

Decision No. 61869

ORIGINAL

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 authorizing applicant to
perform and carry out the provisions
of an agreement dated August 15, 1960
with the CITY OF REDDING.
(Electric)

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) Application No. 42657
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OPINION AND ORDER

By the above-entitled application, filed September 12, 1960, Pacific Gas and Electric Company seeks an order of this Commission authorizing it to carry out the terms and conditions of a contract dated August 15, 1960, with the City of Redding. The agreement relates to the supply by Pacific to Redding of electric power and energy in excess of that available to Redding from the United States of America, Department of Interior, Bureau of Reclamation, hereinafter referred to as Reclamation.

Previous Pacific - Redding Contract

Pacific has heretofore furnished Redding all of its electric power and energy requirements, at 2,400 volts and 12,000 volts, for Redding's own use and sale to its customers. The contract for this service expired on August 26, 1960.

Reclamation - Redding Contract

On August 24, 1960, Redding and Reclamation entered into a contract for the purchase by Redding from Reclamation at a maximum rate of delivery of 31,000 kw of electric power and energy. To keep within Reclamation's Central Valley Project's dependable capacity available for so-called preference customers until power is available from Reclamation's Trinity Division Power plants, the contract provides that Reclamation, on not less than 90 days' advance written notice, may temporarily or permanently reduce the contract rate of

delivery down to 7,000 kw. However, after 20,000 kw of power from Reclamation's Trinity Division Power plants are available at Tracy for delivery to customers, the contract rate of delivery, if not previously restored, shall revert to 31,000 kw, and thereafter reductions shall in no event reduce the contract rate of delivery below 25,300 kw. The Reclamation-Redding contract became effective August 27, 1960 and expires December 31, 1970, unless sooner terminated as provided therein. A copy of this contract is annexed to the application and marked Exhibit A.

The transmission and delivery of Reclamation's electric power and energy to Redding, which commenced on August 27, 1960, is being made by means of the transmission facilities of Pacific to a point at which the existing 2,400-volt and 12,000-volt circuits of Redding connect with the 2,400-volt and 12,000-volt conductors of Pacific at its Redding Substation. The transmission and delivery by Pacific is in accordance with the terms and conditions of a contract between Pacific and Reclamation designated as Contract No. 175r-2650, dated April 2, 1951, as modified, whereunder Pacific accepts delivery of power and energy from Reclamation into its system at certain points of interconnection and in return, delivers power and energy to and for the account of Reclamation. The present expiration date of the Pacific-Reclamation Contract is April 1, 1971, and is usually referred to as the Transmission and Exchange Service Contract.^{1/}

Proposed Pacific - Redding Agreement

A copy of the Pacific-Redding agreement dated August 15, 1960 is attached to the application and is marked Exhibit B. The principal provisions of this agreement are as follows:

1/ Decision no. 59872, Application no. 41792, dated April 5, 1960.

1. Pacific agrees to sell to Redding all of the electric power and energy requirements for Redding's own use and sale to its customers in excess of that available to Redding from Reclamation; that is, (a) to replace such capacity as may be withdrawn or not be made available by Reclamation, and (b) to supply Redding's requirements in excess of those supplied by Reclamation.

2. Redding agrees to pay Pacific monthly amounts determined under the provisions of Section 3 of the agreement, which provides, among other things, that the rates, charges, and special conditions to be used in determining billing under this section shall be those of Pacific's applicable filed resale electric schedule and initially those of Pacific's Schedule R, Resale Service.

3. Pacific agrees to continue electric deliveries to Redding at Pacific's Redding Substation at 12,000 and 2,400 volts, and to combine meter readings at said voltages for billing purposes, until Redding completes the conversion of the sections of its system operated at 2,400 volts to 12,000 volts.

4. Until Redding receives all of its electric power and energy requirements at 12,000 volts, Redding shall pay Pacific an agreed upon facilities charge of \$1,937 per month, in addition to payments for power and energy, for the facilities Pacific has provided to continue deliveries at 2,400 volts and, in addition, to reimburse Pacific for certain additional costs that may be incurred as the result of continuing deliveries at 2,400 volts.

5. The term of the Pacific-Redding agreement shall commence on August 27, 1960 and shall terminate April 1, 1971 and 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.

Applicant's Request

Pacific states that during the 12-month period ending May 31, 1960 Pacific delivered to Redding 104,469,800 kwh of electric energy and during said period Redding's peak load was 27,720 kw. Pacific further states that Redding anticipates that its future power requirements will exceed the power and energy available from Reclamation. However, if there is no unusual increase in Redding's load and Reclamation supplies all of Redding's requirements up to 31,000 kw, it may be a number of years before Pacific is obligated to furnish Redding with its excess power and energy requirements under the terms of the agreement. Applicant avers that it has given careful consideration to all of the facts and circumstances bearing upon the matters involved and believes and therefore alleges that the Pacific-Redding agreement submitted herewith and the terms and conditions thereof, are fair, just and reasonable, and that the consummation of said agreement in accordance with its terms will be in the public interest and for the benefit of public service.

Conclusions

Supplemental and standby service of the type required by this contract is an essential part of electric supply and is of benefit to the customers of Redding and is in the public interest. The Commission calls attention to conditions which it has embodied in recent decisions involving special contracts, and here reaffirms that if it should appear that the revenues realized from the service herein, do not meet the costs attributable to said service, such losses are not to be imposed as a burden upon Pacific's other electric customers. This is a new type service for which revenue, cost, and production data were not furnished in the application. The Commission staff, upon the filing of this application, requested Pacific, among other items, to prepare a cost study setting forth costs reasonably attributable to the rendering of stand-by service. Pacific has indicated

that there would be no additional plant for this service and suggests that a cost allocation study will require some time to prepare. A study of costs of rendering service should be made in connection with this type of special service in order that the Commission may be assured no burden is being placed upon Pacific's other electric customers. By the order herein we will require Pacific to submit a report after a full year of operation under this contract is completed. Further, Pacific and Redding are hereby placed on notice that in any future proceeding before this Commission involving Pacific's electric rates, the rates and costs applicable for the service covered by this contract may be reviewed or may be questioned by any party to the proceeding. The rates, charges, and conditions herein authorized shall not be considered a precedent for future contracts for service to Reclamation preference customers.

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 agreement dated August 15, 1960 with the City of Redding, 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:

1. File a statement showing the date electric service is first supplied under this contract.
2. Maintain such subsidiary records as may be necessary and submit to the Commission within 90 days after the first full year of operation under this contract a report setting forth the below-listed items and such other information as applicant believes appropriate to demonstrate the reasonableness of the rates contained in the contract:

- a. A study of the allocation of costs reasonably assignable to the service to the City of Redding and to the resale service class of customers.
- b. The revenue which would have been available to Pacific if the effective resale service schedule had been applied to the total power and energy supplied to the City of Redding.
- c. Total actual revenue received by Pacific resulting from service to the City of Redding including revenue from the Bureau of Reclamation for transmission service.
- d. The average annual cost per kilowatt-hour to Pacific of producing energy.
- e. The total number of kilowatt-hours supplied to the City of Redding, segregated into the amounts supplied by Pacific and Reclamation.

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

Dated at San Francisco, California, this 25th day of APRIL, 1961.

Loeferl W. Rapp
President

W. E. Mitchell

C. J. Fox

George H. Traver

Fredrick B. Bobeloff
Commissioners