

ORIGINALDecision No. 50598

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application for Approval of Contract)	
Between CALIFORNIA ELECTRIC POWER)	
COMPANY and UNITED STATES GYPSUM)	Application No. 35765
COMPANY for Electric Service at)	
Midland, California.)	

OPINION AND ORDER

In this application California Electric Power Company asks authority to carry out the terms and conditions of an agreement dated August 23, 1954 with the United States Gypsum Company, a copy of which is attached to this application and marked Exhibit A. Said agreement relates to the supply of electric energy and power to customer at the latter's gypsum and manufacturing plant at Midland, Riverside County, California, the construction of certain facilities to render such service and the purchase by applicant from customer of certain distribution facilities now owned by customer.

Applicant states that the customer has heretofore supplied its own source of power from internal combustion engines and has also heretofore supplied its employees and certain other miscellaneous services with electrical service over a distribution system, totaling 160 services, owned and operated by the customer. Applicant further states that the customer is one of the largest producers of gypsum products in the United States and has a large investment in its Midland plant which is not assured of an adequate supply of power for its growing demands because of the limited capacity of its existing internal combustion engine generating plant.

Applicant also states that the total initial electric service requirement will consist of customer's existing manufacturing facilities with a total demand of approximately 2,500 kw and that 3,750 kva capacity will be furnished to customer at this time. On the basis of this demand the annual revenue is estimated at approximately \$100,000.

Applicant states that it will purchase from customer its existing distribution facilities for the sum of \$10,000 and will serve all customers on said distribution system under its regularly filed rate schedules and applicable rules and regulations. Applicant estimates that the annual revenue from this service is \$20,000.

Applicant also states that the facilities which it must construct to render such service are as follows:

- a. Necessary take-off facilities from the 34.5 kv bus of the Blythe Substation of the United States Bureau of Reclamation.
- b. Approximately 20.9 miles of 34.5 kv transmission line from said bureau substation to the Midland manufacturing plant of the customer.
- c. A 34.5 kv to 460 volt substation of 3,750 kva capacity at a location at customer's plant site.

Applicant estimates the installed cost of said facilities to be \$200,000. In accordance with applicant's Rule and Regulation No. 15, Paragraph (E), customer is advancing applicant \$190,000. This amount is refundable at the rate of 20% of the monthly bills for electric energy and service rendered by applicant to customer in accordance with Article 11 of the agreement. Since applicant is installing line capacity in excess of that required to render service to the customer in order to be in a position to render service to certain loads which may develop within the surrounding area, applicant has made an allowance to customer of \$10,000.

The agreement states that service will be rendered at the rates of applicant's present Schedule P-2, excepting that the minimum charge irrespective of that stated in said current P-2 Schedule or any other schedule hereafter in effect and applicable to customer's service shall at all times during the term and extensions of this agreement be as follows: the monthly minimum charge shall be \$2,000, accumulative over each contract year, and, in no event, shall the annual minimum charge for any contract year be less than \$24,000. Applicant maintains that the minimum charge set forth in the agreement is a special charge agreed upon by applicant and customer to insure applicant sufficient income to cover the overhead cost of the investment and facilities including taxes, operation, maintenance and depreciation and to further protect the applicant in the event operation of customer decreases below the anticipated requirements. In this connection applicant states that it has notified the customer that the rate set forth in the agreement is subject to a general rate increase applied for in its Application No. 34958.

The agreement sets forth that it shall become effective when authorized by this Commission and that it shall remain in effect for five years from and after the date of initial service and thereafter for an additional five years unless customer gives company six months' written notice of customer's desire to terminate the agreement at the expiration of the first five-year period.

Customer has expressed to applicant considerable concern about obtaining applicant's service at the earliest convenient date and especially that the construction of said transmission line be commenced as soon as possible and prosecuted diligently. Applicant

requests that, pursuant to Section 491 of the Public Utilities Code, such order be made effective forthwith upon its issue.

The agreement provides that it shall be subject at all times to such changes or modifications by the Public Utilities Commission of the State of California, as said Commission may from time to time direct in the exercise of its jurisdiction and that the agreement shall not become effective until authorized and approved by this Commission.

It appears that applicant, upon acquisition of customer's distribution facilities which are to be transferred under the agreement, is ready and willing to supply electric service to the customers served by these facilities. The action taken herein shall not be construed to be a finding of the value of the properties authorized to be transferred.

Since the applicant's rates for electric service are the subject of investigation in a proceeding now before this Commission, under Application No. 34958, it appears appropriate, therefore, to grant applicant's request in the present application and to place the parties on notice that final determination in Application No. 34958 may require a modification of the agreement of August 23, 1954 with respect to service to United States Gypsum Company.

The Commission having considered the above-entitled application and being of the opinion that the charges, rates, terms and conditions of the agreement are just and reasonable, that the application should be granted and that a public hearing in the matter is not necessary, therefore,

IT IS ORDERED AS FOLLOWS:

1. California Electric Power Company is authorized to carry out the terms of the agreement dated August 23, 1954 with United States Gypsum Company and to render the service described therein under the charges, rates, terms and conditions stated therein.

2. California Electric Power Company shall file with this Commission a statement showing the initial service date under said agreement and subsequently shall file a statement promptly after termination showing the date when said agreement was terminated.
3. California Electric Power Company shall file with this Commission a statement showing the date service was initially furnished the customers served by the distribution facilities acquired from United States Gypsum Company.

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

Dated at San Francisco, California, this 5th day of OCTOBER, 1954.

John E. McMill
President
Justus J. Cramer
Kenneth Lott
Gene Higgins
Paula Lubliner
Commissioners