

ORIGINALDecision No. 57058

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
PACIFIC GAS AND ELECTRIC COMPANY and)	
CITY AND COUNTY OF SAN FRANCISCO,)	
acting through its Public Utilities)	Application No. 26728
Commission, for an order approving)	(Fifth Supplemental)
certain written agreements hereunto)	
annexed, marked Exhibits A, B, C, D,)	
and E, respectively.)	
(Electric))	

FIFTH SUPPLEMENTAL OPINION AND ORDER

In this fifth supplemental application, Pacific Gas and Electric Company seeks authority to carry out the terms and conditions of a supplemental letter agreement with the City and County of San Francisco, acting through its Public Utilities Commission. Said letter agreement, dated November 22, 1957, Exhibit J of said supplemental application, would increase the rates for supplemental power furnished by applicant to the city as presently provided for in paragraph 5 of the existing Agreement of Lease and for Supply of Supplemental Power for Cement and Magnesium Plants between said parties, dated April 18, 1945, as heretofore extended and modified.

Applicant refers to its original and first, second, third, and fourth supplemental applications in this proceeding filed with the Commission on May 10, 1945, December 2, 1949, December 18, 1952, June 29, 1953 and March 2, 1954, respectively, reaffirms all of the statements set forth in said applications, and requests the Commission to treat said applications for all purposes as part of its fifth supplemental application.

Hetch-Hetchy and Related Power Contracts

With its original application in this proceeding, filed May 10, 1945, applicant requested authority to carry out five agreements, copies of which were filed as Exhibits A to E, inclusive,

in the application. Those agreements related to the furnishing by applicant of facilities to transmit energy for the city, to the furnishing of supplementary energy, standby service and other services, provided arrangements under which the city would supply electric service formerly supplied by applicant to Modesto Irrigation District, Permanente Cement Company and The Permanente Metals Corporation, and contained arrangements for lease by applicant to the city of certain transmission lines, substations and related facilities. By Decision No. 37954, dated May 29, 1945, this Commission granted authority to applicant to consummate and carry out the terms of those five agreements. Those agreements established a basis for the city's disposition of the output of the Hetch Hetchy hydroelectric power development.

By Decision No. 43694, dated January 17, 1950, applicant was authorized to carry out the terms and conditions of a supplemental letter agreement, dated November 16, 1949, which, among other things, extended the term of the Assignments of Contracts with Permanente Cement Company and The Permanente Metals Corporation and the Agreement of Lease and for Supply of Supplemental Power (Exhibits C, D and E) to March 11, 1954.

By Decision No. 48963, dated August 18, 1953, applicant was authorized to carry out the terms and conditions of a supplemental letter agreement, dated November 20, 1952, which, among other things, extended the term of the basic and related agreements, as modified and extended, between the city and applicant (Exhibits A, C, D and E) to April 30, 1962.

By Decision No. 49877, dated April 6, 1954, the Commission authorized the applicant to carry out the terms and conditions of a letter agreement with the city, dated January 15, 1954, which provided for a new classification designated as San Francisco

International Airport under "Class of Service" in the main Hetch Hetchy power contract (Exhibit A) and established rates therefor.

Assignment of Contracts for Furnishing Electric Service to Chemical Plant and Cement Plant

By agreements designated Exhibits C and D, applicant assigned to the city its contract of November 11, 1944, with Permanente Cement Company for furnishing electric energy to the latter's cement plant (hereafter referred to as cement plant) located in Santa Clara County, California and its contract of July 2, 1941, with The Permanente Metals Corporation (formerly Todd-California Shipbuilding Corporation, now Kaiser Aluminum Chemical Corporation) for furnishing electric energy to the latter's magnesium plant (hereafter referred to as chemical or magnesium plant) located adjacent to the cement plant. By the agreement designated Exhibit E, applicant leased to the city one 110 kv circuit of its transmission line extending from its Newark substation to the above-mentioned magnesium plant with related facilities and agreed to furnish the city any supplementary energy that city might require over and above the available output of the Hetch Hetchy plants to enable city to meet its obligation to supply electric energy to the above-mentioned cement and magnesium plants under the aforesaid assigned contracts.

Increases in Charges for Electric Service to Chemical Plant and Cement Plant

By an agreement, dated April 28, 1952, between applicant and Kaiser Aluminum and Chemical Corporation, the contract of July 2, 1941, between applicant and the chemical corporation was modified so as to increase the rates and change certain other provisions, including the establishment of a fuel oil clause. Applicant was authorized to carry out the terms and conditions of said agreement of April 28, 1952, under the order in Decision No. 47167,

dated May 16, 1952. In that decision the Commission stated its opinion that a modification of the agreement for supply of supplemental power seemed appropriate if the original relationship between the charges for such supplemental power and the charges to the chemical company was to prevail.

Through a number of adjustments under the aforementioned fuel oil clause, the effective energy rate for sales to the chemical plant increased from 3.71 mills per kwhr on November 10, 1952, to 5.23 mills per kwhr on November 15, 1957. During this period the posted price of fuel oil increased from \$1.80 per barrel to \$2.95 per barrel.

On or about November 10, 1952, the city made effective as a result of this Commission's Decision No. 47832, dated October 15, 1952, authorizing increases in applicant's electric rates, the increased rates and charges of Schedule A-13 in lieu of Schedule P-30 which former schedule became applicable for electric service supplied to Permanente Cement Company under the assigned contract between the applicant and the cement company, dated November 11, 1949. A further increase in the effective rates for electric energy supplied Permanente Cement Company became effective on November 15, 1957, when by Decision No. 55720, dated October 22, 1957, the Commission authorized an increase of 5.11 percent plus \$0.00015 per kwhr in the rates and charges of filed Schedule A-13.

Increases in Charges for Supplemental Power
Sales to City

By Decision No. 48202, dated January 27, 1953, the Commission authorized applicant to carry out the terms and conditions of a supplemental letter agreement entered into between the applicant and the city, dated November 19, 1952 (Exhibit G), revising and increasing, effective as of November 10, 1952, the

rates for supplemental power and energy sales to the city. The rates authorized for supplemental power and energy were as follows:

For the magnesium plant:

\$0.30 per kw of the maximum demand each month,
plus 3.6 mills per kwhr.

For the cement plant:

\$1.07 per kw of maximum demand each month,
plus 4.5 mills per kwhr.

In its decision authorizing the above rates, the Commission made reference to its earlier opinion in Decision No. 47167 that a modification of the agreement for supply of supplemental power seemed appropriate if the original relationship between the charges for such supplemental power and the charges to the chemical company were to prevail.

Proposed Rates and Charges for
Supplemental Power Sales to City

Under date of November 22, 1957, applicant and city negotiated and entered into a supplemental letter agreement, a copy of which is attached to the fifth supplemental application and marked Exhibit J, under which the rates and charges of the supplemental power contract, dated April 18, 1945 (Exhibit E), as amended November 19, 1952, are further revised, effective November 15, 1957, to read as follows:

"For the Magnesium Plant

"\$0.30 per kw of maximum demand each month,
plus 5.13 mills per kwh.

"The foregoing energy charge of 5.13 mills per kwh will be subject to increase or decrease on the basis of 0.1325 mills for each 10¢ per barrel increase or decrease, respectively, in the market price in tank car lots of Bunker fuel oil with a viscosity specification of 165 seconds or over, Saybolt-Furo1 at 122° F., as regularly quoted or 'posted' by the Standard Oil Company of California f.o.b. its Richmond refinery, from \$2.95 per barrel; such increase or decrease to be computed to the nearest one-hundredth mill per kwh, and to become effective on all regular meter readings taken on or after the thirtieth (30th) day following such change in the price of fuel oil.

"For the Cement Plant

"\$1.12 per kw of maximum demand each month,
plus 4.87 mills per kwh."

The above energy rate of 5.13 mills per kwhr for supplemental power and energy sales to the chemical plant is 1.53 mills greater than the presently effective 3.6 mill rate. Such increase reflects the aforementioned rate changes made by the city under the assigned chemical contract due to adjustments under the fuel oil clause during the period November 10, 1952, to November 15, 1957. The above rate is based on a posted price of fuel oil of \$2.95 per barrel which was in effect on November 15, 1957. Since the posted price of fuel oil is \$2.55 per barrel at the present time, the effective rate for supplemental power sales to the chemical plant would be 4.60 mills per kwhr at present due to the operation of the proposed fuel oil clause. The company states in its application that the inclusion of the fuel oil clause in the supplemental power contract will provide for adjustments in rates if adjustments in rates are made under the fuel oil clause in the assigned chemical contract and thereby maintain the same relationship in the rates of said two contracts when changes in the posted price of fuel oil occur. The fuel oil clause escalates in the same manner as the fuel oil clause in the aforementioned assigned contract covering sales to the chemical plant and the fuel oil clauses in other contracts covering other deliveries of interruptible power. Such other contracts covering the supply of electric energy on an interruptible basis are in effect with Dow Chemical Company, Hercules Powder Company and Shell Chemical Company under the authority contained in Decision No. 46946, dated April 1, 1952, Decision No. 46947, dated April 1, 1952, and Decision No. 47346, dated June 24, 1952, respectively.

The applicant's proposed rate for supplemental power and energy for the cement plant is increased commensurately with the increase in the rates and charges of filed and effective Schedule A-13 authorized by this Commission in Decision No. 55720 and reflects the increased rate collected by the city for service under the assigned cement contract due to the aforementioned increases in Schedule A-13.

Revenue Effects

Applicant filed a letter, dated June 30, 1958, with the Commission developing the revenue effect of the new rates for supplemental power and energy sales to the chemical and cement plants. Based on actual sales during the year 1957 and a posted price of fuel oil of \$2.55 per barrel, these effects are as follows:

<u>Item</u>	<u>Sales Kwhr</u>	<u>Revenue</u>		<u>Increase</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Amount</u>	<u>%</u>
For supplemental power sales to chemical plant	15,816,000	\$ 64,498	\$ 80,314	\$15,816	24.5%
For supplemental power sales to cement plant	<u>114,081,525</u>	<u>765,629</u>	<u>819,627</u>	<u>53,998</u>	<u>7.1</u>
Total	129,897,525	830,127	899,941	69,814	8.4

Applicant states that the above increases in rates and charges will re-establish the same relationship which prevailed between the rates and charges for supplemental power and energy purchased from applicant by the city and the city's charges to the chemical plant and the cement plant when the company was authorized by the Commission in Decision No. 48202 to carry out the terms and conditions of the aforementioned letter agreement of November 19, 1952, amending the supplemental power contract.

Applicant further states that the terms and conditions of the supplemental letter agreement dated November 22, 1957, are, under the facts and circumstances obtaining, fair, just and reasonable to city and applicant.

The letter agreement dated November 22, 1957, contains the statement that the agreement shall be subject to the granting of authorization to the applicant by the Public Utilities Commission of the State of California to carry out its terms and that this agreement shall be subject to such modification by said Commission as it may from time to time direct in the exercise of its jurisdiction.

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,

IT IS HEREBY FOUND as a fact that the increases in rates and charges authorized herein are justified.

IT IS HEREBY ORDERED that applicant be and it is authorized to carry out the terms and conditions of the letter agreement entered into by the Pacific Gas and Electric Company and the City and County of San Francisco, dated November 22, 1957.

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

Dated at San Francisco, California, this 29th day of July, 1958.

E. Lynn Fox
President
John J. McMillin
Paul E. Lister
Theodore J. Jenner
Commissioners