

ORIGINAL

Decision No. 49397

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)	Application No. 29071
granting and conferring upon appli-)	(2nd Supplemental)
cants all necessary permission and)	
authority to carry out in accordance)	
with its terms and conditions an)	
electric interchange agreement, dated)	
December 31, 1947 (Exhibit "A" hereof),)	
(Electric))	

OPINION AND ORDER ON SECOND SUPPLEMENTAL APPLICATION

In this second supplemental petition, filed November 13, 1953, 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. Said interchange agreement was submitted in the original application filed February 9, 1948 and authorized by Decision No. 41276 dated March 2, 1948. Two amendatory agreements dated April 10, 1951 and May 9, 1951, respectively, were submitted in the first supplemental application filed June 18, 1951 and authorized by Decision No. 46073 dated August 14, 1951. The two agreements for which authorization is now requested are:

1. A letter agreement between Pacific and Edison, dated June 8, 1953, as amended August 19, 1953, effecting revision of certain of the charges payable by Edison and/or Pacific under said interchange agreement; and
2. An agreement between Pacific and Edison, dated September 14, 1953, making provision, among other things, for payment by Edison in accordance with said

interchange agreement for interchange power delivered over the Herndon-Academy 220 kv transmission line, the sale by Pacific and purchase by Edison of the Herndon-Academy line, operation of said line for an interim period pending its sale, the operation of the Herndon terminal facilities by Pacific, and payment by Edison of annual fixed and operating costs of said line and terminal facilities.

Under the letter agreement of June 8, 1953, as amended by a further letter agreement dated August 19, 1953, Pacific and Edison agreed upon the following changes in the charges payable under the interchange agreement of December 31, 1947, as amended, namely:

1. To increase capacity charges applicable to emergency generating capacity from \$1.25 per kw to \$1.50 per kw.

In this respect applicants state that the 1947 interchange agreement, as amended, contemplates that the supplying company will have the benefit of its lower cost facilities and the receiving company will be assigned the higher cost facilities for service thereunder. Except for minor periods of spill, all power exchanged under said agreement has been that generated in steam-electric plants. Accordingly, in studies made to arrive at adjusted increased charges, considerations were limited to steam costs. Analyses made by Pacific for cost of capacity supplied from typical steam-electric plants on its system show that such costs, which ranged from \$61 to \$92 per kw prior to December, 1947,

ranged from \$114 to \$145 per kw during the period 1948 to 1952. By reason of such increased costs, Pacific concluded that the increase in the capacity charge from \$1.25 to \$1.50 per kw was fully justified. Edison made a check of the reasonableness of the said increased capacity charge and as a result concluded that said 25 cents per kw increase in capacity charge was proper.

2. To include a running maintenance charge of \$0.0002 per kilowatt hour on all energy delivered under the 1947 agreement as amended.

The interchange agreement prior to June 8, 1953 did not contain the value of the running maintenance charge. However, energy exchanged between Pacific and Edison heretofore has included a running maintenance charge of \$0.0001 per kilowatt hour to compensate for normal wear and tear of the generating equipment for each kilowatt hour of electric energy produced. Applicants state that an increase in the running maintenance charge to \$0.0002 per kilowatt hour is justified by the fact that maintenance, material and labor costs involved have more than doubled since the original basis of the charge was established.

Copies of the letter agreement between Pacific and Edison, dated June 8, 1953, and the amendment dated August 19, 1953 are attached to the second supplemental application as Exhibit "D" and are made a part hereof by reference. A clause in said agreement,

as amended, provides that it shall not become effective until authorized by this Commission.

The agreement dated September 14, 1953 makes provision, among other things, for:

1. The purchase by Edison and the sale and conveyance by Pacific on or before July 1, 1954 of said Herndon-Academy transmission line, at a price equal to Pacific's actual cost of acquisition and improvement of the rights of way and the acquisition, installation and improvement of all facilities constituting said transmission line, upon the terms and conditions set forth in said agreement.
2. The interim operation of said transmission line for the purpose of transmitting electric energy at high voltage to Edison's power facilities near Academy for the interval of time between July 1, 1953 and the date of purchase by Edison of said transmission line. During said interim period Edison will pay Pacific monthly, commencing July 1, 1953, one-twelfth of the annual fixed and operating costs of said transmission line. Said annual costs are deemed to be an amount equal to 16 per cent of the cost of said transmission line.
3. The operation by Pacific of the terminal facilities located at Herndon Substation until such time as said transmission line facilities shall be removed from their site. During said period Edison will pay Pacific

monthly, commencing July 1, 1953, an amount equal to one-twelfth of the annual fixed and operating costs of said terminal facilities. Said annual costs are deemed to be an amount equal to 16 per cent of the cost to Pacific of said terminal facilities.

4. The reimbursement of Pacific by Edison for the cost of the acquisition and installation of said terminal facilities in the event Edison elects to remove said transmission line facilities, or the same are actually removed from their site.

5. Pending completion of cost accounting by Pacific of the actual cost of acquisition, installation and improvement of all facilities constituting said transmission line and terminal facilities, payments shall be based upon Pacific's estimate of said costs, which is: (a) For said transmission line, \$850,000; (b) for said terminal facilities, \$146,000. Upon completion of cost accounting and ascertaining of said actual costs, payments shall be based on said actual costs to Pacific and a retroactive adjustment shall be made to conform payments theretofore made to payments that would have been made had the actual costs rather than the estimated costs been the basis of payment.

6. Edison to pay Pacific, in addition to the fixed and annual costs of said transmission line and terminal facilities, capacity and energy charges

for interchange power delivered to Edison at Herndon Substation over said transmission line in accordance with the aforementioned power interchange agreement of December 31, 1947, as amended. Until other arrangements are made, interchange power delivered to Edison at Herndon will be metered at Edison's Magunden Substation, with appropriate adjustments to compensate for line loss between Magunden and Herndon Substations.

Since the agreement relating to the Herndon-Academy transmission line, dated September 14, 1953, provides for payments predicated on 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.

A copy of the agreement for the sale and operation of said Herndon-Academy transmission line, dated September 14, 1953, is attached to the second supplemental application as Exhibit "E" 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.

The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred. }

The Commission having considered the proposed agreements, it appearing that the proposed transfer will not be adverse to the public interest and the Commission being of the opinion that the carrying out of the said agreements should be authorized and that 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 and Edison dated June 8, 1953, as amended by letter dated

August 19, 1953, effecting revision of certain of the charges payable by Edison and/or Pacific under an existing power interchange agreement between said parties, dated December 31, 1947, as previously amended; and

2. An agreement between Pacific and Edison, dated September 14, 1953, making provision, among other things, for sale by Pacific and purchase by Edison of the "Herndon-Academy 220 kv Transmission Line", operation of the line and terminal facilities by Pacific for annual fixed and operating costs, and payment by Edison of capacity and energy charges for interchange power delivered over said line.

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 purchase by Edison and the sale and conveyance by Pacific of said Herndon-Academy transmission line; (b) a statement showing the actual purchase price of said transmission line; (c) a statement showing the amount of monthly payments by Edison of fixed and operating costs of said transmission line; (d) a statement showing the actual original cost of said terminal facilities; and (e) a statement showing the

amount of monthly payments by Edison of fixed and operating costs of said terminal facilities.

The effective day of this order shall be twenty days after the date hereof.

Dated at New York, N.Y., California, this 8th day of December, 1953.

R. Z. [Signature]
President

Justice D. [Signature]

[Signature]

[Signature]

[Signature]
Commissioners