

Decision No. 82929

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of  
PACIFIC GAS AND ELECTRIC COMPANY for  
authorization to carry out certain  
agreements with the CITY AND COUNTY  
OF SAN FRANCISCO, KAISER ALUMINUM  
AND CHEMICAL CORPORATION, and KAISER  
CEMENT AND GYPSUM CORPORATION, designated  
herein as Exhibits W, X and Y.  
(Electric)

Application No. 54574  
(Filed January 14, 1974)

OPINION AND ORDER

Pacific Gas and Electric Company (Pacific) requests an order of the Commission authorizing it to carry out the following agreements:

- EXHIBIT W - Agreement between Pacific, the CITY AND COUNTY OF SAN FRANCISCO (City) and KAISER ALUMINUM AND CHEMICAL CORPORATION (Kaiser Aluminum) dated April 10, 1973, effecting assignment to City by Pacific of a portion of its interest in an electric service contract entered into on October 12, 1967, by and between Pacific and Kaiser Aluminum.
- EXHIBIT X - Agreement between Pacific, City, and KAISER CEMENT AND GYPSUM CORPORATION (Kaiser Cement) dated April 10, 1973, effecting assignment to City by Pacific of its interest in an electric service contract entered into on May 1, 1964, by and between Pacific and Kaiser Cement.
- EXHIBIT Y - Agreement between Pacific and City dated April 10, 1973, which accomplishes, among other things, the following:
- (a) Extension and modification of the April 18, 1945 agreement covering lease of Pacific's transmission line to the two Kaiser plants from Newark substation, and

- (b) Extension of an energy accounting arrangement similar to that instituted under a letter agreement dated August 1, 1960, which has since been terminated.

By the agreement designated Exhibit C (dated April 18, 1945) in Application No. 26728, Pacific assigned to City for the period to November 30, 1949, its contract of November 11, 1944, with Permanente Cement Company (predecessor in interest of Kaiser Cement) for the furnishing of electric energy to the latter's cement plant located in Santa Clara County, California. Similarly, by the agreement designated Exhibit D (dated April 18, 1945) in Application No. 26728, Pacific assigned to City for the period to November 30, 1949, its contract of July 2, 1941, with the Permanente Metals Corporation (predecessor in interest of Kaiser Aluminum) for the furnishing of electric energy to the latter's magnesium plant located adjacent to the above-mentioned cement plant.

By the lease and supplemental power contract agreement designated Exhibit E (dated April 18, 1945) in Application No. 26728, Pacific leased to City for the period to November 30, 1949, one 110-kv circuit of its transmission line extending from its Newark Substation to the above-mentioned magnesium plant, together with a substation, metering and other related facilities, and agreed to furnish City any supplemental energy that City might require over and above the available output of its Hetch Hetchy plants to enable City to meet its obligations to supply electric energy for the cement and magnesium plants under the aforesaid assigned contract.

On January 17, 1950, the Commission issued Decision No. 43694 authorizing Pacific to carry out the terms and conditions of a supplemental letter agreement between Pacific and City dated November 16, 1949 (Exhibit F of Application No. 26728) which extended the term of the assignment by Pacific to City of its contracts to serve Kaiser Aluminum and Kaiser Cement, as well as the term of the lease and supplemental power contract, to March 11, 1954. The terms

of these agreements were subsequently extended on various other occasions, the last such date being August 10, 1971, at which time the assignments were extended to July 31, 1975.

City desires to continue to meet the energy needs of the two assigned customers, Kaiser Aluminum and Kaiser Cement, as long as it is able to do so. It is contemplated that ultimately service by City to these customers will be terminated, as City will utilize the entire generating capacities of its Hetch Hetchy plant for its own customers and municipal purposes. To this end, new contracts have been negotiated between the parties - Pacific, City, Kaiser Aluminum and Kaiser Cement. The new contracts provide that power be furnished to each of the Kaiser plants under an arrangement whereby City supplies power to the extent that it is able and Pacific supplies directly to the customer whatever deficiency may remain. This arrangement is less cumbersome than the prior arrangement under which Pacific sold to City whatever additional power was necessary to meet City's commitments to its assigned customers, and City was in the undesirable position of a middleman in the sale of Pacific power to such customers. Thus, what was previously done in this fashion is now accomplished directly under the same rate schedules and at the same cost to the customer. Additionally, when City eventually is unable to meet the electric requirements of the two Kaiser plants, the new arrangement will serve to make the transition a smoother process.

Applicant states that in order to achieve these foregoing objectives, the following agreements have been entered into:

1. Kaiser Aluminum Contract

On April 10, 1973, Pacific, City and Kaiser Aluminum entered into an assignment agreement, a copy of which is attached to the application (Exhibit W), whereby Pacific assigned to City a portion of its interest in a contract dated October 12, 1967, where Pacific agreed, among other things, to sell and deliver to Kaiser Aluminum

electric power and energy, to the extent that City has insufficient capacity or energy to meet requirements of Kaiser Aluminum, Pacific will complete performance under the 1967 agreement by supplying Kaiser Aluminum with an amount of power and energy equal to the difference between Kaiser Aluminum's requirements and the amount supplied by City. This agreement becomes effective on the first day of the month following the effective date of the decision of the Commission authorizing Pacific to carry out its provisions and shall continue in effect for a term or terms coincident with those of the 1967 agreement, except that City may upon six months' advance written notice terminate its participation in this agreement.

2. Kaiser Cement Contract

On April 10, 1973, Pacific, City and Kaiser Cement entered into an agreement, a copy of which is attached to the application (Exhibit X), whereby Pacific assigned to City a portion of its interest in a contract dated May 1, 1964, wherein Pacific agreed, among other things, to sell and deliver to Kaiser Cement electric power and energy, to the extent that City has insufficient capacity or energy to meet requirements of Kaiser Cement, Pacific will complete performance under the 1964 agreement by supplying Kaiser Cement with an amount of power and energy equal to the difference between Kaiser Cement's requirements and the amount supplied by City.

This agreement becomes effective on the first day of the month following the effective date of the decision of the Commission authorizing Pacific to carry out its provisions and shall continue in effect for a term or terms coincident with those of the 1964 agreement, except that City may upon six months' advance written notice terminate its participation in this agreement.

3. Letter Agreement between Pacific and City

By letter of April 10, 1973, Pacific and City entered into an agreement, a copy of which is attached to the application (Exhibit Y). The letter agreement, among other things, provides that:

- (a) The lease and supplemental power contract referred to in Part II.B., dated April 18, 1945 and titled "Agreement of Lease and for Supply of Supplemental Power for Cement and Magnesium Plants," as amended (Lease Agreement), will be extended for a term or terms coterminous with the assignments to City of the electric service contracts to Kaiser Aluminum and Kaiser Cement (Exhibits W and X). Articles 4 and 5 of the Lease Agreement, relating to supplementary power supply and rendered obsolete by the new arrangement, will be deemed canceled. A true copy of the Lease Agreement of April 18, 1945, is of record before the Commission in Application No. 26728, Exhibit E, and is made a part hereof by reference.
- (b) If, in any month, the City delivers to Pacific energy in excess of the amount required for its own municipal purposes and for its customers, a quantity equivalent to such excess deliveries may be applied to reduce any deficiency of energy that the City may experience during the ensuing eleven months. This provision extends an arrangement which was operative under the August 1, 1960 agreement between City and Pacific, which has since been terminated.

All above assignment agreements state that they are subject to authorization by this Commission, and shall be subject to modification by the Commission as it may from time to time direct in the exercise of its jurisdiction.

The Commission finds that the agreements proposed herein between Pacific, City, Kaiser Cement and Kaiser Aluminum will assure the maximum utilization of power resources, as well as the most expeditious service to the two Kaiser plants. The Commission further finds that the agreements as proposed herein are not adverse to the public interest and concludes that the application should be granted. A public hearing is not necessary.

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to carry out the terms and conditions of the agreement dated April 10, 1973, with the City and County of San Francisco and the Kaiser Aluminum and Chemical Corporation, a copy of which is attached to the application as Exhibit W.

2. Pacific Gas and Electric Company is authorized to carry out the terms and conditions of the agreement dated April 10, 1973, with the City and County of San Francisco and the Kaiser Cement and Gypsum Corporation, a copy of which is attached to the application as Exhibit X.

3. Pacific Gas and Electric Company is authorized to carry out the terms and conditions of the agreement dated April 10, 1973, with the City and County of San Francisco, a copy of which is attached to the application as Exhibit Y.

4. Pacific Gas and Electric Company shall file with the Commission, within thirty days after the effective date of this order, four certified copies of each of the three agreements as executed, together with separate statements of the dates on which each agreement is deemed to have become effective.

5. Pacific Gas and Electric Company shall notify the Commission in writing of the date of termination of each agreement within thirty days thereafter.

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

Dated at San Francisco, California, this 29th  
day of MAY, 1974.

William L. Stryker  
President  
William Stryker, Jr.  
Al Miller  
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.