

ORIGINAL

Decision No. 48202

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
PACIFIC GAS AND ELECTRIC COMPANY and)
CITY AND COUNTY OF SAN FRANCISCO,)
acting through its Public Utilities)
Commission, for an order approving) Application No. 26728
certain written agreements hereunto) (Second Supplemental)
annexed, marked Exhibits "A", "B",)
"C", "D", and "E", respectively.)
(Electric))

SECOND SUPPLEMENTAL OPINION AND ORDER

In this second supplemental application, Pacific Gas and Electric Company seeks authority to carry out the terms and conditions of a supplemental letter agreement with the City and County of San Francisco acting through its Public Utilities Commission. Said letter agreement, dated November 19, 1952, Exhibit G of said supplemental application, would increase the rates for supplemental power furnished by applicant to the city as presently provided for in paragraph 5 of an existing supplemental power contract between said parties, dated April 18, 1945, as heretofore extended and modified.

With its original application in this proceeding, filed May 10, 1945, applicant requested authority to carry out five agreements, copies of which were filed as Exhibits A to E, inclusive, in the application. Those agreements related to the furnishing by applicant of facilities to transmit energy for the city, to the furnishing of supplementary energy, standby service and other services, provided arrangements under which the city would supply electric service formerly supplied by applicant to Modesto Irrigation District, Permanente Cement Company and

The Permanente Metals Corporation, and contained arrangements for lease by applicant to city of certain transmission lines, substations and related facilities. By Decision No. 37954, dated May 29, 1945 (45 CRC 740), this Commission granted to applicant authority to consummate and carry out the terms of those five agreements. The basic agreement between the city and applicant, Exhibit A, dated March 14, 1945 will expire according to its terms at midnight on March 11, 1954. That agreement, with the four related agreements, established a basis for the city's disposition of the output of its Hetch Hetchy hydroelectric power development.

By agreements designated Exhibits C and D, applicant assigned to the city its contract of November 11, 1944 with Permanente Cement Company for furnishing electric energy to the latter's cement plant located in Santa Clara County, California and its contract with The Permanente Metals Corporation of July 2, 1941 for furnishing electric energy to the latter's magnesium plant located adjacent to the cement plant. By the agreement designated Exhibit E, applicant leased to the city one 110 kv circuit of its transmission line extending from its Newark substation to the above-mentioned magnesium plant with related facilities and agreed to furnish city any supplementary energy that city might require over and above the available output of the Hetch Hetchy plants to enable city to meet its obligation to supply electric energy to the above-mentioned cement and magnesium plants under the aforesaid assigned contracts.

With its first supplemental application in this proceeding filed December 2, 1949, applicant requested authority to carry out the terms and conditions of a supplemental letter agreement with the city dated November 16, 1949, designated Exhibit F. Said letter agreement, among other things, extended the term of the

Agreement of Lease and for Supply of Supplemental Power to March 11, 1954. Authority to carry out the terms and conditions of said supplemental letter agreement was granted to applicant by Decision No. 43694 (49 CRC 296) dated January 17, 1950.

In its second supplemental application, applicant reaffirms all of the statements set forth in the original and first supplemental applications and requests the Commission to treat said applications for all purposes as part of the present second supplemental application.

By an agreement dated April 28, 1952 between applicant and Kaiser Aluminum & Chemical Corporation (formerly Permanente Metals Corporation and prior thereto Todd-California Shipbuilding Corporation) hereinafter called the Chemical Corporation, the contract of July 2, 1941 between applicant and the Chemical Corporation was modified so as to increase the rates and change certain other provisions. Applicant was authorized to carry out the terms and conditions of said agreement of April 28, 1952 under the order in Decision No. 47167, dated May 16, 1952 in First Supplemental Application No. 24232. In that decision the Commission stated its opinion that a modification of the agreement for supply of supplemental power seemed appropriate if the original relationship between the charges for such supplemental power and the charges to the Chemical Company was to prevail.

Applicant states that city now is and for some time past has been charging and collecting from said Chemical Corporation for electric service supplied under the provisions of said assigned power contract of July 2, 1941 the increased rates and charges provided for in said amendatory agreement of April 28, 1952 between applicant and Chemical Corporation. Applicant further states that on or about November 10, 1952, city made effective as a result

of this Commission's Decision No. 47832, October 15, 1952 authorizing increases in applicant's electric rates, the increased rates and charges which became applicable for electric service supplied to Permanente Cement Company under an assigned contract between applicant and the Cement Company dated November 11, 1949.

Applicant also states that city has been purchasing supplementary power and energy under the afore-mentioned contract of April 18, 1945 for supply of supplemental power as previously extended and modified and that applicant has charged for such supplementary power and energy furnished prior to April 15, 1950 the following rates as set forth in paragraph 5 of said contract of April 18, 1945:

For the magnesium plant:

\$0.25 per kw of the maximum demand each month,
plus 2.9 mills per kwhr.

For the cement plant:

\$0.88 per kw of the maximum demand each month,
plus 3.7 mills per kwhr.

According to applicant, the above rates were increased by 6% for service supplied on and after April 15, 1950 pursuant to authorization contained in Decision No. 43972 (49 Cal. P.U.C. 520), March 21, 1950. In this connection, the letter agreement between applicant and city, dated November 16, 1949, provided in part as follows:

".... It will also be understood that this Company's rates and charges for electric service set forth in the Agreement of Lease and for Supply of Supplemental Power for Cement and Magnesium Plants referred to in Paragraph 3 above and in the contracts which are assigned as stated in Paragraphs 1 and 2 above are subject to increase or decrease in accordance with orders of said Commission acting within its jurisdiction."

By Decision No. 47832, issued October 15, 1952 in Application No. 32589, the Commission did not authorize applicant

to increase further the rates prescribed in its contract of April 18, 1945 with the city but indicated that applicant might effect increases through renegotiation of the contract, either by placing the business on applicable filed tariff rates wherever possible or by submitting the renegotiated contract for approval by this Commission in the manner specified by General Order No. 96.

Applicant states that following negotiations between applicant and city they entered into a letter agreement, dated November 19, 1952, revising and increasing, effective as of November 10, 1952, the rates for supplementary power and energy as contained in paragraph 5 of said Supplementary Power Contract of April 18, 1945, as previously extended and modified, subject to the granting of authorization to applicant by the Commission to carry out its terms. The revised rates to be made applicable to the supplementary power and energy supplied and to be supplied by applicant to city are as follows:

For the magnesium plant:

\$0.30 per kw of the maximum demand each month,
plus 3.6 mills per kwhr.

For the cement plant:

\$1.07 per kw of the maximum demand each month,
plus 4.5 mills per kwhr.

The special conditions and all other terms of said contract remain unchanged. Applicant points out that these revised rates are the same as those it proposed in Application 32589 except that the proposed fuel adjustment clause has been omitted. As stated in Decision No. 47832, the summary of increases shown therein was calculated at the rate level proposed by applicant for the supplemental power and energy furnished to the city pending renegotiation of the contract.

The letter agreement, dated November 19, 1952, contains the statement that it will be understood that the agreement shall be subject to the granting of authorization to the applicant by the Public Utilities Commission of the State of California to carry out its terms and that it will also be understood that this agreement shall be subject to such modification by said Commission as it may from time to time direct in the exercise of its jurisdiction.

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.

IT IS HEREBY ORDERED that applicant be and it is authorized to carry out the terms and conditions of the letter agreement entered into between the Pacific Gas and Electric Company and the City and County of San Francisco, dated November 19, 1952.

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

Dated at San Francisco, California, this 27th day of January, 1953.

A. J. [Signature]
President.
Justus J. [Signature]
Harold P. [Signature]
[Signature]
[Signature]
Commissioners.