

ORIGINAL

Decision No. 55107

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PACIFIC GAS AND ELECTRIC COMPANY)
 for an order granting and conferring)
 upon applicant all necessary permission)
 and authority to perform and carry)
 out the provisions of a contract)
 dated February 12, 1957 with the)
 UNITED STATES OF AMERICA which owns)
 and operates the AMES LABORATORY,)
 Moffett Field, California, of the)
 NATIONAL ADVISORY COMMITTEE OF)
 AERONAUTICS.)
 (Electric))

Application No. 38976

O P I N I O N

By the above-entitled application filed April 12, 1957, Pacific Gas and Electric Company seeks an order of this Commission authorizing it to perform and carry out the provisions of a written contract dated February 12, 1957, with the United States of America acting through the National Advisory Committee for Aeronautics. Said contract relates to the supply of certain electric power and energy by Pacific to the Ames Aeronautical Laboratory at Moffett Field, California. A copy of the contract designated Contract No. NA2-926(w) is attached to the application as Exhibit B.

Summary of Prior Power Supply Contracts

For many years Pacific supplied all of the electric capacity and energy required by the Ames Laboratory in accordance with an annually renewable contract, NAW-5218, dated October 1, 1945, filed with this Commission October 20, 1945, and subsequently supplemented. However, this contract was not renewed by the government for the fiscal year 1953, but Pacific continued to supply power on a month

to month basis until January 1, 1954. At that time the Committee elected to purchase all of the power requirements of Ames from the United States Bureau of Reclamation, Central Valley Project, and such capacity and energy was transmitted to Ames by Pacific for the Bureau under the terms and conditions of the transmission and exchange Contract No. 175r-2650 between Pacific and the Bureau, dated April 2, 1951, as supplemented, and generally known as the wheeling contract.

By May 1, 1955 Ames required more capacity than was then available to it from the Bureau and Pacific agreed to supply such additional requirements on an interruptible basis, such agreement being indicated by a Letter of Intent with the Committee to negotiate and execute a formal contract for such additional capacity.

Said Letter of Intent, dated April 21, 1955, was filed with the Commission on May 11, 1955. In accordance with the Letter of Intent, Pacific has supplied Ames during an "Interim Service" period from May 1, 1955 to October 31, 1955, and from November 1, 1955 to the present has made capacity and energy available on a "Regular Service" basis, both as defined in said letter.

Attached to the application as Exhibit E is a copy of a Memorandum of Agreement dated December 1, 1955, between the Bureau of Reclamation and the National Advisory Committee for Aeronautics under which the Bureau supplies Ames with a portion of Ames' capacity and energy requirements. This agreement became effective on December 1, 1955, terminates midnight April 1, 1961, and provides that the Bureau shall supply up to 50,000 kw of capacity, but may decrease such capacity to not less than 15,000 kw under certain conditions. Pacific states that since June 1, 1956, the Bureau has supplied up to 50,000 kw to Ames.

Proposed Contract

In accordance with the provisions of the Letter of Intent, Pacific and the Committee have entered into and executed a formal contract dated February 12, 1957, designated Contract No. NA2-926(w). Said contract incorporates the provisions of and supersedes the Letter of Intent for supplying the remainder of the electric capacity and energy requirements of Ames.

Subject to the provisions of Articles 9, 10 and 11 of the contract, the government agrees to pay Pacific each month for the capacity and energy sold to it as follows:

1. Demand Charge:

- (1) \$0.65 per kilowatt per month for Ames' On-Peak Demand on Pacific.
- (11) \$0.15 per kilowatt per month for Ames' Off-Peak Demand on Pacific and Extra Capacity.

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

\$0.00576 per kilowatt hour for Ames' energy requirements from Pacific.

A Power Factor Adjustment Clause applies to the total charges computed thereunder when the average power factor of Ames' demand in that month is greater or less than 85 per cent.

Contract Provisions

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

Article 8 sets forth definitions of various terms used in the contract which constitute the basis for billing.

Article 9 sets forth the capacity and energy to be supplied by Pacific. Pacific is not obligated to supply Ames' On-Peak Demand in excess of the following maximum amounts, with certain exceptions:

(a) 25,000 kw prior to November 1, 1955.

(b) 125,000 kw on and after November 1, 1955.

Pacific is not obligated to supply Ames' Off-Peak Demand in excess of the following amounts:

(a) 150,000 kw prior to November 1, 1955.

(b) On and after November 1, 1955, the difference between

(1) the sum of Ames' Demand on the Bureau and Ames' On-Peak Demand on Pacific and (2) 260,000 kw.

Article 11 provides for the use by Ames of extra capacity which Pacific may have available from time to time, in excess of Pacific's obligated deliveries under Article 9.

Article 12 refers to the payments for electric capacity and energy by the government. This article also provides that the rates and charges therein shall be subject to increase or decrease commensurate with any increase or decrease authorized by this Commission applicable to customers of Pacific receiving similar service. Since there are no filed rates applying exactly to the type of service supplied hereunder, the contract provides that if the Commission shall authorize increases or decreases in Pacific's Schedule A-13, or other schedule in lieu thereof, the contract rates and charges shall be increased or decreased concurrently and commensurately with such changes.

Article 13 deals with delivery of service at a nominal voltage of 110,000 volts, and provides that all capacity and energy delivered thereunder shall be subject to interruption when in Pacific's sole judgment its spinning reserve or transmission margin is needed for its firm customers.

Articles 14 and 15 provide for certain restrictions on the rate of change of Ames' power use and the measurement of power delivered thereunder.

Article 22 deals with the settlement of disputes concerning a question of fact arising under the contract.

Article 23 relating to the contract term provides that it shall become effective as of May 1, 1955 and shall continue in effect until midnight April 1, 1961, and thereafter until cancelled by either party on at least one year's written notice. The contract replaces the Letter of Intent executed by the government and Pacific on April 21, 1955, as supplemented on November 10, 1955.

Development of Contract Rate

Attached to the application as Exhibit C is a computation showing the development of the rate for deliveries to Ames.

The on-peak demand charge is based on the annual cost on transmission facilities devoted to the service plus certain fixed production costs, summarized as follows:

Capital - Total	\$4,503,900	
Annual Cost at 15%	675,585	
On-Peak kw	125,000 kw	
Cost per kw per month		\$.45
Production Cost: No load fuel and fixed operating costs (Based on Contra Costa Plant)	\$1,459,000	
Installed Capacity	575,000 kw	
Cost per kw per month		\$ <u>.20</u>
On-Peak demand charge per kw per month		\$.65

The off-peak demand charge has been taken as equal to 75% of the on-peak production costs.

The energy rate of \$0.00576 is equivalent to the terminal rate of Pacific's Schedule A-13, less 4% for delivery above 11 kv.

Exhibit D attached to the application shows a Statement of Account for deliveries to Ames from February 1, 1956 to February 1, 1957. Excess kw demand on-peak and off-peak is shown with corresponding energy deliveries and billed amounts. For the 12 months ending February 1, 1957, a total delivery of 77,642,632 kWhrs is shown and a billing of \$1,088,942.31, indicating an average rate per kwhr of \$0.014025.

Applicant's Request

Pacific states that the special rate provisions of Contract NA2-926(w) have been designed for the character of electric service to be provided to Ames, namely, that only part of Ames' requirements will be purchased from Pacific and that such service is interruptible. Pacific further states that it has given careful consideration to all facts and circumstances bearing upon the matters involved; and, therefore, alleges that said contract and its terms and conditions are fair, just and reasonable.

Conclusions

After considering the statements and allegations contained in the application, it is concluded and found that applicant's request is reasonable and that an order should be issued authorizing applicant to carry out the terms of the agreement as proposed. While the contract does not contain a clause as required by Section X of General Order No. 96, that this contract shall, at all times, be subject to such changes or modifications as the Commission may, from time to time, direct in the exercise of its jurisdiction, the fact that such clause is not included does not in any way exempt the applicant or the contract from the Commission's continuing jurisdiction in the matter.

O R D E R

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, therefore,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be and it is authorized to carry out the terms of the contract, sometimes designated as Contract No. NA2-926(w) dated February 12, 1957 with the United States of America, acting through the National Advisory Committee for Aeronautics.

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

Dated at San Francisco, California, this 11th day of JUNE, 1957.

[Signature]
 President

[Signature]

[Signature]

[Signature]
 Commissioners