

**ORIGINAL**

Decision No. 53983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CALIFORNIA ELECTRIC)  
 POWER COMPANY For A Certificate )  
 under Section 1001 of the Public )  
 Utilities Code, Authorizing con- )  
 struction of a Steam Electric )  
 Generating Plant, Transmission )  
 Lines, and Gas Supply Line. )

Application No. 37463  
 (First Supplemental)

Donald A. Carman, for applicant.  
Bruce Renwick, Rollin E. Woodbury and  
Barnard Morse by R. E. Woodbury, for  
 Southern California Edison Company,  
 interested party.  
L. S. Patterson, for the Commission staff.

OPINION ON FIRST  
SUPPLEMENTAL APPLICATION

Applicant's Request

California Electric Power Company filed the above-entitled first supplemental application on June 8, 1956, requesting a certificate of public convenience and necessity, supplemental to that issued by Decision No. 52692 for the San Bernardino Steam Plant and for the first unit therein, authorizing a 60,000 kw second unit, and for additional transmission lines and equipment to connect this proposed No. 2 Unit to the system's main transmission circuits.

Public Hearing

After due notice, a public hearing was held upon this first supplemental application before Commissioner Ray E. Untereiner and Examiner M. W. Edwards on September 12, 1956 at San Bernardino, California. At the hearing applicant submitted two exhibits and testimony by four witnesses in support of its supplemental application. Authorization for the first unit in the plant was granted on February 28, 1956, and the Commission staff, represented by an electrical engineer, was concerned over the reason why applicant so promptly thereafter should seek authorization for another unit. The

staff representative thoroughly cross-examined the witnesses so that the Commission would have the detailed facts in the record to aid it in properly deciding this matter. No one offered any objection to the granting of the request.

Revised Load Growth Estimates

Applicant's earlier load growth estimate of approximately 11 per cent compounded annually was revised upward to 16.7 per cent for the next three years primarily because of large new industrial loads to be connected in the next six to nine months. Some of these larger industrial loads are:

West End Chemical Company	2,000 hp
Pacific Coast Borax Company	5,500
Kaiser Eagle Mountain Mine	8,160
Riverside Cement Co. at Oro Grande	4,500
Permanente Cement Co. at Cushenbury	13,000
Gladding McBean Co. at <u>Corona</u>	<u>3,400</u>
Total	36,560

In addition, a new 8,000 hp liquid oxygen plant is to be installed at Edwards Air Force Base.

Applicant's exhibits show the following trend in system kwhr sales and kw demands, both recorded and estimated for the operating years (June 1-May 31):

<u>Operating Years</u>	<u>Kwhr Sales</u>		<u>Gross kw Demands at Production</u>	
	<u>Quantity</u>	<u>Increase</u>	<u>Quantity</u>	<u>Increase</u>
Recorded:				
1951-52	762,194,000	--	150,332	--
1952-53	860,397,000	13%	170,598	13%
1953-54	975,503,000	13	194,953	14
1954-55	1,037,842,000	6	217,768	12
1955-56	1,150,057,000	11	238,444	10
Estimated:				
1956-57	1,325,363,000	15	270,000	13
1957-58	1,629,700,000	23	349,000	29
1958-59	1,825,900,000	12	396,000	13

Power Resources

The power resources and margins which applicant anticipates having available during the months when system peak loads occur are:

<u>Resources</u>	<u>Operating Year and Month</u>		
	<u>1956-57</u>	<u>1957-58</u>	<u>1958-59</u>
	<u>September</u>	<u>July</u>	<u>July</u>
Owned Hydro	46,000 kw	50,000 kw	50,000 kw
Highgrove Steam	162,000	162,000	162,000
San Bernardino Steam #1 Unit	0	66,000	66,000
San Bernardino Steam #2 Unit	0	0	66,000
Hoover Dam - Unit A-8	39,000	42,000	45,000
M.W.D. - Edison (Excess)	3,000	---	---
Purchased Power	<u>53,000</u>	<u>52,000</u>	<u>55,000</u>
Total Capability	303,000	372,000	444,000
Estimated Peak Loads	270,000	349,000	396,000
Margin - Quantity	33,000	23,000	48,000
- Ratio to Load	12%	7%	12%

The above tabulation does not include any allowance for capacity of up to 50,000 kw which applicant may obtain from the power system of the City of Los Angeles on an emergency basis over an inter-connecting line. In the past the Commission has considered that 30,000 kw of this 50,000 kw is reasonably firm capacity, but applicant considers this capacity as 30,000 kw of spinning reserve plus 20,000 kw of mutual reserve, available only in emergencies, that should not be included in its list of firm resources.

Estimated Plant Cost

Applicant estimates the cost of Unit No. 2 at \$8,004,116 and in Exhibit No. 2 furnished the following cost segregation:

<u>Account</u>	<u>Amount</u>
311 Structures and Improvements	\$ 273,622
312 Boiler Plant Equipment	3,278,422
314 Turbo-Generator Units	4,021,470
315 Accessory Electric Equipment	407,832
316 Miscellaneous Power Plant Equipment	<u>22,770</u>
Total - Steam Production Plant	8,004,116

In addition to the above figures, applicant estimates that transmission facilities directly associated with Unit No. 2 will cost approximately \$895,000.



Service Rights and Competition

Applicant represents that no certificate is required for the right to serve any cities or counties with the energy from the proposed unit. Such energy will go into its transmission and distribution system as part of the general supply to various cities and counties which applicant represents it is now and has been for many years serving and authorized to serve. Applicant states that the proposed construction will not compete with other utilities or increase or diminish competition, and, in this regard, mentions that it is and, for many years has been, distributing electric energy in competition with Southern California Edison Company. It served a copy of this first supplemental application on the Edison Company. Such company had counsel and a representative at the hearing, but offered no objection to applicant's proposal.

Findings and Conclusions

In the original proceeding herein one of applicant's witnesses testified that the second unit would be needed by July 1, 1958. Now, because of the sharp increase in prospective new industrial loads, an in-service date of June 1, 1958, is suggested for Unit No. 2. On the basis of the applicant's showing at the time of the original hearing we did not see fit to authorize Units Nos. 2, 3 and 4, but desired to wait until actual load growth experience showed that these additional units would be needed. In view of the experienced increase in load in the 1955-56 operating year and thus far in the 1956-57 operating year, and of the prospective large new industrial loads to be connected in the next six to nine months, it appears reasonable to use the applicant's load estimates for the 1958-59 operating year. Accordingly, we find and conclude that the proposed Unit No. 2 will be needed in June, 1958, and its present construction is in the public interest.

The Commission is concerned that the increase in applicants' investment in plant with units as large as 60,000 kw each might so depress earnings as to be a reason for applicant seeking an increase in rates. In our original decision herein we pointed out that there would be capital savings by installing 40,000 kw units, but because of the improved operating efficiency of the larger units we authorized the first unit at a size of 60,000 kw. One of applicant's witnesses studied this matter and testified that the addition of Unit No. 2 at a size of 60,000 kw would reduce the utility's over-all rate of return by approximately 0.17 per cent and that this reduction should be only temporary in view of the high plant factor at which he expected the unit to operate. He stated that there were other factors that would have a more important effect on rate of return than the installation of Unit No. 2. Apparently, applicant's load and system can reasonably be expected to have grown to such size by 1958 that it can absorb a 60,000 kw generating unit with nothing more than a temporary decrease in rate of return.

The Commission finds that public convenience and necessity require the construction, operation and maintenance of the proposed Unit No. 2 in the San Bernardino Steam-Electric Plant together with the necessary transmission line and appurtenances as proposed to place the second unit in operation by June, 1958, and that an order should be issued granting such authority.

The certificate of public convenience and necessity issued herein is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

ORDER ON FIRST SUPPLEMENTAL APPLICATION

The above-entitled supplemental application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision; therefore,

IT IS HEREBY ORDERED that California Electric Power Company be and it is hereby granted a certificate that public convenience and necessity require the construction, operation, maintenance and use of the second unit in the steam-electric generating plant described in this application, and the necessary transmission lines and appurtenances, the procurement of the requisite lands or land rights, permission or such franchises as may be necessary for the construction and operation of the second unit of the project, the production, transmission, distribution, delivery and sale of such electric energy as may be generated by the second unit to its present and prospective customers in accordance with its certificates of public convenience and necessity and with its rates, rules and regulations duly filed with the Commission.

IT IS HEREBY FURTHER ORDERED that California Electric Power Company shall file with this Commission a detailed statement of capital costs of the second unit of the generation project and the transmission lines and appurtenances within six months following their dates of completion.

The authorization herein granted will expire if not exercised within three years from the date hereof.

Dated at San Francisco, California, this 30th day of October, 1956.

John E. Decker  
President  
Justus F. Craemer  
Walter D. Dyer  
By Henry J. ...

Commissioners