

# ORIGINAL

Decision No. 47167

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

(Amended Title) )  
In the matter of the application of )  
PACIFIC GAS AND ELECTRIC COMPANY for )  
an order of the Commission authorizing )  
applicant to carry out the terms of an )  
agreement with KAISER ALUMINUM & )  
CHEMICAL CORPORATION (formerly The )  
Permanente Metals Corporation and )  
prior thereto Todd-California Ship- )  
building Corporation) dated April 28, )  
1952, modifying and extending the )  
term of an agreement dated July 2, )  
1941, as amended. )  
(Electric) )

Application No. 24232  
(1st Supplemental)

## FIRST SUPPLEMENTAL OPINION AND ORDER

In this application Pacific Gas and Electric Company requests authorization to carry out the terms of an agreement with Kaiser Aluminum & Chemical Corporation, dated April 28, 1952, declaring and finding that the increases in rates or charges which will result from the consummation of said agreement are justified, and granting such further authorization as the facts necessitate or warrant.

A copy of said agreement is attached to the supplemental application as Exhibit No. 2 and is made a part hereof by reference. Said agreement by its terms modifies and extends the term of an agreement, hereinafter known as Permanente Contract, between Pacific Gas and Electric Company and Todd-California Shipbuilding Corporation, dated July 2, 1941 and subsequently modified by letter agreement dated April 18, 1945. Applicant states that Kaiser Aluminum & Chemical Corporation was formerly The Permanente Metals Corporation and prior thereto

was Todd-California Shipbuilding Corporation. The Permanente Contract provides for electric service to the magnesium plant of Kaiser Aluminum & Chemical Corporation, located on Permanente Road in the County of Santa Clara, during a period ending April 30, 1952. Authority to enter into the agreement of July 2, 1941, and to supply the electric service under the terms of that agreement was granted by Decision No. 34332, dated June 24, 1941, in the original application under this application number. The subsequent agreement, dated April 18, 1945 and entitled "Modification and Assignment of Contract with Permanente Metals Corporation" was entered into by Pacific Gas and Electric Company, the City and County of San Francisco, and The Permanente Metals Corporation, and provided, among other things, for the assignment to the City by Pacific of Pacific's interest in the Permanente Contract for a period ending at midnight on November 30, 1949. A copy of the agreement of April 18, 1945 is of record as Exhibit "D" in Application No. 26728, and authority to carry out the terms of that agreement was granted by Decision No. 37954, dated May 29, 1945. A subsequent letter agreement between Pacific and City, under date of November 16, 1949, extended to March 11, 1954 the term of assignment of the Permanente Contract, and also provided for the assignment, subject to rejection by the City, of any contract replacing or renewing the Permanente Contract.

Thus, under the several agreements, as they existed immediately prior to April 30, 1952, the City of San Francisco was supplying the electric service for Kaiser Aluminum & Chemical Corporation's magnesium plant, and Kaiser was paying for said service at rates established in the agreement between Pacific Gas and Electric Company and Todd-California Shipbuilding Corporation, dated July 2, 1941. Under the modification agreement

of April 28, 1952, the service conditions will remain as before but the rates will be changed and the term of the agreement extended until April 30, 1962. In addition, the curtailment provisions have been revised and the maximum load to be supplied under the agreement limited to 35,000 kilovolt-amperes in place of 75,000 kilovolt-amperes as provided in the Permanent Contract.

The new rates which would be established under the agreement of April 28, 1952 are the same as those rates recently made effective by Pacific for deliveries to The Dow Chemical Company and Hercules Powder Company pursuant to authorization contained in Decisions Nos. 46946 and 46947, respectively. Under the said agreement, the conditions for curtailment of service to Kaiser are the same as the conditions contained in the contracts between Pacific and Dow Chemical and Hercules Powder, with the modification in accordance with the Commission's order in the above-mentioned decisions. Pacific states in its application that Kaiser Aluminum & Chemical Corporation paid \$399,670 for the purchase and use of 99,168,000 kilowatt-hours during 1951 under the then existing contract. Pacific states further that charges for said service, if billed in accordance with the schedule of rates contained in the agreement of April 28, 1952, would have amounted, in the aggregate, to the sum of \$516,000. Pacific alleges that the increase in charges finds justification in the facts that during the period of time intervening between the date of the original contract (July 2, 1941) and the present there has been a material increase in the over-all cost of furnishing and supplying electric service, resulting from substantial increases in installation costs and operating expenses, and that under the terms and conditions of the contracts here involved Kaiser Aluminum & Chemical Corporation will receive electric service and rates.

and charges which are not more than fair and reasonable to said customer. Pacific states, further, that Pacific and Kaiser have entered into said agreement of April 28, 1952 and are desirous of performing the covenants thereof.

Under an agreement dated April 18, 1945, between Pacific Gas and Electric Company and the City and County of San Francisco, the term of which was extended to March 11, 1954 by letter agreement dated November 16, 1949, Pacific is to supply to City supplemental power and energy required by City over and above the available output of its Hetch Hetchy plants to enable City to meet its obligations under the Permanente Contract and a contract with Permanente Cement Company. We noted in Decision No. 37954 that the rate at which Pacific would supply such extra power to City for deficiencies in its ability to supply Permanente Metals Corporation was predicated upon the "follow-on block" of the Permanente Contract. If the same relationship is to prevail under the new agreement between Pacific and Kaiser, it seems appropriate that a modification of the agreement for lease and for supply of supplemental power for cement and magnesium plants, dated April 18, 1945, between Pacific Gas and Electric Company and the City and County of San Francisco be entered into.

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,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified; therefore,

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 agreement dated April 28, 1952, with Kaiser Aluminum & Chemical Corporation and to deliver the electric energy and service under the terms and conditions stated in said agreement.

The effective date of this order shall be ten (10) days after the date hereof.

Dated at San Francisco, California, this 16<sup>th</sup> day of May, 1952.

*R. J. [Signature]*  
President:  
*James J. [Signature]*  
*Harold A. [Signature]*  
*[Signature]*  
Commissioners.