

ORIGINAL

Decision No. 74978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the application of
 PACIFIC GAS AND ELECTRIC COMPANY and
 YUBA COUNTY WATER AGENCY for an order
 authorizing the former to sell to the
 latter certain electric utility and
 water utility properties.
 (Electric)

} Application No. 48469
 (Filed September 30, 1962)

FIRST SUPPLEMENTAL OPINION AND ORDER

Pacific Gas and Electric Company (Pacific), and Yuba County Water Agency (Yuba) request an order approving a modification of the terms of the sale by Pacific to Yuba of certain electric utility property located in Yuba County authorized by Decision No. 70733, dated May 18, 1966 in Application No. 48469.

The terms of the sale, of certain electric utility and water utility properties among other things, are specifically set forth in an agreement dated May 12, 1966 attached to said application as Exhibit C which by reference, is incorporated herein. Said sales agreement provided that Yuba would give Pacific notice of the intended date of closure (Closure Date) of its new Bullards Bar Diversion Tunnel and that Yuba would deposit the entire purchase price (\$8,700,000) in escrow not later than the Closure Date.

Applicants state they have entered into a long-term contract, dated May 13, 1966, whereby Yuba is to build a water storage project with hydroelectric generating features and to sell the entire net electrical output thereof to Pacific for fixed periodic payments. The fixed nature of these payments makes it mandatory that Pacific undertakes to assure that the power output of the project as constructed will obtain the maximum availability of project capacity.

Engineering studies subsequent to reaching an understanding of the terms for the power sales agreement are said to have disclosed

that the installation of a complete tailwater depression system in conjunction with the installation of the impulse turbines at new Colgate Powerhouse would assure the maximum availability of the capacity of Yuba's Colgate Plant for which Pacific has contracted. Such a system would provide for injection of controlled compressed air into the turbine wheelpit for suppression of the wheelpit water level when there is high tailwater from flood flows in the river. The construction contract only provided for the necessary wheelpit design and embedded piping for future installation of a tailwater depression system should it be beneficial.

Applicants state field survey data obtained in January 1967 along with the determination of the upstream flood releases show the new Colgate units will be subjected to higher tailwater conditions than had been anticipated in the original design. This will result in an average plant shutdown of approximately one and one-half days each year. The loss of the Colgate units (85% of the project capability) during such conditions will be detrimental to the spinning reserve requirements of the integrated system of Pacific. Installation of the complete tailwater depression system will reduce plant shutdown to an average of less than one-third day each year. This is said to represent an annual value to Pacific of about \$25,000.

Yuba is financing its project with funds raised by the sale of bonds the amount of which was fixed at the time the power sale contract was executed, and which amount reflected the value of the power to be sold. Consequently, Yuba does not have funds sufficient to install said complete tailwater depression system. It is not practicable for Yuba to raise the estimated \$150,000 needed for the installation of the complete tailwater depression system by another bond offering because the revenues of the project have already been

fully pledged to secure payment of the original bond issue. It is therefore proposed to defer payment of \$8,200,000 of the purchase price for 135 days. This will enable Yuba to earn approximately \$150,000 in interest on the deferred payment for payment of costs associated with the construction of that portion of the tailwater depression system excluded by the Construction Specifications. The benefits to Pacific of such installation is stated to far outweigh the cost to it of the loss of the use of \$8,200,000 for 135 days.

Attached as Exhibit E to the supplemental application herein is a letter agreement between Pacific and Yuba dated July 18, 1968 which modifies the payment provisions of the original sales agreement and requires deposit by Yuba in escrow on the Closure Date of \$500,000 and payment of the remainder of the purchase price (\$8,200,000) to Pacific 135 days after the Closure Date.

Good cause appearing, the Commission finds that the modifications to the sales agreement authorized by Decision No. 70733, as requested herein should be granted. A public hearing is not necessary.

IT IS ORDERED that:

1. Ordering paragraph 1 of Decision No. 70733 dated May 18, 1966 in Application No. 48469 is amended to read as follows:

"Pacific Gas and Electric Company is authorized to sell and convey to the Yuba County Water Agency certain lands and electrical facilities in accordance with the terms of and as described in an agreement dated May 12, 1966 as modified by a letter agreement between the parties dated July 18, 1968 which is attached as Exhibit E to the First Supplemental Application herein."

Decision No. 70733 except as modified herein shall remain in full force and effect.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 26th day of NOVEMBER 1968.

William J. Quinn
President

St. Lawrence Bennett

Commissioners

Commissioner A. W. Gatev, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Fred P. Morrissey, being necessarily absent, did not participate in the disposition of this proceeding.