

ORIGINALDecision No. 52086

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PACIFIC GAS AND ELECTRIC COMPANY and)
 SACRAMENTO MUNICIPAL UTILITY DISTRICT)
 for an order granting and conferring)
 upon Pacific Gas and Electric Company)
 all necessary permission and author-)
 ity to perform and carry out the)
 provisions of the written contract)
 made by and between applicants and)
 dated June 16, 1955.)
 (Electric))

Application No: 37129

OPINION AND ORDER

By the above-entitled application filed July 13, 1955; Pacific Gas and Electric Company and Sacramento Municipal Utility District seek an order of this Commission authorizing them to carry out the terms of a written contract dated June 16, 1955, which contract relates to the supply of electric power and energy by Pacific to Sacramento. A copy of said contract is attached to the application as Exhibit A.

Since July 1, 1954 Sacramento has been and now is purchasing Central Valley Project power and energy under a contract dated December 11, 1952, with the United States Bureau of Reclamation. Under the terms of said contract Sacramento will receive firm power up to a maximum demand of 290,000 kw for a period of 40 years terminating on June 30, 1994.

Pacific now is and ever since July 1, 1954 has been transmitting for the Bureau of Reclamation said electric power and energy to Sacramento, under the terms and conditions of the transmission and exchange (power wheeling service) contract No. 175r-2650

April 2, 1971

between Pacific and Reclamation dated April 2, 1951, as supplemented, and as authorized by this Commission.¹

The application states that since Sacramento anticipates that its power requirements will exceed the 290,000 kw covered by the afore-mentioned Sacramento-Reclamation contract, Pacific and Sacramento have entered into and executed a contract dated June 16, 1955. Under the terms and conditions of said contract Pacific agrees, among other things, to supply electric power to Sacramento up to a maximum firm demand of 300,000 kw, together with energy in such quantities as Sacramento shall require up to a maximum load factor of 100 per cent and to supply certain emergency power service. Subject to other provisions of the contract the termination date is to be April 1, 1971.

Basic Contract Rate

Subject to the provisions of Articles 8 and 9 of the contract, discussed hereinafter, Sacramento agrees to pay Pacific each month for the power and energy sold to it as follows:

1. Demand Charge:

\$1.65 per kilowatt of billing demand per month.

2. Energy Charge (to be added to the Demand Charge):

| Base Rate | Effective Rate |
|--------------------|--------------------|
| \$1.90 per Barrell | |
| \$0.00335 per kwhr | \$0.00335 per kwhr |

The above effective rate is based upon the posted price of fuel oil of \$1.90 per barrel, as set forth in subdivision (b) of said Article 8.

¹ Decision No. 46058, dated August 7, 1951, Decision No. 48176, dated January 19, 1953, and Decision No. 51021, dated January 25, 1955 (Application No. 32333).

The electric systems of Pacific and Sacramento will be connected at a point on Pacific's 220 kv Bucks-Bellota circuits directly west of Sacramento's Hedge Substation. Pacific will furnish and maintain air switches required to sectionalize such circuits in the vicinity of such point of connection. Sacramento will furnish and maintain all other transmission and substation facilities* required to take delivery of power and energy under said agreement at the Hedge Substation 110 kv bus. For the use of said transmission and substation facilities, Pacific shall pay Sacramento each month during the term of said contract \$0.00045 per kilowatt-hour of energy supplied by Pacific during such month, provided, that in any month such payment shall not apply to kilowatt-hours supplied to Sacramento by Pacific in excess of the Sacramento system load factor during such month or of a monthly load factor of 67 per cent, whichever is lesser.

Contract Provisions

For an understanding of the contract it will be helpful to mention several of the provisions contained therein.

Article 5 sets forth definitions of the various terms used in the contract which constitute the basis for billing.

Article 6 provides that Sacramento shall, in lieu of installing steam-electric power generation, purchase from Pacific, and Pacific shall supply, all Sacramento's steam-electric power requirements up to a maximum firm demand of 300,000 kw together with energy in such quantities as Sacramento's shall require up to a maximum load factor of 100 per cent.

Article 7 refers to the determination of demand and energy supplied by Pacific.

Article 8 refers to the payments for electric power and energy by Sacramento. In this article the fuel adjustment clause

referred to in the schedule of rates is set forth and provides for a deduction or addition of 0.0080 cents per kwhr to the energy base rate for each 5 cents that the posted price of standard bunker fuel oil, or equivalent, is below or above \$1.90 per barrel in tank car lots f.o.b. Richmond, Oleum, Martinez, or Avon refineries, whichever posted price is the lowest. The method used for determining billing demand is also discussed in this article. Pacific has furnished a hypothetical billing illustrating the application of the various terms used in the contract.

Article 9 dealing with emergency service provides for the determination of the billing demand in the event that, as a result of equipment failure only, the power supply to Sacramento from sources other than Pacific is reduced.

Article 10 includes the condition that Sacramento shall maintain a power factor at the point of delivery of not less than 90 per cent lagging at all times on the firm power supplied by Pacific. The article further provides that deliveries of power and energy shall commence when the total Sacramento demand shall exceed 290,000 kw or the contract rate of delivery then in effect between Sacramento and Reclamation, whichever is higher.

Article 13 describes the service areas of Pacific and Sacramento during the term of the contract.

Article 15 states that Pacific shall file within 30 days after the execution of the contract, an application with this Commission for an order authorizing Pacific to carry out the terms thereof. The article further provides that if such order is not issued and effective within nine months after the execution of the contract, the contract shall thereupon become null and void. It is stated that the contract shall at all times be subject to such changes or modifications by this Commission as it may from time to

time direct in the exercise of its jurisdiction. In the event that the schedule of rates, billing provisions, or payments for the use of Sacramento's facilities are changed by the Commission so that the net charges for service to Sacramento are increased during the term of the contract, Sacramento shall have the right to terminate the contract on not less than 30 months' notice to Pacific. If such schedule of rates, billing provisions, or facility payments are changed by the Commission so as to decrease the net payments received by Pacific under the contract, Pacific shall have the right to terminate the contract on not less than 30 months' notice to Sacramento. Such notice by either party to the other shall be given within 180 days after the effective date of such increase or decrease.

Article 16, relating to the term of contract, provides that the effective date of the contract shall be the effective date of the authorizing order and except as otherwise provided the contract shall terminate April 1, 1971. The article further describes Sacramento's right to cancel this contract on not less than 90 days' notice to Pacific given on or before April 1, 1959, in the event that Pacific and Reclamation shall not have agreed by April 1, 1958, to a contract between them containing provisions to enable Reclamation to supply Sacramento at least 290,000 kw at Sacramento's monthly load factor until April 1, 1971, or beyond, provided further that such cancellation by Sacramento shall not become effective prior to April 1, 1961.

Company Estimates

The company submitted figures based on Sacramento's 1964 estimated use of 442,500,000 kwhr and a maximum demand of 129,000 kw. These figures purport to show the total annual cost to serve Sacramento, which cost is based on the year 1954, and the revenue accruing to Pacific under the terms of this contract. The revenue per kilowatt-hour under the contract is estimated to be 0.6934 cents and

would allow a 4.4 per cent rate of return, compared to an average rate of 0.6859 cents per kilowatt-hour and approximately the same rate of return under Pacific's filed Schedule R, Resale Service.

The company also estimated the average billing demands, by years, from 1961 when total Sacramento demand is expected to exceed 290,000 kw, to 1971, the end of the contract. These estimates indicate an average monthly billing demand of approximately 4,900 kw during 1961, 89,490 kw during 1964, and 369,500 kw during 1970, the last year of the contract, and average rates in cents per kilowatt-hour of 0.7293, 0.6934 and 0.6689 for the respective years.

Conclusions

In granting the authorization herein requested, the Commission calls attention to its position as stated in recent decisions that, if it should appear in a rate proceeding that any losses are being incurred because of deliveries under this contract, such losses are not to be imposed on Pacific's other electric customers.

Cognizance is taken of Article 15 of the contract which, among other things, recognizes applicants' right to terminate the contract under certain conditions when and if the schedule of rates, billing provisions or facility payments are changed so as to affect net charges paid by Sacramento or received by Pacific. Applicants are hereby put on notice that in any future rate proceeding this Commission will not be obligated to consider the opposition of either party to any proposed changes in this contract predicated on the basis that a contract between the parties already exists as authorized by this Commission.

The Commission having considered the request of applicants and being of the opinion that the application should be granted and that a public hearing is not necessary, therefore,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be and it is authorized to carry out the terms and conditions of the

written contract made by and between Pacific Gas and Electric Company and Sacramento Municipal Utility District, dated June 16, 1955, and to render the service described therein under the terms, charges and conditions stated therein.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company shall file with this Commission a statement showing the date when delivery of power and energy under this contract shall be deemed to have commenced and subsequently shall file a statement, promptly after termination, showing the date when said contract was terminated.

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

Dated at San Francisco, California, this 18th day of October, 1955.

[Signature]
 President

[Signature]

[Signature]

[Signature]

[Signature]
 Commissioners