

1. Demand Charge:  
\$0.75 per kilowatt of Contract Dependable Capacity;  
\$0.25 per kilowatt of Non-Dependable Capacity.

2. Energy Charge:

First 130 kilowatt-hours per kilowatt of Contract Dependable Capacity at 4 mills per kilowatt-hour; Next 130 kilowatt-hours per kilowatt of Contract Dependable Capacity, and first 260 kilowatt-hours per kilowatt of Non-Dependable Capacity sold to the Contractor hereunder, at 3 mills per kilowatt-hour;

Balance of all energy at 2 mills per kilowatt-hour.

3. Discount:

The total bill as computed at the above rates shall be subject to a discount of five per cent (5%) for deliveries made at 44 kilovolts or higher.

The United States is to pay for capacity and energy furnished by applicant under the contract to supply deficiency in the capacity and energy of the Central Valley Project for supported firm load, at the rate of \$1.875 per kilowatt per month for the maximum capacity furnished in that month or the eleven (11) months immediately preceding that month and an energy charge equal to 1.15 times the average price per kilowatt-hour paid by applicant to the United States under the energy charge and discount provisions quoted above during the period from the effective date of the contract to the end of the month preceding the month in which sale to the United States was made. The contract also contains provisions for modification of the above-quoted rates, subject to the right of either party to terminate the contract in the event of modifications of rates by the other party.

The Project Dependable Capacity is established under the contract as 300,000 kilowatts, subject to redetermination upon request of either party made not more often than once a year. In addition, upon request of either party made approximately six (6) months before the date upon which Folsom Reservoir is scheduled for operation as a part of the Central Valley Project, the Project Dependable Capacity, as affected by operation of Folsom Reservoir

and each generating unit installed in Folsom and Nimbus plants, shall be redetermined. The Contract Dependable Capacity, however, is determined by deducting from the Project Dependable Capacity the maximum demand of the firm load of the United States and its customers which the United States gives notice are to be served from Project Dependable Capacity. The United States is to give such notice to applicant at least annually of the estimated requirements for the ensuing four-year period of existing or anticipated loads of the United States and its customers. It appears, therefore, that Project Dependable Capacity may be allotted by the United States primarily to its own service and service to its customers before it is obligated under this contract to deliver dependable capacity to applicant. The United States is to make available to applicant all nondependable capacity which is not required for service to federal agencies, except that the United States may withdraw any part of such nondependable capacity for sale to preference customers upon three (3) years' advance notice to applicant.

The Commission has received a letter of protest dated November 11, 1951, from the Truckee Public Utility District, requesting that applicant in this proceeding be required to deliver energy from the United States to the District during the life of the agreement. No provisions of this contract, No. I75r-3428, provide for delivery to others by Pacific Gas and Electric Company of energy received from the United States. It appears that the District's protest is directed to provisions of a Transmission Agreement, No. I75r-2650, dated April 2, 1951, for which authorization was granted to Pacific Gas and Electric Company by this Commission's Decision No. 46058 dated August 7, 1951, after public hearing held on May 28, 1951.

The contract provides for the integrated operation of the electric systems of the Central Valley Project and of applicant

for the purpose of developing the full capabilities of Project plants for use in meeting the power requirements of the area. In this respect, within the limits of the water available for release from Project reservoirs, water release requirements, and safe operation of Project facilities, all as determined by the contracting officer of the United States, applicant is to schedule the operation of Project plants up to the full capabilities thereof.

At the hearing, counsel for Southern California Edison Company requested that the Commission not make a determination that certain hydroelectric development on the San Joaquin River should be constructed by the United States. Edison's counsel requested further that the Commission not make a determination that the San Joaquin River plants, if constructed as a part of the Central Valley Project, should be integrated with the system of Pacific Gas and Electric Company. No question relating to such future hydroelectric construction is presented specifically in this proceeding. With respect to the integration of the electric operations of the Central Valley Project with the operations of the system of Pacific Gas and Electric Company, it is to be noted that the explanatory recitals contained in the contract mention only the Shasta and Keswick power plants on the Sacramento River near Shasta Dam and the proposed Folsom and Nimbus power plants on the American River near Folsom Dam. Project plants are defined in Section 9(b) of the contract as "Hydroelectric power plants now or hereafter authorized as part of the Project by the Congress of the United States, or pursuant to Acts thereof." It is not clear whether or not the term "Project plants", as so defined, is intended to include all such plants which may be authorized during the term of the contract. Furthermore, the contract provides for determination of Project Dependable Capacity based upon the capacity

of Shasta and Keswick power plants with specific provision for redetermination to account for capacity of the Folsom and Nimbus plants. No other plants which may be authorized and constructed in the future as a part of the Central Valley Project are specifically mentioned in the contract. At this time the Commission cannot pass upon the effect on the public interest of the integration with applicant's system of plants which may have been suggested for future construction but which have not been authorized. It is expected that if applicant desires to integrate with its system the operation of additional hydroelectric plants constructed as a part of the Central Valley Project, other than the Shasta, Keswick, Folsom, and Nimbus plants, some modification of the contract would be desirable and applicant will request further authorization for such integration and such modification of the contract. Counsel for applicant stated that he was of the opinion that if any change were made in the contract applicant would expect to come back before this Commission for the approval of such change.

Applicant's witness stated that the cost of power purchased from the Central Valley Project at Shasta Substation during the period from July 1, 1950 to June 30, 1951, approximately 2,193,000,000 kilowatt-hours, would have been about \$1,700,000 less under the terms of Contract No. 175r-3428 than was paid under the then existing contracts. He pointed out, however, that such a reduction in power costs which applicant would experience if the new contract is made effective will be diminished by withdrawal of Project Dependable Capacity and associated energy for deliveries by the United States to its customers and for its own uses.

The contract provides that applicant, by entering into this contract, does not dedicate or intend to dedicate its facilities

to the service provided for in this contract for the use 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 pass upon the legal effect of this provision.

Under the circumstances, it appears that the consummation of the contract is in the public interest and we are of the opinion that approval of the contract should be authorized. The contract was executed by officers of both parties on October 3, 1951 and contains a provision that if such contract is not authorized by this Commission within nine (9) months the contract shall become null and void. The contract does not contain the clause, usually required by this Commission under its General Order No. 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 contract does not in any way exempt applicant 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,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be and it hereby is authorized to carry out the terms and conditions of the written contract dated October 3, 1951, and numbered I75r-3428, with the United States of America, 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 said contract is terminated prior to April 1, 1961, and that applicant shall request further authorization from this Commission for any change or modification of said contract or any extension of said contract beyond its original term or to cover the integration with its system of the operation of any hydroelectric plants of the Central Valley Project other than the Shasta, Keswick, Folsom and Nimbus plants.

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

*Q. 3. m*

Dated at ~~San Francisco~~ <sup>Los Angeles</sup>, California, this 27th day of November, 1951.

R. Z. Anderson  
President.

Justus F. Casper  
Harold Kule

Harriet Patten  
John E. Mitchell  
Commissioners.