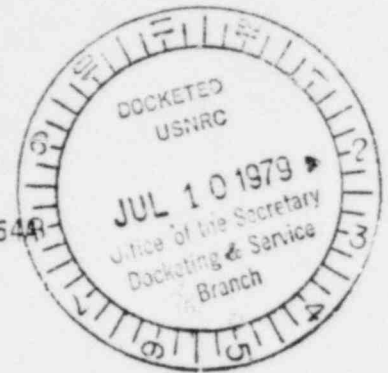


UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of)
)
PACIFIC GAS AND ELECTRIC)
COMPANY)
(Stanislaus Nuclear Project,)
Unit No. 1))

NRC Docket No. P-5649



NRC STAFF'S SUBMISSION OF SELECTED DISCOVERY DOCUMENTS
RESULTING FROM PG&E'S PRODUCTION OF "GREEN-DOTTED" DOCUMENTS

INTRODUCTION

At the last Conference with Counsel, May 15-17, 1979, the Licensing Board requested Staff and Intervenors to submit to the Board on July 9, 1979, 50 documents resulting from PG&E's production of the so called "green-dotted" category of discovery documents. The term "green-dotted" documents has been used to describe those discovery documents which are being produced by PG&E pursuant to the April 25, 1978, "Stipulation Concerning Production of Documents." The documents submitted herewith, to Staff's knowledge, were not produced by PG&E pursuant to the Department of Justice's Civil Investigation Demand ("CID") several years ago. They therefore serve to enable the Board to evaluate the current document production effort underway in this proceeding.

As requested by the Board, the Staff will describe the significance of the documents submitted herewith and the relationship of many of the documents to the inadequacy of the PG&E Commitments to remedy the situation alleged to be inconsistent with the antitrust laws. Before doing so, however, some general comments are appropriate.

The Staff believes that the production of documents from the so called green-dotted category of documents has been very useful and continues to be very helpful to the Staff in enabling it to educate itself concerning the

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issues in this case. The Staff believes that the documents it is submitting herewith are what it considers to be "good" documents; i.e., documents which educate the Staff concerning the competitive situation in California and the various allegations that have been made concerning that competitive situation and PG&E's position and conduct therein. It follows that it is not necessary for a document to establish any liability on the part of PG&E before it can be considered a document worthy of the massive discovery effort that is underway in this case. At this point in the proceeding, the Staff is simply seeking to learn as much as it can about the situation in California involving PG&E and the various allegations that have been made by the intervenors.

Keeping that in mind, it is important to emphasize the distinction between the role of the Staff in this case at this time and that of the intervenors and PG&E. They, unlike the Staff, are entities which have been engaging in the electric utility business with one another in California for decades. They come to this proceeding more or less knowing what they believe to be true about PG&E's position and conduct in the bulk power supply markets in California. The Staff, however, has been introduced relatively recently to the situation in California. We, therefore, are just in the process of learning about an extremely complex situation involving various relationships of a number of entities in the electric utility business in California and nearby states. The Staff therefore suggests that the documents submitted herewith are good, important documents from point of view of the Staff learning about the situation which is the subject of this proceeding.

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The Staff believes that the production of green-dotted documents is worthwhile and necessary. The number of "good" green-dotted documents is a small percentage of the total number produced, but there are several reasons why this is so: First of all, as the Board is aware, there appears to be a large number of highly relevant documents stored in a warehouse to which intervenors and Staff have not had access and from which there has not yet been any production by PG&E. From PG&E's own description of those documents on the warehouse transmittal slips, we would expect that a fairly high percentage of those documents would be good documents. Since these documents that are presently in the warehouse to a large extent were not in the files when the intervenors and the Staff searched PG&E's files pursuant to the April 25th Stipulation, it follows that the density of so called good documents from those files was necessarily reduced. Secondly, PG&E has not yet submitted any claims of privilege. We would expect that there will be a fairly large number of such claims made by PG&E which will be contested by intervenors or the Staff. If such is the case, we would expect that a certain number of the documents claimed to be privileged by PG&E will ultimately be determined by the Board not to be privileged and, when produced will turn out to be good documents. Finally, PG&E has made it clear to the Board that initially its clerks were categorizing as privileged or irrelevant and sensitive, and therefore not produceable in this proceeding, a large number of documents which ultimately were determined by PG&E's attorneys to not be entitled to any claim of privilege or properly categorized as irrelevant and sensitive. Intervenors and Staff have yet to receive any of those documents, and we would expect those to contain a high percentage of good documents.

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DESCRIPTION OF THE SUBMITTED DOCUMENTS

There have been a number of allegations made in this proceeding concerning the United States Department of Interior, Bureau of Reclamation, Central Valley Project Contract with the Pacific Gas and Electric Company for the Sale, Interchange and Transmission of Electric Capacity and Energy, Contract No. 14-06-200-2948A, otherwise known as the "PG&E-CVP" contract (#2948A). For example, it has been alleged that PG&E prevents the Bureau of Reclamation from serving preference customers by refusing to wheel, that the contract unreasonably places maximum limits on preference customer loads served by the Bureau, that PG&E has obtained for itself the right to all excess capacity and energy of the Central Valley Project, that PG&E has an unreasonable right to certain Northwest capacity and dump and exchange energy, and that other capacity or energy obtained by the Bureau of Reclamation can't be connected to PG&E's system without PG&E's consent. It has been alleged that this contract unreasonably limits the area in which, and the preference customers to which, PG&E will wheel CVP power, and that the contract in part constitutes a territorial allocation. The Staff has found a number of documents which bear on the subject of the PG&E-CVP contract and the various allegations that have been raised concerning it.

Attachments 1 through 7 relate to the subject of the PG&E-CVP contract. Attachment 1 is an internal U.S. Bureau of Reclamation memorandum dated May 22, 1950 (PG&E Document No. ZAT 1070397) which describes the fundamental contract principles from the viewpoint of the Bureau of Reclamation which should be observed in its negotiations with PG&E for the PG&E-CVP contract. This document outlines the principles which the Bureau expected to have embodied in the PG&E-CVP contract and is significant from the Staff's point of view in understanding the PG&E-CVP contract and in understanding the position that the Bureau of Reclamation took in negotiating that contract and in understanding what the

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Bureau of Reclamation attempted to accomplish by that contract. It would be essential to have this document in the Staff's analysis of the PG&E-CVP contract and in determining whether or not the various allegations concerning the restrictions in that contract are reasonable under the circumstances and in determining what purpose is served by the various provisions alleged to be restrictive and anticompetitive.

Attachment 2 (PG&E Document No. ZAT 1070417) is a January 27, 1967 Interim Staff report of the House of Representatives Natural Resources and Power Subcommittee of the Committee on Government Operations concerning, among other things, then proposed contracts relating to the Pacific Northwest-Southwest Intertie, one of which was the PG&E-CVP contract. This document contains an analysis of the deficiencies of the PG&E-CVP contract from the point of view of an independent body. It provides an explicit and detailed analysis of the various deficiencies and inadequacies of the proposed PG&E-CVP contract as seen by the Staff of the Subcommittee, many of which are considered to be anticompetitive. This document undoubtedly will assist the Staff in evaluating the various provisions of the PG&E-CVP contract which have been alleged to be restrictive and anticompetitive.

Attachment 3 (PG&E Document No. ZAT 1070403) is a June 29, 1950 Bureau of Reclamation internal memorandum concerning a meeting with PG&E representatives on June 27, 1950, apparently one of the negotiating sessions which led to the PG&E-CVP contract. This memo details the position that was taken at that meeting and during those negotiations by PG&E with respect to various proposals advanced by the Bureau. For example, the document shows that the Bureau expected to transmit power to load centers with no contract restriction which would in any way handicap or prevent the Bureau from tying in power developments in the San Joaquin Valley with the remainder of CVP should the Bureau desire to do so.

The memo shows that in response to this, PG&E would not state definitely whether it was willing to accept such a position, but goes on to explain that PG&E representatives "reiterated their old story that one of the principle purposes of this contract, from the Company's standpoint, was to prevent the Bureau from building transmission facilities. They stated frankly the Company wanted to be free to oppose Bureau requests for appropriations for any transmission line, including backbone transmission." This is obviously highly relevant to the issue of PG&E's monopolization of transmission and PG&E's preventing other entities from building their own transmission in PG&E's service area. The document goes on to make it clear that PG&E representatives were explicit in their fear that the Bureau would build up an independent distribution system which would be available to serve preferred customers and would enable the Bureau gradually to become independent from PG&E with the ability to operate its own system. Another point discussed in this contract is the ability of the Bureau to serve preference customers coming into existence after the execution of a contract in an area or community in which PG&E was then presently serving at retail. The contract as it is now written prevents the Bureau from serving any customers in areas in which PG&E was at that time serving at retail. We see from this memo that according to the Bureau, PG&E took a very strong position that it would not place itself in a position where the Bureau could compete for presently existing PG&E retail customers and thereby allow public power to become active and similarly compete for existing company customers.

Attachment 4 (PG&E Document No. ZAM 084074) is a September 7, 1972 letter from the Chairman of NCPA to the Assistant Secretary for Water & Power of the Department of Interior. The letter explains that it is the position of NCPA that the Bureau of Reclamation had invoked the PG&E-CVP contract to (1) refuse to wheel power for NCPA without PG&E's consent, (2) refuse to arrange for PG&E to

wheel NCPA power, and (3) refuse to negotiate for the purpose of power and energy from NCPA for redelivery to preference customers. The letter goes on to call for a modification of the Bureau's negotiating position in connection with a proposed Bureau-NCPA agreement. Attachment 5 (PG&E Document No. ZAM 084071) is a reply to this letter from the Bureau dated October 6, 1972. In this reply the Bureau states its position that it disagrees with the allegations in NCPA's letter with an explanation as to why it disagrees. These documents assist the Staff in evaluating NCPA's allegations, the position that the Bureau of Reclamation took on those allegations, and the relationship of the Bureau's position to the position taken by PG&E.

Attachment 6 (PG&E Document No. ZAM 084750) appears to be a May 18, 1972 Department of Justice memorandum which is entitled "Santa Clara's Needs To Alleviate Antitrust Restraints". This document details the provisions of the PG&E-CVP contract which, in the opinion of the Justice Department, are anti-competitive and restrictive vis a vis Santa Clara. The document outlines all the changes that should be made to the PG&E-CVP contract to remove the restrictive provisions and the anticompetitive effects of that contract on Santa Clara.

Attachment 7 (PG&E Document No. AXF 522658) is an April 25, 1972 letter from PG&E to the City Manager of the City of Davis, California concerning the University of California at Davis as a preference customer of the Bureau of Reclamation Central Valley Project. This letter essentially constitutes a refusal by PG&E to wheel Bureau-CVP power to the University of California at Davis because of the PG&E-CVP contract provision which provides that PG&E need only wheel to Bureau customers which are located outside the corporate boundaries of municipalities then serves at retail by PG&E.

There have been a number of allegations in this proceeding concerning PG&E's treatment of cogenerators and industrial generators and PG&E's refusal to wheel from those types of entities to various electric utilities. Attachments 8 through 16 relate to the subject of cogeneration and industrial generators.

Attachment 8 (PG&E Document No. ZAM #1062188) is a March 2, 1978 letter from PG&E to the State of California Energy Resources Conservation and Development Commission in response to questions posed at an Energy Commission hearing. The Energy Commission requested that PG&E supply it with the criteria PG&E uses to analyze wheeling requests. PG&E stated that if the request to wheel a cogenerator surplus power fell within the requirements of the PG&E Stanislaus Commitments or applicable law, then PG&E would wheel as a matter of course; otherwise, PG&E would consider the request to wheel on a case-by-case basis and enter into arms length negotiations. This letter goes on to outline the criteria which PG&E would use in considering requests to wheel power. It is interesting to note that, as explained by the Staff in "NRC Staff's Preliminary Comments Concerning the PG&E Commitments", submitted to the Board on February 23, 1979, that the PG&E Commitments exclude cogenerators from those entitled to the benefits of the Commitments, and that the Commitments do not require PG&E to wheel from industrial cogenerators. The Staff therefore wonders what PG&E meant when it said that it would wheel from a cogenerator if the request fell within the requirements of the PG&E Commitments, since apparently the PG&E Commitments don't require PG&E to wheel from a cogenerator. Related to this very issue is Attachment 9 (PG&E Document No. ZAM 1069702), which is a press release by PG&E for the newspaper The Sacramento Bee. PG&E states in this press release that it has offered to transmit Georgia Pacific Power for NCPA in accordance with the PG&E Commitments, but that because Georgia Pacific was not a public utility the Commitments did not require PG&E to wheel power from Georgia Pacific

and therefore PG&E had no obligation under the Stanislaus Commitments to wheel power from Georgia Pacific Company to NCPA. In essence PG&E is stating that while it will wheel power from industrial cogenerators pursuant to the Stanislaus Commitments, the Stanislaus Commitments don't in fact require PG&E to wheel power from industrial cogenerators. Another document related to this subject of wheeling from industrial cogenerators is Attachment 10 (PG&E Document No. ZAM 1069773), a December 30, 1977 internal PG&E memo to the file concerning a meeting between PG&E and the California Public Utility Commission on the subject of cogeneration. The document shows that the PUC asked if PG&E would provide wheeling service to industrial cogeneration partners. PG&E's response was that it would wheel power for neighboring entities under the PG&E-Stanislaus Commitments. As discussed immediately above, and in the Staff's preliminary comments concerning the PG&E Commitments, since those Commitments do not in fact require PG&E to wheel from cogenerators, PG&E essentially answered "no" to the PUC's question of whether PG&E would wheel from industrial cogenerators.

Attachment 11 (PG&E Document No. ZAM 1064216) is a March 22, 1979 letter from PG&E to the California Public Utility Commission submitting a quarterly status report on cogeneration projects. This document is useful to the Staff for the purpose of analyzing (1) the availability of power from cogeneration projects in or near California, (2) the extent to which there may be competition between or among PG&E and others for this type of power, and (3) the need for the PG&E Commitments to address PG&E's obligations to wheel from industrial cogenerators.

Attachment 12 (PG&E Document No. ZAM 1063265) is an April 3, 1979 internal PG&E memo also relating to the amount of cogeneration power that may be available.

Attachment 13 (PG&E Document No. AXF 527698) is a November 19, 1971 internal PG&E memo concerning the Dow Chemical Company and the possibility of a "serious threat" that Dow might market some of its surplus power to NCPA and others. Similarly, Attachment 14 (PG&E Document No. AXF 527688) which is a January 10, 1972 internal PG&E memo, also mentions the possibility of a "serious threat" that Dow will market its excess surplus to NCPA.

Attachment 15 (PG&E Document No. ZAL 1040586) is an agreement dated October 26, 1976 between NCPA and Georgia Pacific Company which provides for NCPA's purchase from Georgia Pacific Company of electric energy generated at Georgia Pacific's Fort Bragg plant which is surplus to the needs of Georgia Pacific. Attachment 16 (PG&E Document No. ZAL 1040589) is a November 1, 1976 letter agreement between NCPA and Georgia Pacific which amends the previously mentioned agreement (Attachment 15) by providing that the agreement between NCPA and Georgia Pacific is expressly conditioned upon NCPA's ability to reach agreement with PG&E for wheeling that Georgia Pacific energy to NCPA. These two documents show that NCPA is indeed competing with PG&E for cogeneration and that NCPA's

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ability to compete with PG&E and to obtain power from other sources is dependent upon PG&E's agreement or obligation to wheel that power to NCPA. Once again, this relates directly to the PG&E Commitments because since they do not require PG&E to wheel power from industrial cogenerators, it is clear that NCPA cannot buy power from a cogenerator unless PG&E will voluntarily agree to wheel that power.

Attachments 17, 18 and 19 relate to the Shasta Dam Area Public Utility District.

Attachment 17 (PG&E Document No. ZAM 1064743) is an internal PG&E memorandum dated July 27, 1965 which reports on the loss of customers to the Shasta Dam PUD and the fact that PG&E's competitive pressure has caused Shasta PUD an increase in its electric accounts receivable and a decrease in electric demand from the PUD. The document states quite explicitly that Shasta Dam PUD's waiving of certain charges for electricity was a direct result of "increased competitive pressure" that PG&E has been putting on them and talks about meeting a "dangerous precedent" in order to avoid losing customers and the need on the part of PG&E to step up its competitive effort, which it states it is doing. This document (as well as several others that are related to it) requires analysis on the part of the Staff as to whether it is evidence of healthy competition or rather unfair methods of competition or competitive pressure which is a part of the alleged scheme to monopolize generation and/or transmission in PG&E's service area or other relevant markets. Similarly, Attachment 18 (PG&E Document No. ZAM 1064735) is a January 24, 1966 internal PG&E memo on the Shasta Dam area PUD, which once again talks about PG&E's increased competitive pressure showing results of increased expenses for Shasta Dam PUD and concludes that PG&E will "keep the pressure on". Attachment 19 (PG&E Document No. ZAM 1064736) is a similar document

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which talks about the direct results of efforts by PG&E against Shasta Dam and what can be done with more tools and manpower.

Attachments 20, 21 and 22 relate to the subject of the development of geothermal energy in California.

Attachment 20 (PG&E Document No. ZAM 1086346) is a Proposed Decision Submitted by Northern California Power Agency before the California PUC concerning PG&E's application to construct and operate a Geysers Power Plant Unit No. 11. NCPA's proposed decision contains quotations from testimony given at the PUC hearing by Mr. Elmer E. Hall, PG&E's Chief Siting Engineer. Mr. Hall's testimony shows that it is PG&E's policy to not share transmission facilities or provide transmission service for NCPA if NCPA arranges for the purchase of geothermal steam in the Geysers area and plans to construct a geothermal generating plant. Mr. Hall testified explicitly that PG&E was not willing to enter into any reserve or standby agreements with NCPA concerning NCPA's geothermal development and that PG&E was opposed to generation by NCPA in the area of the Geysers. This document obviously relates to the allegation of PG&E's monopolization of generation and in particular PG&E's monopolization of and control over geothermal development in the Geysers area of California and PG&E's ability to deny access by others to geothermal development and the geothermal resources in the Geysers area.

Attachment 21 (PG&E Document No. AXF 572358) is a November 29, 1973 internal PG&E memo concerning a meeting with the City of Lodi and Lodi's desire to reopen discussions with PG&E relating to Lodi's and NCPA's independent development of geothermal generation at the Geysers and the transmission of that power to Lodi over PG&E's transmission lines. The document discusses Lodi's concern over PG&E's exclusive rights to purchase steam supply in the Geysers area. This document has attached to it another document (PG&E No. AXF 572359) which is a

November 21, 1973 letter from the City of Lodi to PG&E which describes an engineering study which was done for Lodi which demonstrates the feasibility of Lodi and other NCPA cities of financing, building, and operating geothermal power generating facility in the Geysers area. The letter goes on to explain however, that there are two primary areas of difficulty in NCPA implementing their plans for geothermal development, namely a source of steam and then the transmission of the power from the Geysers area to the NCPA members. These documents relate to the allegations of PG&E's monopolization of geothermal energy and the dependence of NCPA on PG&E for NCPA's own attempts to develop geothermal energy in California.

Along these same lines, Attachment 22 (PG&E Document No. AXE 846777) is a December 1, 1975 letter from the California legislature to the Director of the Department of Water Resources which describes the difficulty of municipal systems getting wheeling from the geysers area and urges the Department of Water Resources to develop geothermal energy and build its own transmission lines in order to take advantage of the potential of the Geysers area of California. This document shows the potential for competition between DWR and others for geothermal development and, as with Lodi and the other NCPA members, shows DWR's apparent dependence on PG&E for transmission of geothermal power from the Geysers area to the DWR system.

Attachment 23 (PG&E Document No. ZAM 1062202) is a February 5, 1979 memo which attaches the 1978 to 1998 electric load forecast of PG&E. This document and others like it are extremely useful for the Staff's presentation of its case in providing general background material and projections on the resources and load of the area. In particular, documents such as this are important for the Staff's analysis of PG&E's position in various relevant markets and the extent to which PG&E has monopoly power in those markets. More specifically

on page 4 of this electric load forecast, there appears the statement by PG&E that PG&E owns 76% of the electric generating capacity in the area. Obviously this type of information is important as far as calculating PG&E's market shares.

Attachment 24 (PG&E Document No. ZAL 1040346) a December 6, 1978 letter from the Department of Water Resources California Water Commission to PG&E president John F. Bonner discussing a California Water Commission workshop to assess coal as an energy source for the California State Water Project to be held on February 1, 1979. The letter invites PG&E's participation in the workshop but points out that the workshop should not be used as a forum to debate public vs. private power or the use of nuclear. The letter contains handwritten notes, believed to be by Mr. Bonner, which state that while PG&E should not debate public vs. private power or nuclear vs. coal, PG&E could attack state expenditures for studies and construction of state generating sources and transmission lines which are over and above the facilities needed for pumping power. It therefore appears that it is PG&E's wish that DWR not engage in electric energy transmission and generation except for supplying its own pumping load.

Attachment 25 (PG&E Document No. AXF 685931) a December 1, 1970 internal PG&E memo shows PG&E monitoring the possibility of DSR's studying the economic feasibility of constructing steam plant generation for its pumping load.

Attachments 26 through 29 and 43 through 45 relate to the Pacific Northwest-Southwest Intertie and surplus energy and capacity from the Northwest. Attachment 43 (PG&E Document No. ZAL 1072245) is an October 5, 1973 letter from Anaheim to PG&E asking PG&E whether it would object to a modification of the 7 Party Agreement to allow Anaheim to be a party to that agreement so that Anaheim would be able to purchase surplus Northwest power to which Anaheim is entitled as a preference

customer. Attachment 44 (PG&E Document No. ZAL 1072246) dated October 12, 1973 is PG&E's reply to Anaheim's request. PG&E replied that it would not modify the 7 Party Agreement to allow the inclusion of Anaheim and stated quite explicitly that it was PG&E's view that the 7 Party Agreement was a necessary counterbalance to the statutory preference rights of public systems. It thus appears that PG&E is openly taking the position that whatever surplus Northwest power is available to California companies can be excluded from the public systems by agreement of the California and Northwest private companies.

Attachment 45 (PG&E Document AXE 857271) is the California Company Pacific Intertie Agreement Coordination Committee Ruling Number 40 with an effective date of June 1, 1977. This document relates to the California Company Pacific Intertie Agreement between Pacific Gas & Electric Company, Southern California Edison Company and San Diego Gas & Electric Company dated August 25, 1966, and is helpful for the Staff in understanding how the Pacific Intertie agreement works in operation, how it is interpreted by the parties and how in practice the California Companies share the intertie facilities and share access to surplus northwest power.

Attachment 26 (PG&E Document No. AXE 846987) is an August 25, 1976 letter from Anaheim to PG&E requesting the terms and conditions under which PG&E would agree to allow Anaheim to participate in available excess or surplus transmission capacity in the AC intertie line in order to obtain surplus power from the Northwest. PG&E's response is Attachment 27 (PG&E Document No. AXE 846986) a letter dated October 1, 1976 in which PG&E states its position that capacity in PG&E's transmission system will be made available first to other power users in the PG&E service area before it is made available to other entities outside the PG&E service area. This position is also the basis for the provision in

the PG&E Stanislaus Commitments which, in the transmission section, gives PG&E the right of first purchase of all power generated in the area by any entity before PG&E would be obligated under the Commitments to wheel that power outside the area. The reasonableness of this position is being evaluated by the Staff.

Attachments 28 and 29 (PG&E Document Nos. ZAL 1049275 and 274 respectively) are correspondence in 1975 between PG&E and Puget Sound Power & Light Company concerning substantial quantities of surplus energy available from the Northwest for exporting to California companies. The documents show that apparently this substantial quantity of surplus energy was offered to PG&E before any other entity in California including public entities which may have preference to that power. The extent to which this type of transaction is pursuant to the 7 Party Agreement and/or inconsistent with the Northwest preference laws is being studied by the Staff.

Attachment 30 (PG&E Document No. ZAL 1040936) is a September 11, 1970 letter from an NCPA attorney to the Sacramento Municipal Utility District ("SMUD"). This letter requests discussions with SMUD for cooperation between NCPA and SMUD in joint participation in a second SMUD generating unit and suggests that such cooperation is restricted by the PG&E-SMUD contract dated June 4, 1970. Attachment 31 (PG&E Document No. ZAL 1040934) is SMUD's reply dated September 14, 1970 which admits that NCPA's participation in SMUD's second thermal plant would indeed be precluded by the PG&E-SMUD contract. This letter goes on to explain the reasons for such a preclusion. The type of reasoning offered in this letter is being evaluated by the Staff.

Attachment 32 is a letter dated April 2, 1976 from PG&E to SMUD (PG&E Document No. ZAM 076143). This document shows that SMUD requested certain transmission service to be made available to it. PG&E's response, contained in this letter, is that the "companies" (the California Power Pool members) do not agree that SMUD

is entitled to request such transmission service. The letter shows that a copy of this reply went to the "other pool companies". The extent to which this type of response constitutes a concerted refusal to deal is being studied by the Staff.

One of the issues in this proceeding concerns competition between PG&E and municipal systems for the franchise to serve at retail within the municipal corporate limits. Documents in the possession of Staff show numerous hard-fought battles between PG&E and various municipalities concerning the franchise to serve in those municipalities. One such example is the attempt by the City of Berkeley to establish its own distribution system, Berkeley presently being served by PG&E.

Attachment 33 (PG&E Document No. AXF 605124) consists of handwritten notes, much of which is illegible, which discusses a celebration over PG&E's successful "knocking down repeated takeover efforts...". The extent to which PG&E has used either its alleged monopoly power and/or unfair methods of competition to successfully defeat attempts by municipalities to establish their own distribution systems, is presently being studied by the Staff.

Attachment 34 (PG&E Document No. ZAL 1040729) is a letter dated February 14, 1979 from Anaheim to Nevada Power Company, PG&E and Southern California Edison Company concerning Anaheim's attempted participation in the Allen Warner-Project, a coal project located in Nevada. The document shows Anaheim dependence upon other systems including PG&E and Edison, for transmitting such power to Anaheim before Anaheim could participate in such a project. The letter simply demonstrates the difficulty a small system like Anaheim experience in attempting to participate in projects. For example, Anaheim met with Nevada Power Company to discuss Anaheim's participation in the project. Nevada Power Company indicated that PG&E and Edison would be responsible for responding to requests for participation in the

project by utilities located in their respective areas, but when Anaheim contacted Southern California Edison Company about Anaheim's participation in the project, Southern California Edison Company told Anaheim that Nevada Power Company was responsible for considering such requests. Also, PG&E told Anaheim that Edison would be responsible for transmission facilities between the Allen-Warner Project and Southern California. This "run-around" led Anaheim to write to all three companies concerning its participation in the Allen Warner Project and request that a procedure be established for simply responding to Anaheim's request.

Attachment 35 (PG&E Document No. ZAM 1065101) is a draft with handwritten corrections of a September 25, 1967 letter from PG&E to the California PUC concerning the Westland's Water District. The document discusses the alternatives available to Westland, a preference agency which purchases from the Central Valley Project, for obtaining its electrical supply. The document states that other than the method selected under an existing contract, the most probable method for Westland's supply was for Westland to build its own transmission system. Such a system as described here would have paralleled part of PG&E's transmission system. The draft letter originally contained a statement that "... the necessity of not having a competitive system made it necessary for P.G. and E. to offer to distribute energy for Westland to the ultimate points of use." The handwritten comments show the deletion of the words "necessity" and "necessary" and a softening of the language so that PG&E's position is stated in terms of "economic waste" rather than of the "necessity of not having a competitive system."

Attachment 36 (PG&E Document No. ZAM 1075508) is an April 16, 1976 letter from the State of California State Lands Commission to PG&E which expresses concern over difficulty experienced by municipal systems in attempting to obtain contracts for wheeling power from existing and potential generating sources to their own systems, and proposes to include a special provision in leases for

transmission lines crossing state owned waterways. The provision would have required that whenever surplus capacity exists in such a transmission line crossing the state land, the excess capacity must be made available if requested to publicly owned distribution systems. Attachments 37 and 38 (PG&E Document Nos. ZAM 075474 and 496, respectively) are the replies of PG&E and Southern California Edison Company to this proposal. PG&E's reply, Attachment 37, makes explicit reference to the PG&E-Stanislaus Statement of Commitments and suggests that because of the Company's policy of providing transmission service pursuant to those Commitments, it is not necessary for the state to include such a wheeling provision in its lease documents. The soundness of that position is being studied by the Staff.

Attachment 39 (PG&E Document No. ZAM 1075413) is a recent electric resale service contract between PG&E and the City of Palo Alto. This contract contains the express provision that electric power and energy purchased by the City from PG&E shall not be sold, distributed or used by the city outside the corporate limits of the city except for service to the city's facilities or installations. The reasonableness of that restriction is being considered by the Staff. The contract also provides, interestingly, that it expressly does not in any way prevent the City from seeking to obtain electric power and energy from sources other than PG&E and the Bureau of Reclamation. The necessity for the inclusion of an express grant of authority to the city to obtain other sources of power and energy is being considered by the Staff.

Attachments 40 and 41 (PG&E Document Nos. ZAT 1074473 and 470, respectively) are correspondence between the City of Alameda and PG&E concerning a disputed portion of PG&E's electric service bill to the City. The correspondence shows that PG&E threatened to terminate service to the City of Alameda. The Staff has correspondence evidencing similar threats by PG&E to discontinue service to

other cities and is evaluating the reasonableness of such action by PG&E.

Earlier the Staff discussed Attachments 15 and 16, which showed NCPA's attempt to contract with Georgia Pacific for the purchase of surplus energy from Georgia Pacific's Fort Bragg plant and the amendment to the executed contract making the arrangement contingent upon NCPA's arrangement with PG&E for transmission services. Attachment 42 (PG&E Document No. AXE 857286) is a May 17, 1977 letter from PG&E to Georgia Pacific Company discussing a possible long term agreement between PG&E and Georgia Pacific for surplus from electric capacity and energy from Georgia Pacific's Fort Bragg plant. This document, in conjunction with Attachments 15 and 16, raises the question of whether or not PG&E refused to wheel power from Georgia Pacific to NCPA in part for the purpose of obtaining that power for itself. Admittedly, these three documents are not a complete record of the apparent competition for the surplus energy and/or capacity from Georgia Pacific's Fort Bragg plant. But these documents do demonstrate the way in which the Staff is putting together the pieces of various transactions which form the basis of the allegations that have been made in this case.

Attachments 43 through 45 were discussed supra at sp. 14-15.

Attachment 46 (PG&E Document No. ZAM 1062265) is a March 1, 1979 PG&E report to the California PUC on the forecast of planned transmission facilities. Documents such as these are important to the Staff in analyzing the extent of PG&E's control over transmission and PG&E's plans to maintain and/or increase that control over transmission.

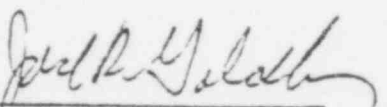
Attachment 47 (PG&E Document No. ZAT 1070614) is a March 12, 1973 statement of the Secretary of the Interior before the Federal Power Commission concerning the Pacific Intertie and the 7 Party Agreement. This document, as well as others like it, provides the Staff with important background information on the development and purpose of the intertie and the related contracts.

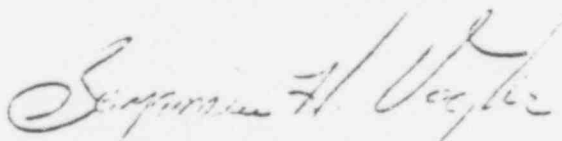
Attachment 48 (PG&E Document No. AXE 857102) is an August 26, 1977 letter from PG&E to the City of Palo Alto which shows that both PG&E and Palo Alto were competing for power from the same source and strongly suggests that PG&E's control of transmission resulted in PG&E's ability to close the deal to the exclusion of Palo Alto.

Attachment 49 (PG&E Document No. ZAT 1059138) is a PG&E report of a Healdsburg City Counsel meeting which shows that Healdsburg believed that PG&E's fuel cost adjustment to Healdsburg, which was 58% higher than what PG&E was charging PG&E's non-resale customers, was overtly intended to force resale cities out of the electrical business.

Finally, Attachment 50 (PG&E Document No. ZAT 1058246) shows the Healdsburg City Manager to believe PG&E to be "a real monopoly in action"!

Respectfully submitted,


Jack R. Goldberg
Counsel for NRC Staff


Benjamin H. Vogler
Assistant Chief Antitrust
Counsel

Dated at Bethesda, Maryland
this 9th day of July, 1979

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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of

PACIFIC GAS AND ELECTRIC
COMPANY
(Stanislaus Nuclear Project,
Unit No. 1)

)
)
)
)
)

NRC Docket No. P-564A

CERTIFICATE OF SERVICE

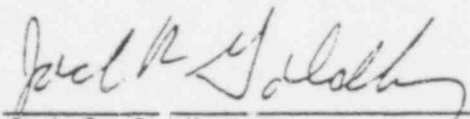
I hereby certify that copies of NRC STAFF'S SUBMISSION OF SELECTED DISCOVERY DOCUMENTS RESULTING FROM PG&E'S PRODUCTION OF "GREEN-DOTTE" DOCUMENTS in the above-captioned proceeding have been served on the following by deposit in the United States mail, first class, or, as indicated by an asterisk, through deposit in the Nuclear Regulatory Commission's internal mail system, this 9th day of July, 1979.

Marshall E. Miller, Esq., Chairman Atomic Safety and Licensing Board U.S. Nuclear Regulatory Commission Washington, D.C. 20555 *	#	George Spiegel, Esq.
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Atomic Safety and Licensing Board
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555 *

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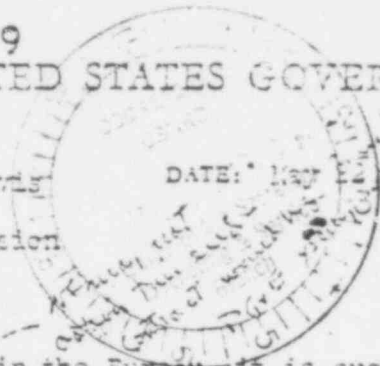
Jack R. Goldberg
Counsel for NRC Staff

Served without attachments.

Office Memorandum • UNITED STATES GOVERNMENT

TO : Regional Power Manager
Regional Counsel Attention: Ken Davis
FROM : Actg. Chief, Marketing and Sales Division
SUBJECT: P.G.& E. power contract provisions

DATE: May 12, 1950



1. For purposes of discussion within the Bureau, it is suggested that the contract negotiation with P.G.& E. be considered on the basis of complete integration and coordinate operation of the Bureau and Pacific power systems. Further, that the contract between the Bureau and P.G.& E. must insure the same degree of financial stability for the ultimate and completed project as would result from the Bureau's constructing to completion and operating the ultimate planned project power facilities, and not violate basic policy or public benefits from Federal power.

*Insurance will
be in effect
within 60 days*

2. Some fundamental contract principles from our viewpoint which, it is believed, should be observed are as follows:

a. The contract to accomplish a balanced coordination and integration of the two power systems as will assure the maximum benefits to the CVP region from project power equalling an independent project power system.

*Insure same
benefits as if
were an independent
project power system*

b. Under the principle of operational integration of the two systems, there will be available in the area only one class of power, i.e., firm, dependable power to meet the area load curve. Neither of the two integrated systems would have available so-called secondary, dump or other minor classes of power. For contract and factual purposes, it must be fully recognized by all parties that CVP has a complete power system to the same degree as does Pacific. Since Pacific has one class of utility power, likewise CVP has one class of utility power. The main accomplishment of system integration is to result in firming of the total power of each system. This firming is not necessarily from steam, but mainly from the coordinate operation of many hydro plants.

c. The CVP power transmission system would consist essentially of, but not be limited to, a basic high-voltage transmission grid initially consisting of: two 230-kv transmission circuits down the west side from Shasta Switchyard to Tracy Switchyard; one 230-kv transmission circuit down the east side from Keswick Switchyard to Tracy Switchyard via one Elverta Switchyard; 115-kv transmission circuits from Elverta Switchyard to Tracy Switchyard; 115-230-kv delivery facilities in the vicinity of Keswick and Shasta Switchyard; 230-kv and 115-kv delivery facilities at Elverta Switchyard; and 230-kv, 115-kv and 69-kv delivery facilities at the Tracy Switchyard.

*OK but we
can't promise
to build it
The contract
features*

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- Do we know what is required in this respect?

d. The contract would assure an equal or greater financial assistance to irrigation from power under the contract as the ultimate CVP power system would assure.

e. There must be no possibility of an increase in the wholesale commercial firm power rate schedule or in the charge for project pumping because of contract conditions. *Contract sub P.O.C. - unless always provided*

f. There must be no restrictive conditions as to CVP power deliveries to preference agencies, or as to serving localities within economical transmission and sub-transmission distances from CVP load centers. *- Can we define load centers adequately?*

g. The contract should assure flexible and unencumbered operation of CVP power facilities and result in a quality of service to customers equal to the ultimate CVP system, operated independently. *Should be same service as that offered by PG&E*

h. Both parties would mutually grant to each other a license for the use of available transmission and sub-transmission facilities existing on their systems from time to time. *- what would be the facilities existing on their systems from time to time. with this if made*

i. The license for the use of power facilities must result in a total annual cost to the project for transmission, wheeling or exchange service equal to or less than the comparable cost of a completed CVP power transmission and sub-transmission system. Also, result in a cost to P.G.& E. for the use of CVP facilities equal to or less than their own comparable cost. *?*

j. Pacific's system would be expected to supply the power firming requirements for the CVP system as well allow CVP to market all commercial power and supply project pumping as to quantity contemplated for in the ultimate project facilities. This is on the order of 1800 million kwh annually and about 375,000 kw of annual maximum demand for commercial power, when the presently planned CVP power facilities and other project works are completed. *4500 kw*

k. The total average annual cost for the firm power support to the project must be equal to or less than comparable cost from the CVP steam plant.

Power delivered by PG&E by B. way same quality in same area

l. The firming power requirements for the CVP power system must be as reliable and flexible as the CVP steam plant would be able to give to the project.

m. The contract should in no manner indicate intent or insinuate that the Bureau would not build or be prepared to build

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at any time a full and complete transmission system and steam plant should experience under contract conditions result in costs higher than those for comparable project facilities or operating conditions not satisfactory to the Bureau.

n. The Bureau cannot agree to limit its commercial sales to less than CVP generating plant capabilities, including a steam plant or other sources of project system supply, as they exist from year to year.

3 weeks & future delivery

o. The Bureau cannot foreclose on any preference customer in or out of Pacific's service area, nor on any preference customer based on voltage or size of load.

p. The Bureau must be the sole judge and make the complete decision as to the amount of its contract loads for commercial power and operate as to power sales and contracts entirely independent from Pacific.

q. The project will pay one mill or less for sub-transmission service. This means one mill for taking a kilowatt-hour from one CVP transmission grid (Tracy, Elverta, etc.) to the CVP customer. It is the intent of the Bureau not to contract with any customer whose power requirements could not be delivered from the independently planned and operated CVP transmission and sub-transmission system.

r. The Bureau would operate the CVP system, within mandatory water releases, on a load pattern and other operating technical requirements as indicated by P.C.& E., in order to achieve the maximum benefits to both parties from the integration.

s. P.C.& E. would buy and pay for declared power as made by the Bureau.

3. Within the concept of a long term contract for integration of the two systems and to result in reasonable conditions under which the Bureau can negotiate power sales contracts with preference customers and in an attempt to satisfy Pacific on major issues of a contract, the following contract conditions are suggested:

a. The Bureau agrees that the sum of the kilowatts for contract rates of delivery of individual contracts in force with Bureau customers, and an obligation of the Bureau to deliver, will not at any time exceed the sum of kilowatts of manufacturer's name-plate rating based on unity power factor of all the generating plants installed and operative at the time on the authorized CVP,

relatives
the
parties

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plus the kilowatts at unity power factor available to the CVP from sources other than Pacific.

b. The Bureau agrees that, exclusive of power for CVP power operation and construction, Pacific will not be obligated or requested to transmit any power to individual loads of any Bureau contract customer; (a) located within the city limits of any city served by Pacific from their distribution system, or (b) located outside of a 250-mile radius from any source of a Bureau generating plant, or (c) located outside of a 100-mile radius from any Bureau 230-kv transmission substation or load center, or (d) any customer delivery point not within Pacific's service area, or (e) to any customer not having a power contract with the Bureau, or (f) to any customer whose power contract with the Bureau does not stipulate a contract rate of delivery in kilowatts.

c. The Bureau agrees that Bureau electric power to be transmitted by Pacific will be limited to the following classes of customers:

- (1) Preference customers
- (2) Federal establishments
- (3) CVP power requirements for operation and maintenance at any location in Pacific's service area
- (4) CVP power requirements for project construction purposes at any location in Pacific's service area.

d. Bureau agrees that before requesting funds for power construction purposes to serve a Bureau power contract customer the Bureau will give Pacific the opportunity of providing the required facilities to deliver power to the customer for account of Bureau.

e. Bureau agrees to pay Pacific one mill per kilowatthour for each kilowatthour delivered by Pacific to a Bureau customer.

f. Bureau agrees to operate any and all of its power system on a load and operational pattern indicated by Pacific qualified only by mandatory water releases and project pumping operations.

g. Bureau will announce to Pacific daily the total power available from Bureau's power system, in kilowatts at unity power factor and kilowatthours by delivery points. The daily announced power shall be available to the systems of both parties.

h. The arithmetical average of the daily announced kilowatts at all interconnection points during a month of 30 days will

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be the kilowatts furnished by the Bureau to the integrated systems during the month.

i. The sum of the daily announced kilowatthours at all interconnection points during a month of 30 days multiplied by a factor for losses will be the energy furnished at generation by the Bureau to the integrated system.

j. The sum of the 30-minute maximum demand kilowatts during a month of 30 days of all individual Bureau customers and project loads including customers and loads served from either Bureau's or Pacific's system multiplied by a diversity factor (which factor will include adjustment to kilowatts at unity power factor and losses) will be the kilowatts at generation at unity power factor supplied to the Bureau's system during the month from the integrated system.

k. The sum of the kilowatthours delivered during a 30-day month by either Pacific or Bureau to all individual loads or customers of the Bureau multiplied by a factor for losses will be the energy furnished from the integrated system during the month to Bureau system.

l. Pacific will pay to Bureau at the R2-F1 rate schedule for the kilowatts and kilowatthours remaining after subtracting the power supplied per month to Bureau system (items j and k) from the announced power supplied the integrated system by the Bureau (items h and i). The billing demand will be the kilowatts of item h minus the kilowatts of item j, and the energy will be the energy of item i minus the energy of item k.

m. Pacific to have the right to determine the actual quantities of announced power (items h and i) to be delivered into the integrated systems each day and to place any remaining power in reservoir storage, in order to meet load patterns and operating requirements of the integrated system.

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NINETEENTH CONGRESS
CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
Natural Resources and Power Subcommittee
of the
COMMITTEE ON GOVERNMENT OPERATIONS
Rayburn House Office Building, Room 8349-B
Washington, D.C. 20515

January 27, 1967

TO: Honorable William L. Dawson
Chairman
House Committee on Government Operations

FROM: Committee Staff

SUBJECT: Interim Staff Memorandum (January 27, 1967) Concerning Proposed
Contracts Relative to Pacific Coast Electrical Intertie

BACKGROUND

When Congress in 1964 appropriated \$42,200,000 to initiate construction of the extra-high-voltage (EHV) electrical transmission lines and facilities to interconnect the power systems of the Bonneville Power Administration and the Pacific Southwest, the Senate and House Appropriations Committee stated that the contracts should be made public and be transmitted to the Congress "not less than 60 days before their effective dates" (S. Rept. 1326, p. 37, and H. Rept. 1704, p. 42, both in 88th Cong.). The Interior Department during the past 2 years has negotiated numerous contracts to establish the Intertie, and some of them, previously transmitted to the Congress, have already been signed. The Committee Staff does not have copies of all the contracts negotiated to date.

On September 14, 1966, the Department transmitted to Congress 7 of the major proposed contracts, and indicated that they would be signed after 60 days. In mid-October, the Department transmitted to Congress 3 additional contracts, stating that they would not be signed until after the 90th Congress has been in session at least three weeks. These 10 contracts, which have not yet been signed, are listed on Attachment A.

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The construction and operation of the Pacific Northwest-Pacific Southwest Intertie has been a matter of concern to your Committee for many years. You will recall that in 1959 you requested the Interior Department (a) to defer the signing of a proposed contract for sale of Pacific Northwest power to Pacific Gas and Electric Company and its transmission to California on 230 kv lines and (b) to study the possibility of constructing larger capacity extra-high-voltage lines to interconnect the Pacific Northwest and the Pacific Southwest. Those studies, which the Committee Staff followed in detail, eventually resulted in the proposals for the extra-high-voltage Intertie transmission lines which the Congress approved in 1964. At that time, you also requested the Federal Power Commission to examine and report to the Committee concerning the Intertie Project. The FPC has furnished to this Committee 2 interim reports concerning the Intertie, dated April 1965 and August 1966.

The Interior Department transmitted the above mentioned 10 major contracts to the Congress without any analysis or explanation of their scope and effect. These 10 contracts are exceedingly complex, containing over 400 pages of highly technical provisions. These contracts, along with many others, will provide for the largest electrical interconnection attempted up to now in this country. They will have long-range and significant effects on the welfare of our country. Most of the contracts cover periods of at least 40 years.

Because the contracts were not accompanied by any analysis or explanation, and because they were submitted shortly before the adjournment of Congress, the Committee Staff was unable to provide the Committee an adequate analysis of the contracts and their effect on the Government, the region and the consumers, in time for the Committee to consider or act on them. However, the Staff's preliminary examination indicated the likelihood that

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the contracts may contain significant deficiencies, and a number of these deficiencies were described in the Staff's Preliminary Memorandum to you dated November 3, 1966.

In view thereof, you wrote to the Secretary of the Interior on November 3, transmitting a copy of the Committee Staff's Preliminary Memorandum, and you requested: (a) that the signing of the contracts "be deferred until at least February 1, 1967, to enable the new 90th Congress to organize and permit its Committees to make a meaningful examination of, and express their views on, those contracts"; and (b) that the Interior Department provide to the Congress "as promptly as feasible, a comprehensive summary and detailed explanation of the engineering and economic features of the contracts and their effect on the Federal Government and existing and potential preference customers".

Moreover, since the two FPC interim reports did not discuss the details of the proposed contracts or the effect of the contracts on the Government and its preference customers, you requested the FPC, on November 30, 1966, to examine the contracts and advise the Committee as to the Commission's views thereon. The Chairman of the FPC replied that every effort would be made to supply the comments requested before February 1, 1967.

By early January 1967, you became concerned over the Interior Department's delay in furnishing the analysis which you had requested. Moreover, the FPC staff had indicated that in the absence of such analysis the Commission would have great difficulty in advising you on the contracts. Accordingly, you directed the Committee Staff to expedite its studies of the contracts and to confer as necessary with various parties and others concerned with the contracts. Two members of the Committee Staff travelled to California and conferred with as many persons as

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possible during the week of January 9-14 concerning various aspects of the contracts.

On Saturday, January 21, the Committee Staff received copies of two letters sent to you by the Interior Department dated January 20. One letter transmitted a memorandum of 23 pages entitled: "Summaries of Contracts 14-06-200-2948A - 2947A - 3117A - 2949A - 3104A". In essence, that memorandum consists of the following:

(a) a 2-page general statement concerning the "major effects on the Federal Government and its preference customers of the agreements as implemented by these contracts";

(b) 7-page summaries of contracts 2948A and 1871; and

(c) 1-page summaries of each of contracts 2947A, 3117A, 2949A, 3104A, and also the California Companies' contracts with SMD and the State of California.

The Department's letter of January 20, 1967, states that the Bureau of Reclamation "is preparing an additional, more detailed economic analysis of" Contract 2948A (Bureau-PCOE, Sale, Interchange and Transmission contract).

The Department's second letter of January 20, 1967, transmitted a 2-page statement concerning the Bonneville Power Sales and Exchange contracts with PCOE, with summaries (6 pages and 3 pages respectively) of each, plus a one page summary of the companies' agreement to lease Malin substation and a letter from the Interior Department to the Justice Department explaining the reasons for the latter agreement.

The Interior Department's letters of January 20, 1967 and their accompanying memoranda contain no response to the specific points raised in the Committee Staff's Preliminary Memorandum of November 3, 1966.

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It is on the basis of the foregoing, and without the benefit of the "more detailed economic analysis" still being prepared by the Bureau of Reclamation, or the views of FPC which you requested, that this Interim Staff Memorandum has been prepared outlining the status of the Committee Staff's studies to date.

THE OVERALL SCOPE OF THE CONTRACTS

Essentially, the numerous contracts provide for the following:

(a) The construction, operation, and use of extra-high-voltage facilities for transmission of electric energy between the Pacific Northwest and the Pacific Southwest, as well as the sale or exchange of such power and energy; and

(b) the revision, and the extension until the year 2005, of the 1951 sales and transmission agreements between the Bureau of Reclamation and the Pacific Gas and Electric Company, which deal with the power generated by the Central Valley Project of California and sold to municipalities, government agencies and other preference customers.

The 1951 contracts would, by their terms, expire in 1971. The proposed contract between the Bureau and PG&E (14-06-200-2940A) combines the 1951 sales and transmission contracts into one contract. At the same time (a) it incorporates the new benefits and obligations relating directly to the Interim; (b) it modifies some of the provisions of the 1951 contracts relating to operation and service; (c) it retains major limitations on, and further circumscribes possible expansion of, GIP customers and service; (d) it continues existing charges and allowances for transmission service and for line losses; and (e) it extends all of these provisions to the year 2005.

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The efficient utilization of the Intertie lines and the sale and transmission of electrical power and energy over such lines involve integration with the power system of the Pacific Gas and Electric Company. However, it would have been perfectly feasible to provide for the construction, operation and use of the Pacific Northwest-Pacific Southwest BTV transmission lines, and the sale and interchange of power between the two regions, without making the expanded and long-term renewal of the PG&E-Bureau of Reclamation 1951 contracts as an integral part of the Intertie contract package. There is no doubt that various Members who agreed to the revised Intertie proposals in July 1964 did not intend that the proposals embodied a freeze on all those provisions of the 1951 sales and transmission contracts not expressly superseded or made inapplicable because of the Intertie arrangement. Those Members expected that many of the 1951 provisions which placed controversial restrictions on the Bureau and CVP preference customers would become the subject of vigorous negotiation on the part of the Bureau. Indeed, the Assistant Secretary of the Interior, in transmitting to Congress the Bureau contracts on September 14, 1966, had this to say about modification of the general proposals themselves:

"At the time the proposals were presented to Congress it was recognized that the negotiations would undoubtedly produce some modification of the general proposals and this has been the experience".

Nevertheless, it is apparent that the Interior Department approached the negotiations concerning the Intertie as if the 1951 CVP contract revisions were part of the "one-package" Intertie agreement.

The Committee Staff has examined the 10 contracts transmitted to Congress in September and October, 1966, and has discussed

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many aspects of the Intertie Arrangements and the Central Valley Power contracts with various interested parties. On the basis of such examination and discussions, and lacking the full analysis and comments you had asked the Interior Department and FPC to supply to you, the Committee Staff has not found any significant deficiencies in any of the contracts, except the Bureau-FGLE contracts involving the Central Valley Project system, i.e., the aforementioned contracts 2948A (Sale, Interchange and Transmission); Contract 3117A (Cottonwood Substation); and Contract 2949A (Round Mountain S. station). The deficiencies of these contracts are discussed below.

RECOMMENDATION

The Committee Staff recommends that the contracts, other than those relating to the Central Valley Project system, should be promptly cleared for signature in order to expedite achieving the substantial advantages which will result from the construction, operation and use of the Pacific Northwest-Pacific Southwest Intertie transmission facilities.

However, the Committee Staff believes that the above-mentioned Bureau-FGLE contracts directly affecting the Central Valley Project contain significant deficiencies which merit consideration by the Committee, and that no substantial injury to the public interest will result from deferring the signing of these FGLE-Bureau of Reclamation contracts until the Committee has acted on such deficiencies, while the other contracts are signed.

DISCUSSION OF DEFICIENCIES IN THE CONTRACTS

The following part of this Interim Staff Memorandum outlines various deficiencies which, on the basis of our study to date, may be present in the FGLE-Bureau contracts. Moreover, the fact that the Committee has not yet received the detailed economic analysis

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which you requested from the Interior Department, or the comments and views which you requested from the FPC, emphasizes the need for further careful study of the contracts relating to the Central Valley Project.

I. PRINCIPAL DEFICIENCIES IN BUREAU-FOUR SALE, INTERCHANGE AND TRANSMISSION CONTRACT 14-16-000-0000A

A. Lack of assured source of energy needed to maintain CVP preference customers load at 1050 MW from 1975 through the year 2005

One of the principal considerations on which Congress approved the Intertie proposal in 1964 was that the increased project dependable capacity, CVP imports of power and energy, and support from the bank accounts, would permit the load of CVP preference customers, after April 1, 1971, to "be increased up to 985 mw prior to January 1, 1975 and thereafter maintained as high as 1050 mw". (Amendments of July 15, 1964 to California Companies Intertie proposal -- see page 48 of the Committee Print entitled "Report to the Appropriations Committee of the Congress of the United States Recommending A Plan of Construction and Ownership of EHV Electric Interties between the Pacific Northwest and Pacific Southwest").

That proposal contemplated that the Bureau would import capacity and energy which would be accepted by FPC and credited to the Bureau in the capacity and energy bank accounts in sufficient amount to support the preference customer load at 1050 MW, and thus offset the expected decline of the CVP dependable capacity resulting from increased project pumping demand anticipated in 1980. To carry out that proposal, Article 19(i) on pages 32-35 of the proposed FPC-Bureau contract provided that the Government will import "firm capacity and energy" from the Northwest in stated quantities as follows:

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1. 27,200,000 to 33,600,000 kWh of energy weekly, from April 1, 1968 through June 30, 1970;
2. 200 mw from July 1, 1970 through December 31, 1970, and 400 mw from January 1, 1971 through December 31, 1971 (firm capacity and associated energy as specified in Table Six on page 34);
3. 400 mw of firm capacity (and associated energy up to 7050 kWh per kw), beginning January 1, 1972 and thereafter.

As of today, however, the Bureau has no clear assurance of receiving such capacity and energy as required by Article 19(d). The Bureau of Reclamation has orally advised the Committee Staff that the apparent shortage is in the energy associated with the Northwest capacity which the Bureau believes it can obtain (i.e., the kilowatt hours to back up the 200 to 400 mw of "firm" capacity required by the contract).

It should be noted that under the Northwest Regional Preference Act of August 31, 1964 (P. L. 88-552; 78 Stat. 755) only "surplus peaking capacity", "surplus energy" and "provisional energy" may be exported from the Federal Hydro-electric plants of the Northwest. Thus, the "firm" capacity and energy required under the contract must come from a non-Federal source. The Committee Staff has not been informed as to where the Bureau would get such capacity, but has been informed that Bonneville Power Administration and the Bureau had initially contemplated getting the required energy from British Columbia Hydro & Power Authority. However, the Bureau made no contracts with BC Hydro because the cost of BC Hydro energy was believed excessive, and has waived its opportunity to contract for any share of Canadian Entitlement power.

Further uncertainty is injected into the use of the phrase "firm capacity and energy" by the second interim report of the FPC (August 1966). On p. 26 it lists the following types

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power that the Bureau of Reclamation "will transmit over its share of the Intertie lines:

"Surplus energy
Surplus capacity

Possibly new Canadian power or other kinds that may become available

Purchase of exchange energy being returned to BPA. This, however, is more expensive than desired. Most of this power will be banked with FGLR".

In any event, at this time, the required 400 mw of "firm capacity" and associated energy are not assured. Without such assurance the preference customers cannot be certain that their loads can be supported beyond 1980 up to 1990 mw.

Furthermore, the Bureau will not obtain the full financial advantages expected from the bank accounts for capacity and energy. It is questionable whether FGLR would credit the CVP capacity account without assurance of the associated energy to back up the capacity. Moreover, the contract has been drafted to provide capacity account credits of only 200 mw beginning in July 1970 and 400 mw beginning in 1971, whereas the companies' proposals submitted to Congress in 1964 had contemplated capacity credits of 400 mw as soon as the Intertie was completed (expected in 1968).

In view of these deficiencies, it is significant that section 19(d) of the contract is qualified by a footnote on page 31 as follows:

"The dates and amounts specified on this page are tentative only, and will be changed as appropriate to comply with the terms of the Bureau's contracts for purchase of Northwest power and with the notice requirements of FGLR for area planning purposes".

This qualification of the important provisions relating to the banking accounts virtually makes these provisions meaningless.

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B. The contract virtually prohibits the importation of additional power into the CVP system

Section (7) of Article 12(a), on p. 17, authorizes the Federal Government to substitute "Northwest Dump Energy",^{1/} or Northwest surplus energy^{2/} exceeding the amounts specified in Article 19(d),^{3/} for energy which would have been generated from any of the Central Valley Project plants. However, sec. (7) contains two unnecessarily rigid restrictions.

First, it adds the requirement that such substitution can be made only with the consent of FGE.

Second, it limits the Government to substituting only power from the Northwest.

It is unreasonable to prevent the Government bringing into the CVP area energy from any other source as a substitute for energy which would be generated from the Project plants. Such substitution should not be conditioned upon obtaining the consent of the Company. If the Company fears that providing the substitute energy would upset the Company's system operations, then the contract could (a) explicitly state that the substitution should not produce a substantial interference or upset of the Company's system operations, and (b) set forth specific criteria for determining whether the characteristics of the substitute energy would be incompatible with the Company's system operations. But

^{1/} Defined in contract as "interruptible energy subject to purchase from any entity in the Northwest".

^{2/} Presumably "Surplus energy" as defined in the Pacific Northwest Preference Act (P.L. 62-910, 78 Stat. 756); i.e., "electric energy generated at Federal hydro-electric plants in the Pacific Northwest which would otherwise be wasted because of the lack of a market therefor in the Pacific Northwest at any established rate".

^{3/} See 1-A of this Memorandum.

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the contract should not vest in the Company an unlimited discretion to refuse to permit the Government to make such substitution.

The Government might be able to fulfill power requirements in a time of power shortage, or to provide additional power to preference customers from Project plants, by being able to substitute Northwest power, or other power, in lieu of power from the Project plants.

In short, there is no sound reason for giving the Company an unqualified veto power which might be used to prevent the Government from bringing new power into the CVP area to meet needs of Government agencies and preference customers through the CVP-POLE power system.

It is noteworthy that there is no provision in the contract limiting the Company as to the sources from which it will obtain power for the uses specified in this contract.

This restriction upon importation of additional government power frustrates the basic concept of achieving interconnection of the Bonneville, CVP, Colorado, and other Federal electric systems. Moreover, it has the effect of freezing the preference customers for the next 50 years to a maximum of 1050 mw of Federal power and precludes them from pooling with the CVP system for any generation they may later develop to meet their rapidly growing electric loads.

The Company's power to veto any plan by the Bureau to make such substitution could become especially disadvantageous to preference customers in view of the further restriction in sec. (4) of Article 19, on page 32, which states that the Government may import Northwest capacity and energy for sale or use in the service area under this contract only by using the transmission line capability available to the Government pursuant to the EHV

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Transmission Contract (14-06-220-29-7A). This means that the Government, for 40 years, could be denied the right to bring in Northwest energy, either on other lines for use or sale; or, even with the transmission line capability available to the Government under that EHV Transmission Contract, for the purpose of substituting such energy for project plant energy and thereby freeing the latter for availability to preference customers.

Furthermore, the limitations which the contract places on the importation of other Federal power is inconsistent with the companies' proposals of May 25, 1964 and July 15, 1964 in which the companies agreed that the bank accounts would be expanded to receive not only Northwest capacity and energy, but also "other capacity purchased by the Bureau ... and other energy available to the Bureau, which is delivered to PG&E and usable in the PG&E system". (Committee print, supra, p. 48). The contract language limiting the further importation of Federal power does not jibe with that proposal.

C. The determination of Project Dependable Capacity should not be limited to Federal hydro-electric sources.

Article 11 of the contract describes the procedure for redetermining Project Dependable Capacity. Paragraph 11(a) of Article 11(b), on pages 9 and 10 of the contract, states that the method and criteria for determining Project Dependable Capacity will be reviewed in the future and that in such review consideration will be given to various elements including "use of Federal hydro-electric sources other than" the hydro-electric power plants now or hereafter constructed as part of the GTP project.

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In view of the fact that this contract is for 40 years, the Bureau should not be burdened with the restrictive 'Federal hydro electric' limitation. There may be in the next 40 years non-Federal generation by local public bodies as well as Federal or non-Federal thermal generation, including nuclear, which could become integrated with the CVP system.

- D. The contract would freeze the CVP system for too long a period. It should authorize either party to cancel the contract upon not more than 4 years' advance written notice

The most significant feature of the PG&E-Bureau contract for sale, interchange and transmission of electric capacity and energy is that it will run for 40 years and contains numerous highly restrictive provisions. Some of these are discussed in this Memorandum, i.e., those preventing the importation of additional Federal power, restricting the wheeling area, stifling generation by local agencies, enabling the Company to refuse new customers or increased project load, etc. The contract is framed in rigid categories taking virtually no cognizance of all possible future technological advances in generation or transmission, or future integration of other facilities. It places a flat ceiling on the ability of preference customers to obtain Federal power to meet their load growth. The rigidities of the contract are emphasized by the fact that there are apparently only three instances in which the Bureau can protect itself against a refusal by the Company to make any change in the light of new conditions for technological advances, namely:

- (a) Article 40(e) on page 70 authorizes either party to cancel the contract upon 4 years' advance notice if they fail to agree on a re-determination of project dependable capacity;

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(b) Article 40(b) on page 70 authorizes either party to terminate the contract upon 4 years' advance notice if they fail to agree on any increase in customer load levels; and

(c) If the Bureau and the Company are unable to agree on the adjustment of rates and charges when they are reviewed in April 1971 and every 4 years thereafter, Article 30 on page 69A authorizes the matter to be submitted to the Federal Power Commission for final decision.

But these are not the only important features of the contract which may warrant re-examination in the light of future conditions during the 40 years which lie ahead. To fix the future in the rigid mold of this contract is unjustifiable and may be contrary to the public interest.

Thus, the most important modification that should be made in this contract is to amend Article 40 so as to permit either party, without restriction as to the reason therefor, to cancel the contract upon 4 years' advance written notice.

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- E. The "gradual" rise in customer load level is inconsistent with the Congressional understanding that the power available to preference customers would rise by a step increase in 1971 and by another step increase in 1975.

Subparagraph (2) of Article 14(a), on p. 21, provides that after April 1, 1971, the load level "may gradually increase each year coincident with Customer load growth . . . up to 985,000 kw prior to Jan. 1, 1975, and 1,050,000 kw in 1980 and each year thereafter". This provision is inconsistent with the Congressional understanding reached in 1964 when the Pacific Intertie program was approved by Congress, in at least two respects:

(a) The Amendment of July 19, 1964, to the California Companies' proposal (see p. 48 of Committee print cited above) stated that the customer loads "after April 1, 1971, may be increased up to 985 megawatts prior to January 1, 1975, and thereafter maintained as high as 1,050 megawatts." This plainly means that the level of 985 mw could be reached as early as April 1, 1971, and, furthermore, that the level of 1050 mw could be reached as early as January 1, 1975 (not five years later in 1980 as stated in subparagraph (2) of Article 14(a) of the contract). The contract, in effect, would delay the customers' ability to obtain Federal power to meet their load growth for a period of five years.

(b) The contract provision, by restricting the customers' load level to a figure based on the load growth of a fixed number of customers (i.e., generally, those who were customers in 1964), means that the project power available to preference customers will be essentially a rising curve until it reaches 1050 mw.

Such a curve was not the agreed basis for determining the ceiling under which the maximum simultaneous demand of the preference customers must be restricted. On the contrary, the

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arrangements relating to the Inertia contemplated that the Project customers' load level would rise beyond the present Dependable Capacity of 875,000 kw to 935,000 kw in 1971 and would further increase in 1975 to 1050 mw (at least 1030 mw with diversity). These capacities would be immediately available, as a straight step-up of available dependable capacity from the previous level. Such increase would be shown on a chart as a series of steps and level lines (which could be called the "level line dependable capacity"). Hence, there would be a substantial period of time when the curve of the maximum simultaneous demand of the 1964 preference customers will be below the level line dependable capacity. By law, all the firm power between the top of that maximum simultaneous demand curve and the bottom of the level line dependable capacity should be available, at least on a withdrawable basis, for use by Government agencies and preference customers ahead of any non-preference customers. The only basis for withdrawing such power from such a preferred customer would be the need to meet the load of a preference customer having a contract allocation of firm power at a time when the maximum simultaneous demand of all customers rises to or above the level of the project's available dependable capacity.

Although the block of power between the top of the maximum simultaneous demand curve of preference customers and the bottom of the level line dependable capacity may be available for only a relatively short period (perhaps 2 or 3 years), it can be very useful to some customers. The Committee Staff was advised by the California Department of Water Resources that such power would be usable and desired in connection with the California water pumping requirements.

The capacity and energy banks set up for the Central Valley Project were specifically designed to enable the Project to use such capacity and energy as needed for the benefit of Government agencies and preference customers and could be used to provide

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the power here discussed at more economical prices to the preference customers who could use it. The provision in subparagraph (2) restricting the load level to be "coincident with customer load growth" is inconsistent with the law and contrary to the Congressional understanding in 1954. It unduly stifles the ability of the Government to make available to preference customers for a substantial period the increases in dependable capacity available for preference customers as contemplated by all the parties including the Congress.

The relative advantages to the Bureau and its preference customers of selling such blocks of temporary power as soon as available, or banking such power for credit toward future use, cannot be fully assessed at this time. However, what is essential is that the Bureau have the flexibility to use either method as the future may require.

F. The computation of line losses on the artificial assumption that all GIP power is delivered at Tracy unduly prejudices the Bureau and the preference customers.

Article 15, on page 24, states that the Government's and the Company's systems shall be interconnected (1) at Tracy switchyard at nominal voltages of 230,000 kv and 69,000 kv; (2) at Cottonwood substation at a nominal voltage of 230,000 kv; (3) at Folsom switchyard at a nominal voltage of 115,000 kv; and (4) at other interconnection points and voltages as may be agreed on. Article 16 states that losses of capacity and energy shall be computed at 4% on the assumption that all power is delivered at Tracy, over 200 miles from Chasta, Keswick and Trinity dams.

This assumption is manifestly unfounded. The interconnections at Cottonwood and Folsom are substantially closer than is Tracy to the point of generation.

For example, the City of Ridding now receives over 42 mw

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and will by 1950 receive over 100 MW. It is close to the Cottonwood substation. To the extent that Bureau-generated power actually flows to Redding, the power probably comes from Cottonwood, not Tracy. Meters are available at every interconnection point which can readily be read and recorded and thus measure the losses of the power actually delivered at each interconnection.

There is no basis for continuing the artificial assumption that all the power is delivered at Tracy. The result of that assumption has been to artificially reduce the amount of delivered power for which the Government is credited. The proposed contract should require the use of meters to compute losses, without any adjustment based on the assumption of delivery at Tracy, and thereby substantially increase the amount of power which the Government would have available for preference customers.

Moreover, even though much of the Bureau's present load is near Tracy, it is not reasonable to freeze Tracy as the sole delivery point for the next 40 years. Technological advances and increased interconnections, as well as growing population in other parts of California which will shift the load center, may require other delivery points in the future. Whatever the basis was in 1951 to charge the Government for line losses on the fictional assumption that the power is delivered solely at Tracy, there have been many changes in the system operation since 1951, and the Intertie will bring further changes.

- G. The restricted wheeling boundary and the limitations on preference customers eligible to receive wheeled power are highly disadvantageous to some preference customers and frustrate the objective of the law.

Article 24(a), on p. 51, defines the boundaries of the area in which transmission service (wheeling) would be provided by the Company to the Government's preference customers. The boundary is the same as that defined in the 1951 wheeling contract except for

the addition of Trinity County, and the specific reference to loads of Plumas Sierra Rural Electrical Cooperative, Inc. which previously received wheeling service under a separate letter agreement.

The restricted wheeling boundary has been the source of such criticism by this Committee (see H. Rept. 2221, 86th Cong., entitled: "Sale and Transmission of Power"). In addition, the Committee has received complaints on this point from the University of California, Truckee Public Utility District, the City of Santa Clara, the California Power Users' Association, and others, referring to the needs of the Bay Area Rapid Transit District, the various University of California units, and various other preference agencies, including Federal installations.

Since this contract will be effective for at least 40 years, it should provide for wheeling service not only in the named counties but in every county in which PG&E may have its transmission lines. It should be kept in mind that the Inter tie arrangements contemplate widespread importation and exchanges of power coming from the Pacific Northwest, Canada, Arizona, etc. The old 1951 restricted wheeling boundary is too limited a basis for the wheeling of the vastly expanded C/P power and co-mingled outside power.

A particularly objectionable provision is subparagraph (iii) of Article 24(a)(1), on p. 52, which defines which customer may receive wheeling service from the Company. This paragraph requires that the customers must be "located and use such capacity and energy outside the corporate boundaries of municipalities wherein Contractor serves at retail".

This provision necessarily means that a city or other public body, despite its right to preference under the law, may not receive wheeling service if the power would be used inside the corporate boundary of a city in which the Company is selling electricity at retail. This provision (which was also present in

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the 1951 transmission contract) prevents a city from obtaining Government power for its own use (e.g., municipal street lighting) if the Company sells at retail within the city boundaries. This provision curtails the objectives of the preference law intended by Congress, and also is a restraint of competition which, if it were present in any private contract, would clearly violate the anti-trust laws.

There is no reason why the Government should include in its contract a provision protecting the Company's retail service against competition. It may be proper to require customer location and place of use of electric power to be within the exterior boundaries of a wheeling service area; but it certainly is not proper to make such restrictions for the purpose of preventing competition in the area wherein the Company makes retail sales. This limitation is clearly inconsistent with the fundamental purpose of Congress that public bodies have a preference to the use of Federally generated power.

Moreover, subparagraph (1) of Article 24(a)(1), on page 52, is particularly unjustifiable. Subparagraph (1) limits wheeling service to customers served by the Company on April 2, 1951. It is another example of the inadequacy of the wheeling agreement. It will preclude for the next 40 years any wheeling service to new preference customers. Thus, the incidental fact of whether a public body was or was not served by FGLB in 1951 in effect renders its legal preference to obtain CWP power wholly illusory. Hence, subparagraph (1) on page 52 should be deleted.

H. The contract gives FGLB unjustifiable veto powers over the load growth of preference customers.

This Interim Staff Memorandum has already indicated several of the many restrictive provisions permeating this contract which can affect future load growth of preference customers both with respect to existing customers and potential preference

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customers. (For example, the restrictions on importation of Federal power, the limited wheeling areas, the restrictions on eligibility of customers for wheeling service, etc.). But to insure that the contract would narrow and freeze preference customer load growth, there were included in the contract several provisions which give FOM a virtual veto over the ability of the Government to serve even normal load growth of preference customers.

For example, subparagraph (3) of Article 24(a), on page 53, provides that "if additional loads of the Project or Customers become prospective" the Company can determine "whether or not service to such loads of customers shall be made hereunder". It should be noted that this provision applies to additional loads, irrespective of whether those additional loads are loads "of the project" or loads of "customers", and irrespective of whether or not those "additional loads" arrive at a time when the maximum integrated demand of all of the project customers is below the project dependable capacity and maximum load levels of all customers prescribed in Article 14.

Perhaps the Bureau and the Company did not intend subparagraph (3) to vest the Company with such an apparently broad veto power. Nevertheless, the language of subparagraph (3) could certainly be applied in that way. It is therefore suggested that subparagraph (3) be revised to read substantially as follows:

"If the Bureau proposes to provide power to additional customers under this contract, the Bureau shall notify the contractor, and the contractor shall provide such service unless the contractor within 90 days advises the United States that it does not have the transmission capacity to provide such service."

Another example of an Article which vests such veto power in the Company is Article 27(a), on page 57, which provides

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that the United States shall inform the Company each year of the estimated future annual requirements of all project loads and all customer loads for the ensuing 4-year period. Article 27(a) then provides that within 90 days the Company shall inform the United States "whether or not, and to what extent, contractor can and will deliver the capacity and energy to meet each load which the United States has requested contractor to serve under PART THREE" (transmission service) of the contract. The Company's veto power is emphasized by the words "and will". It applies not only to the loads of anticipated customers but also to the loads of all existing customers within the restricted wheeling area.

If the wheeling contract is to have any meaning, the Company's obligation to wheel should be based solely on whether the Company is able ("can") deliver the capacity and energy to meet the loads requiring wheeling service, without the use of the words "and will" which permit the Company to refuse to deliver even when it can do so.

- I. Article 13 concerning stand-by service makes no provision for possible future stand-by and inter-connection with generation which may be developed in the near future by any preference customers.

Paragraph (2) of Article 13(a) requires the United States to make available to the Company all of the Government's available capacity and energy "above its load requirements," in case of outages, or reduction of generation or transmission capacity at the Company's facilities. Since this provision commits all of the Government's capacity and energy above its load requirements to stand-by for PGE, it effectively precludes interconnection with, and stand-by for, any generation which preference agencies may and possibly will necessarily make in the near future to meet their growing load growth.

This provision may even adversely affect the Sacramento

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Municipal Utility District, which is the only CWP preference customer presently generating its own power. On September 6, 1966, SMUD entered into a sale and interchange contract with PG&E which includes, among other matters, provision for mutual stand-by service in case of emergency outages. However, Article 23 of the SMUD-PG&E contract specifies that it shall be effective only until April 1, 1981, but not beyond the date when SMUD has available its own thermal generation or obtains power from a thermal generating source other than from PG&E, or under the EW transmission contract. SMUD has announced its plan to have a nuclear-generated plant on the line early in 1973. At such time the SMUD-PG&E contract will terminate. Since paragraph (2) of Article 18(a) of the Bureau-PG&E contract would preclude SMUD from obtaining stand-by service from the CWP system, SMUD would then have to look solely to PG&E for any stand-by service needed by SMUD.

J. Various deficiencies which representatives of PG&E have stated the contract would be willing to eliminate from the contract.

When the Committee Staff conferred with representatives of PG&E on January 13, 1967, concerning some of the deficiencies which the Committee Staff believed were present in the contract, the Company representatives stated that the Company would be willing to eliminate several of them from the contract. In order that you may be informed about these points, this Memorandum summarizes them, as follows:

- (1) The contract purports to prevent preference customers from generating some of their own load, or purchasing power from another source.

Paragraph (c) of Article 14, on p. 22, provides that while the maximum demand of all loads is below the maximum load levels specified in this Article, the Federal Government shall serve "the total load" of every preference customer, every construction app-

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tractor working on the project and every Federal establishment, within the service area, notwithstanding the customer's contract rate of delivery. The only exceptions made are with respect to three named entities (Sacramento Municipal Utility District; Ames Research Center of NASA; and Stanford Linear Accelerator Center).

It should be remembered that this is a 40-year contract. It is possible that a customer may in the future wish to generate some of its own load, or purchase power from a different source. The net effect of the "total load" requirement in Article 14(c) is to stifle the existing preference customers from seeking new sources of power supply, and to prevent the Government from having power available for new preference customers in the future. It is questionable whether this provision could legally bind a preference customer who is not a party to the contract. But neither the Government nor the Company should give the appearance of attempting to arrogate to itself a right to dictate to any customer that it must purchase project power in excess of the customer's contract rate of delivery.

Representatives of POLE informed the Committee Staff at their conference of January 13, 1967, that the Company did not intend this provision to have such effect and would be willing to modify it to eliminate any such inference.

(2) The contract seems to require preference customers to purchase all their additional requirements from the Company.

Paragraph (2) of Article 14(c), on p. 23, provides that when the maximum demand of all customer loads exceeds the Project Dependable Capacity, the Company shall supply to the customer, if the customer elects, "all additional requirements of such customer". It is questionable whether this provision is really needed in view of the Chowabury case (New England Power Co. v. F.P.C., 32 F.P.C. 373 (1954); 149 F. 2d 358 (1946)) which holds that the FPC has authority to direct a wholesaler of electric power to furnish power

to a distributor of electric energy. However, assuming that the presence of this paragraph is useful to confirm a customer's ability to obtain supplemental power, the provision is too rigid in requiring that "all" of the customer's additional requirements must be supplied by the Company. Instead, the contract should permit the customer to determine whether it wishes to buy "all" of its requirements, or only "some" of its requirements. Hence, the contract should specify that the Company shall supply "such additional requirements of the customer as the customer elects".

The Company's representatives informed the Committee Staff at the conference of January 13 that the Company would be willing to amend the paragraph as suggested above in order to eliminate this objection.

(3) Since the contract involves sale of wholesale power in interstate commerce, the provision for rate filing and authorization should refer to the Federal Power Commission rather than to the State Public Utilities Commission.

Paragraph (2) of Article 14(c), on page 23, which is discussed immediately above, also provides that the additional power would be supplied in accordance with rates "authorized by the California Public Utilities Commission". In view of the City of Colton case (FED v. Southern California Edison, 376 U.S. 205) and the fact that this contract involves the sale of wholesale power in interstate commerce, it would appear that the contract should specify that the applicable rates should be those authorized by the "Federal Power Commission", rather than the California Public Utilities Commission.

Representatives of the Company advised the Committee Staff at their conference of January 13 that the Company would agree with this point.

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1. Ambiguity in Article 24.

Article 24, on page 51, contains the following ambiguity which should be deleted:

Article 24 is in PART THREE entitled "Transmission Service". Article 24 states: "The electric capacity and energy to be delivered by contractor to the United States and customers from the system of contractor shall be limited to . . ." The word "delivered" could conceivably apply not only to the wheeling service for customers but also to the delivery of capacity and energy to the United States in connection with other parts of the contract.

The Company's representatives advised the Committee Staff at the Conference of January 13 that Article 24 was intended to apply solely to transmission service, and that to make this intention clear, the Company would be willing to change the phrase "delivered" to read "delivered under this PART THREE".

II. PRINCIPAL DEFICIENCIES IN BUREAU-POLE MOUNTAIN SUBSTATION CONTRACT 14-06-200-26494

- A. The provisions for joint ownership of the Round Mountain substation, in the Bureau-POLE contract 26494, is inconsistent with the Congressional understanding of July 1964.

The contract between the Bureau and POLE (No. 14-06-200-26494) provides for connecting the Reclamation Bureau's 500 kv ac line from Oregon to the substation at Round Mountain, California. The connection to the CVP system would then be the Bureau's 230 kv line to Cottonwood, the Company's substation where the Bureau has a position that connects to the CVP system. The connection at Round Mountain, however, will not be through Federal facilities, but through facilities jointly shared by the Bureau and POLE. This arrangement is inconsistent with the agreement reached when Congress in July 1964 approved the intertie. At that time the entire California Democratic Congressional Delegation told the Senate Appropriations Committee that they would oppose the Interior

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Department's proposal unless the Bonneville system and the Central Valley Project of the Bureau of Reclamation were connected by "an all-Federal tie".

On March 12, 1966, Assistant Secretary Holm, Assistant Commissioner of Reclamation W. B. Bennett, and the Bureau's Power Division Chief William Keating met with Congressman Harold T. Johnson and John E. Moss, Associate General Counsel Miles Romney, and Subcommittee Chief Counsel Phineas Indritz, to discuss the Department's proposals (a) to connect the Bureau's 500 kv and 230 kv lines through the Round Mountain substation on a shared basis with PG&E, and (b) to string a Bureau line on spare positions of the Company's towers over part of the distance between Round Mountain and Cottonwood. Both Congressmen Moss and Johnson vigorously opposed these proposals as being in direct conflict with the agreement reached when Congress approved the Intertie proposal in July 1964. The Department officials acknowledged such conflict and agreed that the connection of the Bureau's 500 kv and 230 kv lines would be accomplished through facilities wholly owned by the Federal Government. However, contract 2649A, providing for the installation, operation, and maintenance of facilities at Round Mountain, is inconsistent with the Congressional understanding of July 1964 and with the agreement reached at the meeting with Congressmen Moss and Johnson on March 15, 1966.

Moreover, Article 13 of the contract, which enables the Company to acquire full ownership of the Round Mountain substation if the contract terminates, does not protect the Government's connection between its 500 kv line and its 230 kv line.

The regional representatives of the Bureau of Reclamation pointed out to the Committee Staff (a) that the Bureau's 500 kv line into Round Mountain carries a large block of power which could not be fed onto the Government's single 230 kv line and therefore that

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it was necessary to tie the 500 kv line into the Round Mountain substation where the power could be fed into the Company's several 230 kv lines as well as the Government's single 230 kv line; (b) that joint ownership would protect the Government better than would the lease arrangement previously urged by the Company; and (c) that since the Government's 230 kv line is connected to the Company's Cottonwood substation rather than at the Government's Shasta or Keswick substation, the construction of an all-Federal substation at Round Mountain would not materially alter the fact that the 500 kv line is not directly interconnected with the Federal 230 kv backbone transmission lines which carry power from Shasta to Tracy.

These facts demonstrate that the Congressional expectation of an all-Federal connection between the Bonneville and CVP systems is being effectively frustrated. The 230 kv line between Round Mountain and Cottonwood, which was offered by the Interior Department as a basis for meeting the objections raised in 1964 against the Department's truncated proposal that would have isolated the CVP system, is indeed an ineffective substitute for the original proposal to construct the Government's 500 kv line directly to the Government's principal load center at Tracy, or for at least connecting such line directly to Shasta or Keswick. The principal of an all-Federal connection should be maintained as agreed on in 1964 so that the inadequate 230 kv line connection now contemplated can later be strengthened to carry the full amount of power necessary to adequately interconnect the Bonneville and CVP systems in accordance with the intent of Congress.

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ATTACHMENT A
TO
INTERIM STAFF MEMORANDUM OF JANUARY 27, 1967
CONCERNING PROPOSED CONTRACTS RELATING TO
PACIFIC COAST ELECTRICAL INTERTIE

LIST OF CONTRACTS TRANSMITTED TO CONGRESS IN
SEPTEMBER AND OCTOBER 1966

1. Power Sales Contract Between EPA and PG&E (Contract No. 14-03-54132; 8-23-66)
2. Exchange Agreement Between EPA and PG&E (Contract 14-03-54134; 8-23-66)
3. Contract with PG&E for the Sale, Interchange and Transmission of Electric Capacity and Energy (Contract No. 14-06-200-29-8A; PG&E/USBR Draft 8-29-66)
4. Contract with California Companies for HV Transmission and Exchange Service Contract No. 14-06-200-0947A; PG&E/USBR Draft 8-29-66)
5. Contract between California Companies and S&ED for HV Transmission and Exchange Service (Final Draft August 25, 1966)
6. Contract between State of California and Cal. Cos. for the Sale, Interchange and HV Transmission of Electric Capacity and Energy (Draft Aug. 25, 1966)
7. Agreement for Use of Transmission Capacity FT&E, PG&E, So. Cal. Edison, San Diego G&E Co. (Draft Aug. 31, 1966)
8. Contract with So. Cal. Edison Co. for interconnections at Mead Substation Contract No. 14-06-300-1871 (10-14-66)
9. Contract with PG&E for Installation, Operation and Maintenance of Facilities at Cottonwood Substation - Contract No. 14-06-200-3117A (8-29-66)
10. Contract with PG&E for Installation, Operation and Maintenance of Facilities at Round Mountain and for the Operation and Maintenance of Bureau HV Line - Contract No. 14-06-200-2949A USBR/PG&E Draft 8-29-66 (meeting)

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
REGIONAL OFFICE, REGION 2
P. O. BOX 2511
SACRAMENTO, CALIFORNIA

ADDRESS ALL
COMMUNICATIONS TO:
THE REGIONAL DIRECTOR

247 -
IN REPLY REFER TO:
2-150

CENTRAL VALLEY

June 29, 1950

Memorandum for the Regional Counsel's Files.
(E. K. Davis)

Misc. Copies

Subject: Meeting with Pacific Gas and Electric Company representatives
on June 27, 1950.

The negotiating groups representing Pacific Gas and Electric Company and the Bureau met again at 10:30 Tuesday, June 27. The Company was represented by Robert Gerdes, General Counsel, and Walter Dryer, Chief Civil Engineer. The Bureau was represented by Helen T. Moss and E. K. Davis of the Regional Counsel's Office, and Henry B. Taliaferro and William Briere of the Power Branch. The meeting was devoted to a discussion of several contract problems considered to be controversial.

The Company reiterated its position that it expected to accept the obligation to furnish all equipment and facilities necessary for the Bureau to serve preferred customers. The only exception to this, it explained, might be an extraordinary case where a considerable amount of additional facilities would be required to take care of a temporary customer; for example, some temporary Government installation. In such instance, the Company wanted the option to furnish the facilities but otherwise would be agreeable to construction by the Bureau or the customer. The Bureau indicated that this probably would be acceptable, provided the Company was willing to include in the contract a provision which would obligate the Bureau to provide all of the basic transmission necessary to tie together all of its hydro plants into one system, and/or to bring the hydro from sources of generation to load centers. It was explained that in the northern part of the Valley, for example, the Bureau would expect to tie in the American River Development with the 230-kv. lines running from Shasta to Tracy and, similarly, the Trinity and Feather River Developments. With respect to power developments in the San Joaquin Valley, for example the Kings River, the Bureau indicated it might not insist on a contractual obligation requiring it to tie in this development with the remainder of CVP, (In fact, this might be economically infeasible.) but the Bureau would expect to transmit this power to a load center, presumably to the Fresno area, and would insist that there be no contract restriction which would in any way handicap or prevent the Bureau from tying this development in with

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the remainder of the CVP, should it prove desirable. The Company did not state definitely whether it was willing to accept such a provision. However, the Company representatives reiterated their old story that one of the principal purposes of this contract, from the Company's standpoint, was to prevent the Bureau from building transmission facilities. They stated frankly the Company wanted to be free to oppose Bureau requests for appropriations for any transmission line, including backbone transmission. They did indicate that the Company probably would not oppose a 230-kv. line from the Folsom and Nimbus plants, but might oppose lines from Trinity all the way to Tracy or other Bureau load centers, and most certainly would oppose lines to tie in Kings River with Shasta, Keswick, etc. However, the Company recognized the Bureau's position. I think it probable that the Company will be willing to agree to a provision somewhat along the lines the Bureau suggested.

With further respect to this general problem, we discussed the Company's insistence on a provision giving it the right to cancel the contract should the Bureau serve any preference customer directly. The Bureau representatives suggested as a possible solution for this problem (1) the division of responsibility indicated above; namely, for the Company to furnish all sub-transmission and the Bureau to furnish necessary basic transmission, at least to load centers, and (2) a cancellation provision along the following line: a right in the Company to cancel, limited to a six-month period, should the Bureau decide to serve a preferred customer directly, such cancellation not to be effective for a period of three years. (It was felt that this period would be sufficiently long to permit both the Bureau and the Company to adjust their affairs to the contract cancellation.) The Company indicated general acceptance of this idea.

The Company was asked whether it would object to the Bureau serving directly its own project needs. The problem was not settled. The Company indicated it would prefer to serve all project needs as well as all preferred customers, except in case of major pumping loads such as might be involved in connection with the Sacramento Valley canals. It was suggested that unless the Company did so, it would not have the protection it sought to secure from this contract; namely, preventing the Bureau from building transmission facilities. Company representatives stated frankly that they feared the Bureau, under the guise of building lines to serve project needs, would build up an independent distribution system available for use to serve preferred customers at a later date and thus gradually place itself in a position to cut loose from PG&E and operate its own independent system. The Bureau representatives suggested that language might be devised which would limit the Bureau in such a way as to avoid this possibility.

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There was some general discussion of the physical area in which the Company should wheel for the Bureau. It has been agreed all along that the Company would wheel or exchange for project loads only where in its service area. Up to this point in the negotiations, it has been assumed that the wheeling obligation to preferred customers, particularly if the interchange is limited to one mill, would cover a much smaller area. Company representatives stated they felt this means an upside down for the standpoint of the Bureau and the Company that it might bring severe criticism on both organizations. For example, if the Company were wheeling for project pumping purposes in the south end of the San Joaquin Valley, but in the same area it was not wheeling for preferred customers, it would be extremely difficult to explain the reasons for such apparent discrimination. Certainly, there is merit in the Company's suggestion. In view of this discussion, the engineering group, consisting of Bureau and Company personnel, taking the studies with respect to wheeling charges, will be asked to come up with a charge for wheeling which would include the entire CVT area.

There was discussion of the problem whether the Company would be willing to take into its system any power that might be imported over a tie with the Bonneville Power Administration. The Company seemed generally receptive to this, provided the power and energy could be used as steam replacement. The Company was asked whether it would be willing to wheel to Donner Summit for possible delivery to the Colorado River Commission of Nevada. Mr. Gerdes promised a definite answer on this problem, indicating as he had previously, that the Company was not too receptive to the idea.

There was some discussion of whether the contract should be written on a "use of facilities" or "exchange" concept or a "buy and sell" concept. In a previous meeting, Gerdes had indicated that it was his strong feeling that the Bureau had no authority to enter into a wheeling or exchange contract, except to cover project purposes. In the draft of articles presented to the Bureau last February, the so-called "buy and sell" concept was used. It was explained by the Bureau that there might be some doubt as to its authority to enter into a buy and sell arrangement; that the Bureau was not in the business of purchasing energy for resale purposes and that its obligation was to market its own power. It was suggested that the contract could be written so as to set forth merely the physical situation without labeling it as "exchange," "wheeling," "buy and sell," or anything else. In general, this thought seemed acceptable to the Company, although it left no doubt that it preferred the buy and sell idea.

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(I suspect one reason Gerdes is now urging the buy and sell concept is that he took a strong position before the California FUC in the wheeling case and also before various Congressional Committees that the Bureau had no authority to enter into a wheeling or exchange arrangement for preferred customers. Of course, he now wants to be consistent with that position. Also, I suspect he would like to be able to put the Bureau in a position of the middle-man. This the buy and sell concept would do. In this respect, it might furnish the Company with some good publicity ammunition.)

One of the most difficult problems to be resolved between the Company and the Bureau is the question of the Company's obligation to serve a preferred customer coming into existence after execution of the contract, in an area or community which is now being served by PGE at retail. The Company has taken a very strong position that it cannot, through a contract with the Bureau, place itself in a more vulnerable position with respect to moves toward public ownership in towns such as Stockton, Woodlark, and others now being served by it at retail. If a contract is signed with the Bureau, it feels that public ownership groups will immediately become active in these towns and perhaps commence condemnation proceedings against the Company with the expectation that the Company will then wheel Bureau power, with resultant savings to them. On the other hand, the Bureau feels that it cannot sign a contract which would exclude from its provisions communities of this kind. One possible solution of this problem was suggested: The Company might be given an opportunity to serve any such new preferred customer but would be under no obligation to do so. However, if it refused, the Bureau could serve that customer itself directly from its own lines without having the entire contract cancelled, and in addition could take over any preferred customers in the immediate area, which might help the Bureau to justify necessary sub-transmission lines.

A tentative date for the next meeting was set at July 11, at which time the Bureau promised to have rough drafts of articles covering some of the points mentioned above.

Copy to Chief Counsel
Helen T. Moss
E. K. Davis

E. K. Davis

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ATTACHMENT 4

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NORTHERN CALIFORNIA POWER AGENCY

421 WEST PINE STREET
LODI, CALIFORNIA 95240

(209) 268-0341

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DANN W. GILLMOR, MAYOR
CITY OF SANTA CLARA

GENERAL COUNSEL

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VICE CHAIRMAN

EDUG V. BADGER, COUNCILMAN
CITY OF HEALDSBURG

SECRETARY

HENRY A. GLAVES, CITY MANAGER
CITY OF LODI

September 7, 1972

Honorable James R. Smith
Assistant Secretary, Water and Power
U. S. Department of the Interior
Interior Building
Washington, D. C. 20240

Dear Mr. Smith:

You will remember that this Agency has called upon you for assistance previously, in connection with its attempts to develop a comprehensive plan to best meet the power needs of its member systems, including a plan to construct and operate electrical generating and transmission facilities for the use of its eleven cities in northern and central California.

One of the major obstacles to our success has been the opposition of Pacific Gas and Electric Company, effected through a series of actions and agreements. One of those agreements is between Pacific Gas and Electric Company and your Department, dated July 31, 1967, Contract No. 14-06-200-2948A. Contract No. 2948A gives the Company control over the marketing, facilities and output of the Central Valley Project power production and transmission system, and the manner in which new facilities may be connected thereto.

In connection with that contract, I am now enclosing a copy of a letter written by the Assistant U. S. Attorney General in charge of the Antitrust Section of the Department of Justice under date of August 2, 1972, which contains his advice to the U. S. Atomic Energy Commission on anticompetitive activities by PG&E toward NCPA, and specifically dealing with Contract 2948A. This letter has been published in an official notice of AEC in the Federal Register for August 12, 1972, 37 FR 16423.

This letter is presently relevant to negotiations between NCPA and your Department relating to a proposed agreement between us for the greater utilization of the Project's transmission facilities and power output by the preference customers which are members of this Agency. The regional office, with the approval of the central office, has invoked Contract 2948A in many provisions which this Agency has requested. More specifically, the regional office has:

- (a) refused to permit NCPA to transmit power and energy generated by it over spare capacity in CVP transmission lines without the consent of PG&E.

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Honorable James R. Smith

- 2 -

September 7, 1972

(b) refused to arrange for wheeling of CVP power by PG&E to member cities of NCPA who are not now receiving such power.

(c) refused to negotiate for purchase of power and energy from NCPA for redelivery to preference customers, to replace or augment power now generated at the Centralia Plant in Washington, or otherwise.

Each of these refusals was based in whole or in part on the terms of Contract No. 2948A.

Members of NCPA objected to Contract No. 2948A at the time it was executed, and made their objections known both to the Department and the Federal Power Commission. In disregarding these objections, in a letter attached to the agreement, Secretary Udall expressed his confidence that PG&E would continue "to cooperatively establish plans for development and operation of power and water facilities in the Central Valley of California". In allowing the contract to be filed by PG&E as a rate, FPC reserved jurisdiction over NCPA's objections for "further consideration of indicated changes by the Bureau and PG&E at such times as the protestants or other utility systems wish to advance specific proposals." (Docket No. E-7435, Order issued Nov. 6, 1968.)

Serious doubts about the validity of this contract have recently been evinced by your letter of January 12, 1972, to the Chairman of the Antitrust and Monopoly Subcommittee of the Senate Judiciary Committee. The current report on Mendocino from the Antitrust Division of the Department of Justice makes it very clear that these doubts, and others, were warranted.

It appears to us that the first step would be a modification of the Bureau's negotiating position in connection with the proposed USBR-NCPA agreement, especially in the respects specified earlier, in the light of the Attorney General's letter. It is our present belief that the Department should not rely upon Contract No. 2948A to assert against us provisions that are, in the opinion of the chief legal officer of the federal government, invalid; and that it would not serve the public interest to delay longer a clear policy decision on the part of your Department as to what it will do in our negotiations. Indeed, the first step to be discussed at pretrial in the AEC proceedings will probably be to define the conditions which we desire in a PG&E license with reference to the contract. Knowledge of your position is essential for this purpose.

I suggest the following: The General Counsel of NCPA and its Consulting Engineer, or other personnel, will meet with whatever legal and engineering staff you specify to find out what exchange of information and documentation is deemed necessary by them for your consideration of both the technical and legal aspects of the matter, and to accomplish that exchange. As soon as practical thereafter the officers and consultants of NCPA would like to meet with you and your staff, to discuss the matter and to summarize NCPA's views, in order to obtain an early decision.

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Honorable James R. Smith

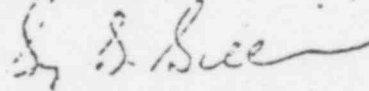
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September 7, 1972

Will you please let me know whether this procedure, or some other, is satisfactory to you to resolve the questions presented in this letter. We would like to start these discussions at the earliest practicable time, to obtain an answer in time to complete firm geothermal arrangements and the substance of the financing of our project before the end of October. Our General Counsel will be in Washington during the week of September 11, and he and our Consulting Engineer, who is in Washington, could initiate the staff discussions during that visit.

Thank you for your consideration.

Very truly yours,



Gary G. Gillmor
Chairman, Northern California
Power Agency

GCG/NPI/p

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cc: WBR Regional Director

ATTACHMENT 5



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

OCT 6 1972

SURNAME, DATE and REMARKS	Action	Route To
Gillmor		100
		105
		110
		220
ACTION TAKEN, NAME and DATE:		

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Dear Mr. Gillmor:

This is in reply to your letter of September 7, 1972, concerning the alleged refusal of the Bureau of Reclamation to negotiate with your agency on three specific points.

You assert first that the Bureau has refused to transmit power and energy to be generated by the Northern California Power Agency (NCPA) over the Central Valley Project (CVP) system without the consent of the Pacific Gas and Electric Company (PG&E). This is not quite the case in view of the fact that the proposal currently under consideration involves more than just wheeling over the CVP system.

Under the terms of Article 14(c) of the Bureau-PG&E contract, where a customer receives service from CVP and a source other than PG&E (such as an NCPA plant), the other source should be able to supply all of the customer loads not supplied by the United States without support or standby service from the United States and/or PG&E unless otherwise agreed upon by the United States and/or PG&E. The Bureau's position has been that tripartite discussions should be held to reach agreement on the details concerning such an arrangement. It is a matter of determining whether NCPA will have sufficient reserve capacity to serve the customers in question without placing any additional burden upon the United States and/or PG&E in meeting their obligations to their customers. If the problems of reserves and reliability can be solved, we do not believe that PG&E's consent is required simply to permit NCPA to transmit its power and energy over CVP lines.

The second allegation in your September 7 letter is that the Bureau has refused to arrange for wheeling of CVP power by PG&E to member cities of NCPA who are not now receiving such power. The Bureau's position has been that the question is not one of wheeling but of supplying power to non-CVP allottees.

We are sure that you are aware of the CVP marketing situation; that is, that the existing preference customers have a firm allocation and/or withdrawable allocation of an amount of power available to them from the project. All the firm and withdrawable power

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available from CVP has been allocated to the existing preference customers and is contractually committed. Withdrawals have already occurred and will continue until all withdrawable power has been withdrawn to serve the requirements for which it was intended. For the Bureau, at this point, to begin serving non-existent CVP power to nonallottees would be highly improper. Not only would it be in violation of the CVP power marketing criteria as promulgated by the Secretary of the Interior, and in breach of existing contractual commitments, but there is no power not already committed that could be used to provide such service. Thus, the problem is not one of wheeling CVP power to nonallottees, but one of supplying a commodity that does not exist.

The third point raised is the alleged refusal of the Bureau to negotiate for the purchase of power and energy from NCPA to replace or augment power now generated at the Centralia Powerplant or "otherwise". Under the terms of the "Agreement for the Disposition of the Output from Centralia Thermal Project," Contract Number 14-06-200-3613A, among the Bureau, Bonneville Power Administration, and the Centralia Participants, the Bureau is committed to purchase up to 426.9 mw from the plant (400 mw delivered at the Oregon-California border) at least through December 31, 1981. The Bureau's position has been that it cannot substitute another source for Centralia prior to expiration of the Centralia agreement. However, the Bureau is willing to negotiate for the purchase of up to 400 mw from another source beginning after the Centralia agreement expires, as contemplated in the exchange of letters between Secretary Udall and Mr. Gerdes, assuming the power is reliable and is more economical than power from Centralia or other alternative sources.

The matter of purchasing power from NCPA "otherwise" than as a substitute for Centralia raises several separate questions. The Bureau does not have existing authority to get into the business of supplying the bulk power requirements of existing or potential preference customers in California's Central Valley. Its present authority is limited to disposing of the capacity and energy of the generating facilities of the authorized Central Valley Project not required for project purposes, together with the 400 mw and associated energy of Northwest power and the energy it acquires by purchase or exchange to firm up CVP capacity. In the final analysis, therefore, it is not the PG&E contract which puts a ceiling on the preference customer load served by CVP, as the Justice Department assumes in its August 2 letter to the Atomic Energy Commission, and as implied

in your September 7 letter, but rather the limited nature of the Bureau's authority from Congress to supply power to preference customers.

Under the PG&E contract, the company is the sole supplier of firming energy for CVP (other than the 400 mw of Northwest power). This contract enables the Bureau to serve more than twice the customer load it would be able to serve on a firm basis without company support. A number of contract amendments would be necessary if the Bureau wanted to acquire some firming energy from another source such as NCPA. Whether the company would be considered to be in violation of antitrust laws if it refused to agree to specific contract changes to accommodate specific proposals by NCPA to furnish, and by the Bureau to purchase, firming energy, would depend upon the reasons for the company's refusal. These questions may be academic, however, because it appears more realistic for NCPA to supply the loads of its members beyond what they receive from CVP utilizing CVP facilities for wheeling. This approach is discussed under the first point above. Under either approach -- firming energy to CVP or service to customers -- NCPA must have adequate reserves for its generation. The method by which NCPA will provide these reserves thus becomes a factor of prime importance. Once that is solved, most of the other questions, legal as well as technical and economic, should fall into place.

Instead of meeting at this time with me and members of my staff as suggested in your letter, we would suggest that you hold further meetings with representatives of the Bureau of Reclamation and joint meetings with PG&E, resulting from clarification of the issues of your concern as presented in this letter.

We trust that this explains the Department's position in regard to the points raised in your letter.

Sincerely yours,

(s-1) James R. Smith

James R. Smith
Assistant Secretary
of the Interior

Mr. Gary G. Gillmor
Chairman, Northern California
Power Agency
221 West Pine Street
Lodi, California 95240

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cc: WBR Regional Director, Sacramento, California

321700CT12 1972

Re: AEC Docket Nos. 50-398, 50-399
Department of Justice File 60-415-49

ATTACHMENT 6

SANTA CLARA'S NEEDS TO ALLEVIATE
ANTITRUST RESTRAINTS

1. The restraints on wheeling of Bureau power contained in Article 24 of Contract No. 14-06-200-2948A between PG&E and the Bureau of Reclamation should be eliminated and PG&E's transmission system in Northern California should be available to carry capacity and energy of any utility, subject only to the physical availability of capacity on PG&E's transmission system. This service should be available at a fair price to protect the interests of all involved.
2. The prohibition on direct and indirect connections and the restrictions on outside power sources such as those contained in Article 19(d), (f) and (g) of Contract No. 14-06-200-2948A should be eliminated.
3. The requirements as to back-up and standby with regard to other sources of power contained in Article 14(c) (2) (ii) (3) of Contract No. 14-06-200-2948A should be deleted and power purchasers such as Santa Clara should be subject to standards for back-up, standby, purchases of excess capacity and energy from PG&E no higher or stringent than those now in vogue between the California Power Pool Companies and the tenets of the Western Systems Coordinating Council.
4. Power purchasers such as Santa Clara should be permitted to set up and participate in capacity and energy banks such as those now in use for PG&E under Article 20 of Contract No. 14-06-200-2948A.
5. PG&E should be required to cooperate in joint planning for regional power with and by power users such as Santa Clara to the end of enabling such power users to share in the development of new

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power sources and of assuring their future power supply at reasonable costs.

6. The restriction of present supportable load for CVP power of 1050 MW in 1980 set in Contract No. 14-06-200-2948A is arbitrary and unreasonably low in light of CVP's total installed generating capacity in excess of 1300 MW, the availability of back-up thermal power from PG&E and other sources through interconnection and the present condition of the capacity and energy banks. The raising of this support level to a reasonable level would open the way for recognizing as permanent the allocation to Santa Clara and other preference customers similarly located, with their firm load growth guaranteed until 1980 or until the maximum contract rate of delivery is achieved.

7. The all-requirements provision of Article 14(c) of Contract No. 14-06-200-2948A should be deleted to permit the recognition as permanent of the allocations to Santa Clara and other preference customers similarly situated.

8. No withdrawal of CVP power from any preference customer shall be made until the maximum contract rate of delivery is achieved and withdrawals of CVP power should henceforth be limited for only the period of time when the firm supportable load is exceeded, with the power withdrawn to be restored thereafter when the load again is below the firm supportable load figure.

9. Santa Clara's studies show that the present system of proration of capacity and energy under split-wheeling conditions is unfair since the energy associated with the top 10% of capacity is approximately 37% of the total energy. In this manner of accounting

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Santa Clara is forced to pay high costs for energy received from
CVP but billed by PG&E. Paragraphs 14(c) (2) (i) on page 20 should
be revised in Contract No. 14-06-200-2948A.

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JOHN F. BOWMAN

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April 25, 1972

Mr. Howard L. Reese
City Manager
City of Davis
225 "F" Street
Davis, California 95616

Dear Mr. Reese:

We have completed our review of the three areas you have designated A, B, and C within the Davis campus of the University of California, which have been proposed for possible annexation to the City of Davis.

The University of California at Davis is a preference agency electric service customer of the Bureau of Reclamation's Central Valley Project. Bureau power is delivered to the campus over P G and E's transmission system to a single 60,000 volt delivery point under a Bureau-PGandE master "wheeling" contract. That contract provides that P G and E shall furnish "wheeling service" only to those Bureau customers which are "located and use CVP power outside of the corporate boundaries of municipalities wherein the contractor (P G and E) serves at retail." Accordingly, if any or all of the three areas you have designated are annexed to the City of Davis, Bureau power deliveries to the campus for use in such area(s) would be inconsistent with the Bureau-PGandE contract. Service can be supplied to these areas directly by P G and E which is the apparent reason indicated for a resulting anticipated increase in electric power cost to the University for the Davis campus.

The amount of CVP power currently allocated by the Bureau for delivery to the Davis campus is insufficient to accommodate the University's present and future aggregate service requirements. The reason for this, as acknowledged by the Bureau, is that there is insufficient CVP power available to serve the aggregate existing and continuously increasing future power requirements of all of the Bureau's preference agency customers. Comparing with the August 1971 billing period, when the Bureau withdrew 1500 kilowatts of short term CVP power allocation for the University, P G and E has provided supplemental power service to the Davis campus.

The University and other Bureau preference agency customers having short term withdrawable CVP power allocations recently received identical letters from the Bureau citing an anticipated necessity to make further with-

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Mr. Howard L. Rease

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April 25, 1972

drawals of each such customer's allocation during the June, July, or August 1972 billing periods. The estimated withdrawal for the Davis campus, as cited in the Bureau's letters, is 1400 kilowatts. That anticipated withdrawal, when added to the 1500 kilowatts previously withdrawn, will approximately equal the estimated aggregate existing Bureau power usage within the three designated areas you are considering for possible annexation to the City of Davis.

On this basis the annexation of any or all of the three designated areas should have little, if any, appreciable effect on the amount of Reclamation power service available to the University.

Sincerely,

J. D. WORTHINGTON

(Dictated by DJThomason/ab)

bcc: JFDonner
EPBraun
JYDeYoung
JFRoberts, Jr.
BWS Shackelford
FFMautz
FAPeter
KSTaylor
EFKaprielian
WRJohnson
WYGallavan
EMConner
WBKuder
GWest, Jr.
HRPerry
TABettersworth
EJStefanetti
EEHall
EMSchiesser
WCTravis
SMAndrew
SEHowatt

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ATTACHMENT 8

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PACIFIC GAS AND ELECTRIC COMPANY

77 BEALE STREET, 31ST FLOOR • SAN FRANCISCO, CALIFORNIA 94106 • (415) 761-4211

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RICHARD C. GIBSON
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WALTER G. HARRIS
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THOMAS L. HARRIS, JR.
MICHAEL F. GILLEY
MARTIN W. LEWIS, JR.
RICHARD W. WILSON
STUART J. PETER
ROBERT C. HARRIS
BRUCE A. SAMUELSON
JACK W. BRUCE
SHIRLEY A. WOOD

ATTORNEYS

March 2, 1978

Ms. Suzanne Reed, Commissioner
State of California Energy
Resources Conservation and
Development Commission
1111 Howe Avenue
Sacramento, California 95825

Re: COMBINED CYCLE
Docket No. 76-NOI-3

Dear Commissioner Reed:

Please accept my apologies for the delay in responding to your question posed at the February 6, 1978, hearing in Docket No. 76-NOI-3. As I understand your inquiry, you wish to know whether the criteria relevant to analysis of wheeling proposals on a case-by-case basis are substantially different from the kinds of criteria that could be published in advance in tariff form. I believe that the answer is basically yes.

PGandE has stated that if a proposal to wheel a co-generator's surplus power falls within the requirements of the "Stanislaus Commitments" or applicable law, PGandE will provide wheeling as a matter of course. However, in other cases PGandE will consider wheeling in light of all the relevant circumstances at the time. This means that PGandE is willing to enter into arms-length negotiation with the interested party or parties to see if an arrangement can be worked out providing mutual benefits, keeping in mind PGandE's obligations to its customers and shareholders.

PGandE believes that in those cases where the wheeling of power from a private company does not qualify under the Stanislaus ⁵⁴⁹ of 074

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Ms. Suzanne Reed, Commissioner
March 2, 1978

Page 2

Commitments or applicable law, the matter must be left to the process of arms-length negotiation, rather than regulation. This kind of dealing between industries, which is a fundamental part of the free enterprise system enjoyed in the United States, has proved to be an effective way of protecting the competing interests of both parties and is the only way PGandE can insure that the rates to its customers will be kept as low as possible. Fixing wheeling rates, terms and conditions in advance of negotiation would put PGandE and its customers at a disadvantage by denying the Company flexibility in bargaining with a range of private industrial co-generators all with different interests, concerns and demands. A similar practice is followed by PGandE in developing wholesale power contracts. The contracts are first negotiated with the individual customer and then submitted to the Federal Energy Regulatory Commission for acceptance. There is no reason why a similar procedure would not work here.

However, in an effort to comply as much as possible with your request, I have listed below some of the technical criteria that would be considered in negotiating many of the more typical co-generation situations. Obviously, other technical criteria which are presently unforeseeable may come to light in a particular case.

1. What effects will the proposed transmission service have on the quality of electrical service to PGandE's customers?
2. Are the existing or proposed facilities at the power source and load technically feasible of direct interconnection with PGandE's system?
3. Is the load to be served located in the northern and central California area system?
4. Has the entity requesting transmission service for co-generation power given reasonable advance notice to PGandE of its proposed schedule and requirements?
5. Would excess transmission line capacity be available at the times and in the amounts necessary to accommodate the new generation in the manner proposed; and

Z A M 1602190

Ms. Suzanne Reed, Commissioner
March 2, 1978

Page 3

- will excess transmission line capacity be available for the length of time requested?
6. If transmission reinforcement is required, what is the extent, component elements, and costs of such transmission line reinforcement?
 7. What are the continuity requirements for the power proposed to be transmitted over PGandE's transmission system?
 8. Can the load to be served by the entity requesting transmission service for co-generation power be dropped immediately in case of an outage of the co-generation source, or must an appropriate stand-by arrangement be developed?
 9. Will the co-generation entity and the entity it is serving interconnect with PGandE's integrated transmission system in a manner consistent with good utility practice, including avoidance of adverse reactive power impact on PGandE system?
 10. Will the co-generation entity or the entity it is serving, if transmission capacity is required to be increased or additional transmission facilities are required to be installed to provide or maintain the requested service, pay the costs associated with the increased capacity or additional facilities in advance of their use?
 11. Does the entity served by the co-generator also purchase power from PGandE and, if so, is the Company's rate appropriate for partial requirements service?

The above criteria would provide a reasonable starting point for considering a co-generator's proposals. As negotiations progressed in a particular case, some items might be added to or subtracted from the list, and some would likely be addressed in a more detailed and specific way.

I hope you find this response helpful. If I can be of further assistance, please let me know.

Very truly yours,


IVOR E. SAMSON

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STATEMENT FOR SACRAMENTO SEE RE: NCPA & GEORGIA PACIFIC

PG&E offered to transmit Georgia Pacific power for NCPA in accordance with commitments the Company had made to the U.S. Department of Justice. At no time did PG&E ever make any commitment other than what it had promised the Department of Justice it would do. Georgia Pacific was unwilling to become a public utility and sell the major part of its electrical generation to the public. Therefore the power from Georgia Pacific was not required by the commitments to be transmitted over the PG&E lines for the NCPA.

PG&E is promoting--not preventing--the efficient use of the energy source at Georgia Pacific and will continue to encourage and make possible the sale of power produced by Georgia Pacific and other industries for the benefit of all power consumers--including NCPA--served by PG&E in Northern and Central California.

Bill Kuder

Approved: M.Furbush

BJCossette/1507
9/1/77

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ATTACHMENT 10

December 30, 1977

MEMORANDUM TO THE FILE:

Subject: PGandE/CPUC Meeting to Discuss
Co-Generation - CPUC Offices,
December 21, 1977

Attendees: See attached list.

The meeting was held at the request of the CPUC. The major topics of the discussion as they relate to co-generation projects were: price PGandE will pay for power from these projects, wheeling, standby charges and potential number of megawatts of co-generation in the PGandE service area. The following are the main points of the meeting:

CPUC asked if PGandE was using a price formula for the price PGandE would pay for co-generation projects, and if not why not?

PGandE said these projects are handled on a case-by-case basis. This was essential to secure the most equitable price for the PGandE customer. Each project must be evaluated on the basis of the cost of producing the power and a contract negotiated for each project to ensure a fair sharing of the project benefits. This cannot be accomplished if a predetermined formula were the basis of the price PGandE would pay for the power.

CPUC asked if PGandE would give capacity credit for these projects.

PGandE said that if PGandE does not need the capacity it does not make any economic sense to pay for it. For a capacity credit to be considered, a project would need a guaranteed fuel supply and a formal agreement between PGandE and the industrial entity. If it can be shown that the project can produce a reliable capacity component of power generation, so that otherwise necessary power plants can be delayed, then a capacity credit could be given to a co-generation project.

CPUC asked what standby costs PGandE charges for a co-generation project.

PGandE said standby charges are under filed rate tariffs.

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CPUC stated that further study is needed on standby charges and consideration be given to a case-by-case approach and time of day standby pricing. A meeting is scheduled in January between CPUC and PGandE Rate Department to discuss this subject.

- CPUC asked if PGandE would provide wheeling service to industrial co-generation partners.

PGandE stated that by the Stanislaus commitments with the Justice Department, PGandE will wheel for neighboring entities. Also, the federal energy legislation expected in the new year will answer many of the questions related to wheeling.

- CPUC asked what are the kinds of problems being encountered in the co-generation projects with the oil industry.

PGandE said that with any co-generation project there are automatically more issues because two parties are involved with different requirements. An example of a unique co-generation problem was the reluctance on the part of one of the oil companies PGandE is working with to sign a long-term contract because it had not decided how long it would operate its oil field.

- CPUC asked what is the realistic co-generation potential in the PGandE service area.

PGandE said that about 2,000 MW, and this would be predominantly from industrial facilities, probably sizing the co-generation projects to their own process steam requirements.

R. HAYWOOD

RH(1078):jkb

cc PGandE Attendees
WLFairchild
APKilroy
ROhlbach

Attachment

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As per file
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PACIFIC GAS AND ELECTRIC COMPANY

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ATTORNEYS

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Gentlemen:

Submitted herewith is PGandE's quarterly status report pursuant to Item 4 of the CPUC Resolution No. E-1738 dated January 10, 1978, Order Directing Electric Utilities to Augment Cogeneration Projects.

The enclosed information completes our response to this item. The next status report will be submitted by June 22, 1979.

Very truly yours,

Malcolm H. Furbush
MALCOLM H. FURBUSH
R. O'Connell

RO:slz

Enclosure

POOR ORIGINAL 540 081

Public Utilities
Commission

-2-

March 22, 1979

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Public Utilities
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-3-

March 22, 1979

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March 22, 1979

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Public Utilities
Commission

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March 22, 1979

bcc: w/enclosure

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KLKirkegaard
KRKubitz
WBKuder
EBLangley, Jr.
RJLaRue, Jr.
EVLathrop
WCLester
VHLind
TLLindberg, Jr.
DGLubbock
LRMcDonnell
FCMarks
CRMartin
MRMathisen
REMetzker
JGMeyer
FWMielke
RDMullikin
RBMyers
CNewton
JCO'Keefe
HRPerry
RJPeters
GNRadford
FGRierson
SERoberts
JCSchumann
BWS Shackelford
GRSmith
JMStearns
CWThissell
DJThomason
RHVierra
SDWells
GWest, Jr.
JDWorthington
KGZaharoff

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Table 1
 NEW CO-GENERATION PROJECTS UNDER DISCUSSION
 STATUS REPORT
 FIRST QUARTER - MARCH 1979

No.	Project Name and Location	Project Description	Date Discussions Began	Estimated Project Size MW ^{1/}	Maximum Electric Demand in 1977	Status	Earliest Projected Date of Operation ^{3/}
1	Louisiana-Pacific Corporation - Standard (near Sonora) (formerly Fibreboard)	Topping cycle using woodwaste as fuel	May 1977	10 to 25	1.8 MW	Discussions on-going. Letter Agreement to retain consultant to study feasibility signed June 1978. Feasibility study completed December 1978 and now being evaluated.	Mid-1982
2	Louisiana-Pacific Corporation - Antioch (formerly Fibreboard)	Topping cycle using woodwaste as fuel	May 1977	30	12.7 MW	Discussions on-going. Project being evaluated.	Not yet determined
3	Getty Oil Company - Babcockfield	Electric power/steam project using gasification process returning steam for secondary recovery of oil	August 1971	210 to 290	32.8 MW	Contract negotiations on-going. Studies continuing on project parameters.	Fall 1984
4	Husky Oil Company - Cat Canyon Oil Fields near Santa Maria	Electric power/steam project using gasification process returning steam for secondary recovery of oil; or a combined cycle project	September 1976	200 (Assumed Minimum)	1.4 MW ^{2/}	Preliminary discussion stage; project not yet sized. Husky and PGandE are investigating alternatives.	Not yet determined
5	Louisiana-Pacific Corporation - Oroville	Topping cycle using woodwaste as fuel	March 1977	30 to 45	5.6 MW	In September 1978, PGandE proposed to construct, own, and operate project. L-P would supply land, water, and wood fuel. Letter of Understanding signed October 1978. Adequacy and reliability of fuel supply under review. Contract negotiations on-going.	End of 1982

- 1/ All capacity available to the PGandE system
 2/ Total from several locations
 3/ Subject to change and final contract agreement.

March 23, 1979

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Table 1 (Continued)

No.	Project Name and Location	Project Description	Date Discussions Began	Estimated Project Size MW ^{1/}	Maximum Electric Demand in 1977	Status	Earliest Projected Date of Operation ^{2/}
6	Tosco Corporation - Avon Refinery	Use of refinery fluid coke and heavy fuel oil for producing power and process steam. Considering gasification and direct combustion.	March 1977	80 to 150	52.1 MW	Discussions on-going. Tosco's studies nearing completion.	Fall 1984
7	Texaco, Inc. - San Ardo Oil Field	Electric power/steam co-generation project using a gasification process returning steam for secondary recovery of oil	Spring 1973	210 to 290	16.1 MW	Contract negotiations on-going. Studies continuing on project parameters.	Fall 1984
8	Union Oil Company - Contra Costa County	Bottoming cycle using waste heat	April 1977	25	.5 MW	Discussions on-going. Evaluating alternatives for a steam exchange.	Early 1983
9	Mobil Chemical Company - Woodland	Electric power/steam co-generation project	August 1977	4	3.5 MW	Mobil project still under consideration. If project is authorized, some surplus energy may be available to PGandE.	Mid 1980 If project is authorized
10	Diamond/Sunsweet Inc. - Stockton	Topping cycle using walnut shells as fuel	December 1977	5 to 7.5	3.3 MW	Discussions on-going. Awaiting D/S's response to offer of November 3, 1978.	Not yet determined
11	Stauffer Chemical Company - San Jose	Electric power/steam co-generation project	October 1978	14	6 MW	Discussions on-going. Preliminary engineering and contract principles being studied.	Not yet determined

1/ All capacity available to the PGandE system.
2/ Subject to change and final contract agreement.

March 23, 1979

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Table 1 (Continued)

No.	Project Name and Location	Project Description	Date Discussions Began	Estimated Project Size MW ^{1/}	Maximum Electric Demand in 1977	Status	Earliest Projected Date of Operation ^{2/}
12	PGandE, 77 Beale St. - San Francisco	Topping cycle	January 1979	0.1 to 2.5	3 MW	Conducting preliminary feasibility studies.	Early 1982
13	PGandE Gerber Compressor Station - Gerber	Bottoming cycle utilizing waste heat from gas compressor along Line 400 (Canada to California)	January 1979	3.4	50 KW	Evaluating alternate waste heat recovery systems and working fluids. Air emission exceptions applied for in February 1979.	Early 1981
				Total	822.2 to 1086.4		

1/ All capacity available to the PGandE system

2/ Subject to change and final contract agreement

March 23, 1979

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Table 2
 ENERGY RECOVERY FROM SOLID WASTE PROJECTS UNDER ACTIVE DISCUSSION
 STATUS REPORT
 FIRST QUARTER - MARCH 1979

<u>No.</u>	<u>Project Name and Location</u>	<u>Project Description</u>	<u>Date Discussions Began</u>	<u>Estimated Project Size MW</u>	<u>Maximum Electric Demand in 1977</u>	<u>Status</u>	<u>Earliest Projected Date of Operation</u>
1	Humboldt Bay Power Company - Eureka	Woodwaste fueled power plant	1975	40	Not Applicable	Negotiations on-going for PGandE purchase of the full output of a 40 MW woodwaste fueled power plant with capability to burn municipal solid waste. The Humboldt County Board of Supervisors has designated Humboldt Bay Power Co. as proponent of the County Resource and Recovery Project.	1983
2	Pyro Sol, Inc. - Redwood City	Solid waste fueled pyrolysis process producing a low BTU gas which is used as heat source for steam generation	May 1977	4	Not Applicable	Interim agreement signed January 11, 1979. Initial deliveries began January 17, 1979. Long-term contract negotiations nearing completion.	January 17, 1979
3	San Francisco Resource Conversion Center - Brisbane	Solid waste fueled power plant	1967	27 to 40	Not Applicable	Discussions between City and County of San Francisco, Sanitary Fill Company (SFC) and PGandE on-going; PGandE will make market for the energy recovered.	1983

1/ All capacity available to the PGandE system
 2/ Subject to change and final contract agreement

March 23, 1979

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Table 2 (Continued)

No.	Project Name and Location	Project Description	Date Discussions Began	Estimated Project Size MW ^{1/}	Maximum Electric Demand in 1977	Status	Earliest Projected Date of Operation ^{2/}
4	U.S. Steel Corporation - Pittsburgh	Solid waste fueled power plant with steam for U.S. Steel requirements	October 1977	Not Yet Determined	57.7 MW	Phase I study completed. PG&E has provided \$10,000 toward Phase II of the feasibility study being administered by Contra Costa County. Progress report scheduled for review April 1979.	Not yet determined
5	California Products Company - Fresno	Solid waste fueled power plant	September 1978	5	2	California Products Company asked PG&E in February 1979 to consider purchasing steam. PG&E is reviewing this proposal.	Not yet determined
				Total	76 to 89		

^{1/} All capacity available to the PG&E system except that California Products proposes to make available 3 MW from its proposed 5 MW project.

^{2/} Subject to change and final contract agreement.

March 23, 1979

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Table 3
 POWER PURCHASES FROM INDUSTRIAL PRODUCERS
 STATUS REPORT
 FIRST QUARTER - MARCH 1979

No.	Name of Seller	Location of Generation Facility	Description of Generation Process	Estimated Monthly Energy Delivery	Delivery in MW	Status
1	Dow Chemical Company	Pittsburg	Gas turbine generation	Variable	15	Contract extension under discussion.
2	Georgia Pacific Corporation	Fort Bragg	Woodwaste fueled generation	0.6 million kwh	1.2	Long-term contract negotiations on-going to increase capability of delivery facilities to a maximum of 10 MW. All deliveries are "surplus".
3	Louisiana Pacific Corporation	Samoa	Woodwaste fueled generation	2.6 million kwh	8	Long-term contract negotiations on-going to increase capability of delivery facilities from 7 MW to 20 MW. All deliveries are "surplus".
4	Pacific Lumber Company	Scotia	Woodwaste fueled generation	Not yet estimated	5	Initial contract made; Pacific Lumber will be prepared to continue discussions in early 1979.
5	Stauffer Chemical Company	Martinez	Waste heat recovery	0.1 million kwh	2	Existing contract may be terminated on one month notice.
6	DeLeval Turbine	Oakland	Diesel test facility	Variable	11.5	Discussions on-going.
				Total	42.7	

March 23, 1979

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Table 4
CO-GENERATION PROJECTS OF OTHER ENTITIES AFFECTING FCande
STATUS REPORT
FIRST QUARTER - MARCH 1979

No.	Name of Entity	Location of Generation Facility	Description of Generation Process	Estimated Project Size (MW)	Status
1	City of Santa Clara and California Paperboard Company	Santa Clara	Topping cycle, combustion gas turbine with waste heat boilers	10	Discussions with City of Santa Clara are on-going to accommodate the co-generation project.
2	University of California	Davis	Topping cycle, distillate fueled combustion turbine	3	Discussions on-going; agreement expected soon on contractual arrangements. Scheduled operation June 1979.
Total				13	

March 23, 1979

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Table 5
 INACTIVE PROJECTS
 STATUS REPORT
 FIRST QUARTER - MARCH 1979

<u>No.</u>	<u>Project Name and Location</u>	<u>Project Description</u>	<u>Date Discussions Began</u>	<u>Estimated Project Size MW</u>	<u>Date Project Became Inactive</u>	<u>Status</u>
A	Louisiana-Pacific Corporation - Rocklin (formerly Fibreboard)	Topping cycle utilizing woodwaste as fuel	May 1977	5	August 15, 1978	Project withdrawn at L-P's request.
B	Worthington Industries - Fresno	Solid waste fueled power plant	February 1978	2.9	August 11, 1978	Project withdrawn at Worthington Industries request.
C	Hain Industries Lumber Company - Bieber	Topping cycle utilizing woodwaste as fuel	July 1977	2	December 1, 1978	Customer abandoned plan for co-generation.
D	C. P. National and Co. Lumber Co. - Susanville	Topping cycle utilizing woodwaste as fuel	August 1977	3	December 1, 1978	Project withdrawn at C. P. National request.
E	<u>1/</u>	Bottoming cycle utilizing waste heat.	November 1977	11	March 1, 1979	Project withdrawn at request of proponent.
Total				23.9		

1/ Not Identified by Industry's request.

March 23, 1979

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APR 20 1979

LAW-CPUC

April 2, 1979

MR. NOLAN H. DAINES:

FILE COPY

Subject: CPUC Staff Request for
 PGandE Goal for Co-Generation
 Operation by 1985

The attached memorandum (Attachment A) describes the CPUC staff's offer to remove its negative rating on PGandE's co-generation (including waste recovery projects) program for the 1980 rate case, if PGandE accepts the CPUC's goal of 700 MW operating by the end of 1985 and 400 MW under contract by the end of 1980.

The CPUC staff's goal differs from PGandE's current resource plan which includes 497 MW of co-generation by 1985 (Attachment A). Although the CPUC staff does not ask that PGandE change its resource plan for the rate case to reflect a higher goal, the implication is there that through CII 26 the staff may be attempting to influence the amount to be included in PGandE's resource plan. Further, the CPUC staff has developed its goal by including some and excluding other specific projects listed as active potential projects in PGandE's quarterly status report to the CPUC.

If PGandE accepts the principle of a higher stated goal than is included in its resource plan, the CPUC staff would expect an explanation if the goal becomes unattainable.

For the following reasons, I recommend that PGandE accept the principle of a higher stated 1985 goal (without modifying our current resource plan) for co-generation and waste recovery projects; that the vehicle for stating PGandE's goal would be PGandE's current quarterly status report; and that the goal would be the total of those active projects which prove to be economical (Tables 1 through 4 of Attachment B) listed in PGandE's quarterly status report to the CPUC:

1. If the CPUC staff accepts, it would remove the staff's negative rating on PGandE's co-generation program for the 1980 rate case.

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POOR ORIGINAL

MR. NOLAN H. DAINES

-2-

April 3, 1979

2. It would provide a flexible and an appropriate means for explaining why the goal is or is not being met, or has changed (i.e., both our status report and resource plan are dynamic documents).
3. It would avoid the possible negative feelings of potential co-generators who would probably learn that they had been excluded from PGandE's goal if the CPUC staff's approach for defining the goal were used.
4. It would allow the OII 26 proceedings to commence without a new number, as proposed by the CPUC staff, being introduced (that lies somewhere in between the active PGandE potential and PGandE's resource plan) as a pre-determined influence on the outcome of OII 26.

In order to meet the recommended 1985 goal of the active potential listed in PGandE's quarterly report, appropriate action plans and schedules must be prepared and people must be assigned to accomplish the goal. With your approval, we will proceed to develop these action plans and manpower needs and will inform the CPUC staff of our plans.

J. E. FALL

JGM/TGRIerson (3744) :jkb

cc ✓ WEdwards
 APKilroy
 KRubitz
 WCLester
 JGMeyer
 HRPerry
 BWS Shackelford
 GWest, Jr.
 JESchumann
 Attachments A and B

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April 3, 1979

MEMORANDUM TO THE FILE:

Subject: Meeting with CPUC Staff Concerning Staff
Evaluation of PGandE's Co-generation
Program

On March 26, J. G. Meyer, A. P. Kilroy and F. G. Rierson (PGandE) met with John Quinley and Jeevan Ahuja (CPUC Staff) to discuss the CPUC staff's evaluation of PGandE's co-generation program for the 1980 test year rate case.

Essentially, the CPUC staff said that a PGandE commitment toward a goal of 400 MW in co-generation and waste recovery contracts signed by 1980 and 627 MW (Mr. Ahuja called J. G. Meyer later to suggest that this figure should be 700 MW) operating by 1985 (Attachment 1) would resolve the CPUC staff's concerns and would remove the negative rating the staff has recommended for PGandE for co-generation.

PGandE replied that major uncertainties affect any commitment toward a goal (e.g., PIPUA, PURPA, economics, fuel supply, environmental factors such as air quality, and the desires of the other party as a potential co-generator).

The CPUC staff said these were legitimate reasons for a lower amount to be used in PGandE's resource plan (497 MW by 1985, per Attachment 2).

The CPUC staff said that PGandE's resource plan includes a satisfactory amount for the rate case, but OII 26 may be a different matter. The CPUC staff views OII 26 as being the vehicle for the CPUC to develop a recommendation to the CEC regarding alternative energy resources for the CEC's biennial report. Additionally, the staff believes that OII 26 will thoroughly examine PGandE pricing policies for co-generation.

The meeting concluded with an agreement to meet again before April 16 for PGandE to answer whether a higher goal for

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Memorandum to the File

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April 3, 1979

co-generation (beyond PGandE's current resource plan) can be agreed upon for the rate case, without changing PGandE's current resource plan.

F. G. Rierson

F. G. RIERSON

FGR(3744):mrm

cc: NHDaines
WEdwards
EEHall
APKilroy
KKubitz
WCLester
JGMeyer
HRPerry
BWShackelford
GWest, Jr.
RBWilliams

Attachments

540 097

Z. A. M. *CPUC Staff (U.S. Army)*
 on 6-5-83-298 9
 COGENERATION POTENTIAL IN CALIFORNIA
 STAFF EVALUATION (YEAR-END ESTIMATES)

Attachment # 1
 PREPARED BY: [unclear]
 COMMENT: [unclear]
 23

MAR 26 1979

Pacific Gas and Electric Company

Existing Cogeneration

PG&E-Owned	179 MW (Avon, Martinez & Oleum)
Industrial-Owned	229 MW (18 Customers)
Total	408 MW

Breakdown of CPUC estimates

227 = 7 + 220
 = 150 Topped
 10 Staffer
 30 SF 9/10
 30 USS 9/10
 220 MW

PG&E's Reports of Cogeneration Now Under Negotiations

Total Under Negotiations		Probable	
Operating by 1980	Operating by 1985	Operating by 1980	Operating by 1985
7 MW	1,240 MW	7 MW	400 MW

*Piero Sol 414W
 JCDavis 3.44
 711W*

*CPUC says may not be 200 MW
 OII 26*

Additional Projects to be Identified and Operating by 1985

*I 26
 discussion*

600-950 MW

pre-dated OII 26 → *CPUC handle and highly debatable.*

Existing	408 MW
New	1,220 - 1,570 MW
Total	1,628 - 1,978 MW

280 Getty
 25 L-15 std
 30 "
 40 " - Oracle's
 10 Union
 5 Car Products
 10 Santa Clara
 400 MW

Total State

1650 - 2004

Existing Cogeneration - MW

	Utility Owned	Industry Owned	Total
PG&E	179 MW	229 MW	408 MW
SCE	12	88	100
SDG&E	61	12	18
Other	-	-	-
Total	197	329	526

*CPUC Staff est.
 From PG&E's
 OII 26
 Survey*

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Unconfirmed.
 All data here for purposes of this report.

Utility Reports of Potential New Under Negotiations MW

Utility	Total Under Negotiations		Probable	
	Operating by 1980	Operating by 1985	Operating by 1980	Operating by 1985
PG&E	7 MW	1,240 MW	7 MW	627 MW
SCE	86	415	32	242
SDG&E	31	85	1	41
Total	124	1,740	40	910

Additional Projects to be Identified and Operating by 1985

Utility	Range
PG&E	600 - 950 ^{600 - 950} MW error
SCE	160 - 290
SDG&E	40 - 50
Other Utilities ^{2/}	20 - 30
Total	820 ⁸²⁰ - 1,320 MW

3/ Unknown. Figures may be substantially higher.

Total Cogeneration by 1985, State of California

Existing ^{4/}	516 MW
New ^{5/}	1,710 - 2,210 MW
Total	2,226 - 2,726 MW

^{4/} PG&E, SCE and SDG&E.

^{5/} Entire state.

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J. D. Quinley, Supervising Utilities Engineer
J. S. Ahuja, Cogeneration Specialist

790321

POOR ORIGINAL

Grand E
Schedule of Co-generation Abolitions ^{1/}

6-2
23

<u>Year</u>	<u>Item</u>	<u>Size (MW)</u>
1979	Pyr. Sol	4
1980	-	0
1981	Compressor Co-gen	3
1982	Unidentified Co-gen	25
1983	Unidentified Co-gen (Solid Waste)	40
	Unidentified Co-gen	25
1984	Unidentified Co-gen (Solid Waste)	40
	Unidentified Co-gen	25
1985	Oil Field Co-gen	300
	Unidentified Co-gen	25
	Unidentified Co-gen (Solid Waste)	10
<u>Total</u>		497 540 100

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^{1/} Source: Table 2-5 Schedule of Resource Abolitions

Table 1
NEW CO-GENERATION PROJECTS UNDER DISCUSSION
STATUS REPORT
FIRST QUARTER - MARCH 1979

No.	Project Name and Location	Project Description	Date Discussions Began	Estimated Project Size MW ^{1/}	Maximum Electric Demand in 1977	Status	Earliest Projected Date of Operation ^{3/}
1	Louisiana-Pacific Corporation - Standard (near Sonora) (formerly Fibreboard)	Topping cycle using woodwaste as fuel	May 1977	10 to 25	1.8 MW	Discussions on-going. Letter Agreement to retain consultant to study feasibility signed June 1978. Feasibility study completed December 1978 and now being evaluated.	Mid-1982
2	Louisiana-Pacific Corporation - Antioch (formerly Fibreboard)	Topping cycle using woodwaste as fuel	May 1977	30	12.7 MW	Discussions on-going. Project being evaluated.	Not yet determined
3	Getty Oil Company - Bakersfield	Electric power/steam project using gasification process returning steam for secondary recovery of oil	August 1971	210 to 290	32.8 MW	Contract negotiations on-going. Studies continuing on project parameters.	Fall 1984
4	Husky Oil Company - Cat Canyon Oil Fields near Santa Maria	Electric power/steam project using gasification process returning steam for secondary recovery of oil; or a combined cycle project	September 1976	200 (Assumed Minimum)	1.4 MW ^{2/}	Preliminary discussion stage; project not yet sized. Husky and PGandE are investigating alternatives.	Not yet determined
5	Louisiana-Pacific Corporation - Oroville	Topping cycle using woodwaste as fuel	March 1977	30 to 45	5.6 MW	In September 1978, PGandE proposed to construct, own, and operate project. L-P would supply land, water, and wood fuel. Letter of Understanding signed October 1978. Adequacy and reliability of fuel supply under review. Contract negotiations on-going.	End of 1982

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- 1/ All capacity available to the PGandE system
 - 2/ Total from several locations
 - 3/ Subject to change and final contract agreement.

POOR ORIGINAL

March 23, 1979

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Table 1 (Continued)

No.	Project Name and Location	Project Description	Date Discussions Began	Estimated Project Size MW ^{1/}	Maximum Electric Demand in 1977	Status	Earliest Projected Date of Operation ^{2/}
6	Tosco Corporation - Avon Refinery	Use of refinery fluid coke and heavy fuel oil for producing power and process steam. Considering gasification and direct combustion.	March 1977	80 to 150	52.1 MW	Discussions on-going. Tosco's studies nearing completion.	Fall 1984
7	Texaco, Inc. - San Ardo Oil Field	Electric power/steam co-generation project using a gasification process returning steam for secondary recovery of oil	Spring 1973	210 to 290	16.1 MW	Contract negotiations on-going. Studies continuing on project parameters.	Fall 1984
8	Union Oil Company - Contra Costa County	Bottoming cycle using waste heat	April 1977	25	.5 MW	Discussions on-going. Evaluating alternatives for a steam exchange.	Early 1983
9	Mobil Chemical Company - Woodland	Electric power/steam co-generation project	August 1977	4	3.5 MW	Mobil project still under consideration. If project is authorized, some surplus energy may be available to PGandE.	Mid 1980 If project is authorized
10	Diamond/Sunsweet Inc. - Stockton	Topping cycle using walnut shells as fuel	December 1977	5 to 7.5	3.3 MW	Discussions on-going. Awaiting D/S's response to offer of November 5, 1978.	Not yet determined
11	Stauffer Chemical Company - San Jose	Electric power/steam co-generation project	October 1978	14	6 MW	Discussions on-going. Preliminary engineering and contract principles being studied.	Not yet determined

1/ All capacity available to the PGandE system.

2/ Subject to change and final contract agreement.

March 23, 1979

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Table 1 (Continued)

No.	Project Name and Location	Project Description	Date Discussions Began	Estimated Project Size MW ^{1/2}	Maximum Electric Demand in 1977	Status	Earliest Projected Date of Operation ^{2/}
12	PGandE, 77 Beale St. - San Francisco	Topping cycle	January 1979	0.8 to 2.5	3 MW	Conducting preliminary feasibility studies.	Early 1982
13	PGandE Gerber Compressor Station - Gerber	Bottoming cycle utilizing waste heat from gas compressor along Line 400 (Canada to California)	January 1979	3.4	50 KW	Evaluating alternate waste heat recovery systems and working fluids. Air emission exemptions applied for in February 1979.	Early 1981
				Total	322.2 to 1085.4		

- 1/ All capacity available to the PGandE system
 2/ Subject to change and final contract agreement

March 23, 1979

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Table 2
 ENERGY RECOVERY FROM SOLID WASTE PROJECTS UNDER ACTIVE DISCUSSION
 STATUS REPORT
 FIRST QUARTER - MARCH 1979

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No.	Project Name and Location	Project Description	Date Discussions Began	Estimated Project Size MW ^{1/}	Maximum Electric Load in 1977	Status	Earliest Projected Date of Operation ^{2/}
1	Humboldt Bay Power Company - Eureka	Woodwaste fueled power plant	1975	40	Not Applicable	Negotiations on-going for PGandE purchase of the full output of a 40 MW woodwaste fueled power plant with capability to burn municipal solid waste. The Humboldt County Board of Supervisors has designated Humboldt Bay Power Co. as proponent of the County Resource and Recovery Project.	1983
2	Pyro Sol, Inc. - Redwood City	Solid waste fueled pyrolysis process producing a low BTU gas which is used as heat source for steam generation	May 1977	4	Not Applicable	Interim agreement signed January 11, 1979. Initial deliveries began January 17, 1979. Long-term contract negotiations nearing completion.	January 17, 1979
3	San Francisco Resource Conversion Center - Embarcadero	Solid waste fueled power plant	1967	27 to 40	Not Applicable	Discussions between City and County of San Francisco, Sanitary Fill Company (SFC) and PGandE on-going; PGandE will make market for the energy recovered.	1983

March 23, 1979

1/ All capacity available to the PGandE system
 2/ Subject to change and final contract agreement

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Table 2 (Continued)

<u>No.</u>	<u>Project Name and Location</u>	<u>Project Description</u>	<u>Date Discussions Began</u>	<u>Estimated Project Size MW^{1/}</u>	<u>Maximum Electric Demand in 1977</u>	<u>Status</u>	<u>Earliest Projected Date of Operation^{2/}</u>
4	U.S. Steel Corporation - Pittsburg	Solid waste fueled power plant with steam for U.S. Steel requirements	October 1977	Not Yet Determined	57.7 MW	Phase I study completed. PG&E has provided \$10,000 toward Phase II of the feasibility study being administered by Contra Costa County. Progress report scheduled for review April 1979.	Not yet determined
5	California Products Company - Fresno	Solid waste fueled power plant	September 1978	5	2	California Products Company asked PG&E in February 1979 to consider purchasing steam. PG&E is reviewing this proposal.	Not yet determined
				<u>Total</u>	<u>76 to 89</u>		

^{1/} All capacity available to the PG&E system except that California Products proposes to make available 3 MW from its proposed 5 MW project.

^{2/} Subject to change and final contract agreement.

March 23, 1979

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Table 3
POWER PURCHASES FROM INDUSTRIAL PRODUCERS
STATUS REPORT
FIRST QUARTER - MARCH 1979

<u>No.</u>	<u>Name of Seller</u>	<u>Location of Generation Facility</u>	<u>Description of Generation Process</u>	<u>Estimated Monthly Energy Delivery</u>	<u>Delivery in MW</u>	<u>Status</u>
1	Dow Chemical Company	Pittsburg	Gas turbine generation	Variable	15	Contract extension under discussion.
2	Georgia Pacific Corporation	Fort Bragg	Woodwaste fueled generation	0.6 million kwh	1.2	Long-term contract negotiations on-going to increase capability of delivery facilities to a maximum of 10 MW. All deliveries are "surplus".
3	Louisiana Pacific Corporation	Semora	Woodwaste fueled generation	2.6 million kwh	8	Long-term contract negotiations on-going to increase capability of delivery facilities from 7 MW to 20 MW. All deliveries are "surplus".
4	Pacific Lumber Company	Scotia	Woodwaste fueled generation	Not yet estimated	5	Initial contact made; Pacific Lumber will be prepared to continue discussions in early 1979.
5	Stauffer Chemical Company	Martinez	Waste heat recovery	0.1 million kwh	2	Existing contract may be terminated on one month notice.
6	DeLaval Turbine	Oakland	Diesel test facility	Variable	11.5	Discussions on-going.
				Total	42.7	

March 23, 1979

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Table 4
 CO-GENERATION PROJECTS OF OTHER ENTITIES AFFECTING PG&E
 STATUS REPORT
 FIRST QUARTER - MARCH 1979

<u>No.</u>	<u>Name of Entity</u>	<u>Location of Generation Facility</u>	<u>Description of Generation Process</u>	<u>Estimated Project Size (MW)</u>	<u>Status</u>
1	City of Santa Clara and California Paperboard Company	Santa Clara	Topping cycle, combustion gas turbine with waste heat boilers	10	Discussions with City of Santa Clara are on-going to accommodate the co-generation project.
2	University of California	Davis	Topping cycle, distillate fueled combustion turbine	3	Discussions on-going; agreement expected soon on contractual arrangements. Scheduled operation June 1979.
			Total	13	

March 23, 1979

Z. A. M. 1003278

POOR ORIGINAL

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Table 5.
 INACTIVE PROJECTS
 STATUS REPORT
 FIRST QUARTER - MARCH 1979

<u>No.</u>	<u>Project Name and Location</u>	<u>Project Description</u>	<u>Date Discussions Began</u>	<u>Estimated Project Size MW</u>	<u>Date Project Became Inactive</u>	<u>Status</u>
A	Louisiana-Pacific Corporation - Rocklin (formerly Fibreboard)	Topping cycle utilizing woodwaste as fuel	May 1977	5	August 15, 1978	Project withdrawn at L-P's request.
B	Worthington Industries - Fresno	Solid waste fueled power plant	February 1978	2.9	August 11, 1978	Project withdrawn at Worthington Industries request.
C	Hain Industries Lumber Company - Bieber	Topping cycle utilizing woodwaste as fuel	July 1977	2	December 1, 1978	Customer abandoned plan for co-generation.
D	C. P. National and Coia Lumber Co. - Susanville	Topping cycle utilizing woodwaste as fuel	August 1977	3	December 1, 1978	Project withdrawn at C. P. National request.
E	<u>1/</u>	Bottoming cycle utilizing waste heat.	November 1977	11	March 1, 1979	Project withdrawn at request of proponent.
Total				23.9		

1/ Not identified by industry's request.

March 23, 1979

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RECEIVED JOHN F. BONNER ATTACHMENT 13

NOV 22 1971

~~CONFIDENTIAL~~

② JFB

November 19, 1971

PGandE
FOR INTRA-COMPANY USES
DIVISION OR DEPARTMENT COMMERCIAL OPERATIONS
FILE NO. "A"
RE LETTER OF *Customer*
SUBJECT DOW CHEMICAL COMPANY -
Potential Energy Transactions with PGandE

MR. J. Y. DE YOUNG:

At a meeting held today by Messrs. W. D. Skinner, L. R. Rowton, A. R. Todd, D. L. McLeod, J. S. Cooper, and myself to review the current situation pertaining to possible electric and gas transactions between Dow and PGandE, the following conclusions were reached:

1. It is not necessary at this time for Mr. S. L. Sibley to contact Dow's chief executive officer, Mr. Barnes, in Midland, Texas, as matters are still at a stage where local contacts can be productive.
2. An investigation as to the basis, if any, upon which PGandE might purchase for peaking surplus electricity generated by Dow at its Pittsburg plant should be initiated. Such an investigation should include (in addition to regular economic factors) consideration of:
 - a. The potential benefits to PGandE of turbines at Dow's plant as a research and development project; and
 - b. The procedures followed by Dow in its electric arrangements in Texas and Louisiana.
3. Discussions will continue with Dow's subsidiary, Brazos Oil Company, regarding the possible acquisition by PGandE of, as yet, undeveloped California-produced gas.
4. Although the possibility cannot be ignored, there does not appear to be a serious threat at this time that Dow will market its surplus power to NCPA, Pittsburg, Antioch, Berkeley, or any other city.

Dow now has 38 MW of capacity at its Pittsburg plant, 5 MW of which are needed to keep the plant functioning at all times and 33 MW of which are said by Dow to be available for sale on a peaking basis. Prior studies have indicated it was uneconomic for PGandE to try and obtain this peaking power. New studies may, however, provide other answers, particularly if there are any R and D benefits to be derived by PGandE from turbine operations (it is our understanding that the Company is about to engage in such a project). Dow now has two turbines installed and has room for a third. Currently Dow is using approximately 470 Mcf/hr. of gas to utilize its turbines at a 95% load factor.

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Mr. J. V. De Young

- 2 -

November 19, 1971

Dow's gas producing subsidiary, Brazos, in its current negotiations with PGandE, is requesting the Company to consider an arrangement involving purchase by PGandE, with a 'bank account' and later at least partial return to Dow. Brazos also wants the arrangement to be applicable throughout the entire system. Such an arrangement would be inconsistent with PGandE's existing gas contracts. Negotiations are continuing and no commitments have been made.

This Department, working with other General Office personnel, will take the steps that are necessary to implement item 2. above. Mr. Sproul is requested to keep us advised as to the status of the gas acquisition discussions with Brazos.


ALBERT B. COOK

JSCooper:mtg

cc SLSibley
JFBonner ✓
CEGinochio
JASproul
WDSkinner
ARTodd
DLMcLeod
LRRowton

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PGandE
FOR INTRA-COMPANY USES

RECEIVED
JOHN F. SCHNEIDER

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DIVISION OR DEPARTMENT COMMERCIAL OPERATIONS
FILE NO. "R" *Cust.*
RE LETTER OF
SUBJECT DOW CHEMICAL COMPANY
Pending and Potential Relationships

Al Look
Jerry Beckers
Art Shelton

JAN 11 1972

[Handwritten signature]

CEB
JOW
JYD
AKC
WAC

January 10, 1972

MR. C. E. GINOCCHIO:

On January 6 a meeting was held to discuss the current status of pending and potential relationships between PGandE and Dow. Attending were the following: L. R. Rowton of East Bay Division; H. R. Perry and H. M. Howe of Planning and Research; J. K. Harral of Gas Procurement; and W. D. Howell, A. B. Cook, J. S. Walsh, S. O. Blois, J. S. Cooper, and myself of Commercial Operations.

The various relationships with Dow fall into four broad categories:

- (1) Possible location by Dow of a new magnesium chloride processing plant in California, possibly in SMUD's service area, using interruptible power if available.
- (2) Utilization of Dow's existing surplus electric generating capacity (33 MW) at its existing Pittsburg plant for peaking purposes by PGandE or others.
- (3) Consideration of joint use of future generation by Dow.
- (4) Purchase and/or exchange of gas by PGandE from/with Dow or its subsidiary, Brazos.

None of these matters appears to be at a stage where action by top management is required at this time. We are, however, continuing to follow these matters closely and will keep you advised of developments. Mr. Cooper will serve as a coordinator of material related to the various Dow matters and the representatives attending our recent meeting have been requested to keep him advised of their Dow matters so he in turn can advise all others involved and we can then act in a coordinated manner.

Details of the four matters are as follows:

(1) Possible New Magnesium Chloride Plant. Dow has stopped construction of a plant it was building at Dalles Port, Washington to process magnesium chloride already contractually committed from the Great Lakes. Cessation has occurred because of various problems: increased EPA electric rates, Northwest power shortages, gas curtailments, reduced aircraft demand for magnesium, etc. Dow is, however, giving consideration to location of such a plant in the SMUD service area. Dow's Manager for Energy and Hydrocarbons, Jerry Decker, has met with SMUD's Area Development Manager, Mason Sperry, to discuss the subject, but no agreement has been reached. Mr. Decker plans to return to Northern California

during the week of January 16 and has indicated to Mr. Walsh that he will meet with us at that time. According to Mr. Walsh, Dow is interested in interruptible power from SMUD for this contemplated plant. Whether SMUD would have this type of power to sell is a subject we are exploring.

(2) Utilization of Dow's Surplus Capacity at Pittsburg. Dow now has 38 MW of capacity at Pittsburg, 5 MW of which are needed at all times and 33 MW of which could be made available for sale on a peaking basis. Mr. Perry's Department is studying the economic feasibility of purchase of this capacity. Preliminary information to date indicates that, on a straight engineering basis, peaking capacity may not be needed for system operations for three or four years. If the People's Lobby initiative should pass, or if the Diablo units should be delayed until 1977, peaking facilities would be needed in 1975-76. (Four 50 MW gas turbine peaking units are planned for installation in San Francisco in 1974-76, but these relate to transmission limitations rather than system capacity requirements. The lead time on such units is two years.) Although the Dow units have no particular unique value from an R and D standpoint, or because of their location, it is recognized that this may be the most advantageous time to make an agreement with Dow. They are seeking additional revenues and PGandE offers the best possibility of a source of such revenues. Also, such an arrangement would put to beneficial use this power source and would stop discussion of vague and impractical alternative arrangements with others (which, however, may be only a bargaining point being used by Dow). In sum, a reasonable offer may be acceptable to Dow. As soon as Mr. Perry's studies are completed, such an offer will be given prompt attention.

(3) Consideration of Joint Use of Future Generation. Elsewhere in the United States, Dow has entered into (or proposed) various arrangements which contemplated sharing generation with local electric suppliers or providing back-up to the utility in the area. Some of these arrangements have been brought up by Dow simply as a bargaining device to obtain lower cost power. Although it appears that it would be 1980 or 1981 before any such "sharing proposal" would have merit for PGandE, if Dow should want to discuss such a proposal, we are willing to discuss it with them. At present, SMUD would also probably have to wait until at least 1980 before such an arrangement could be considered. The potential ability of SMUD to so act is a matter being explored. What the 11 cities might do is too speculative to evaluate. (As pointed out in Mr. Cook's memo of November 19, 1971, there does not appear to be a serious threat that Dow will market its existing surplus to NCPA.)


(4) Gas Purchase Agreements. Dow's gas producing subsidiary, Brazos, in its current negotiations with PGandE, is requesting the Company to consider an arrangement involving purchase by PGandE, with a 'bank account' and later at least partial return to Dow. Brazos also wants the arrangement to be applicable throughout the entire system. (Earlier this year Dow wanted such exchange rights to extend outside California. This was wholly unacceptable.) Such an intrastate arrangement would be inconsistent with PGandE's existing gas contracts. Negotiations are continuing and no commitments have been made. The take of excess

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gas from Dow's Sherman Island wells, which is now sold to PGandE, is far below the levels expected. A letter inquiring as to the low rates of take is now being prepared by Mr. McLeod. This letter will be reviewed for consistency with our overall Dow approach before it is sent.

 J. Y. DE YOUNG

JSCooper:mtg

cc SLSibley ✓
JFBonner ✓
JDWorthington
JASproul
BWS Shackelford
WBKuder
ABCook
WDHowell
ARTodd
J SWalsh
HRPerry
DLMcLeod
GWest
SOBlois
HMHowe
JGHarral
WDSkinner
LRRowton

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AGREEMENT FOR PURCHASE
AND SALE OF
SURPLUS ENERGY

THIS AGREEMENT, dated as of October 25, 1976, by and between NORTHERN CALIFORNIA POWER AGENCY, a joint powers agency and public agency created under the laws of California, hereinafter called NCPA, and Georgia-Pacific Corporation, a corporation organized and existing under the laws of the State of Georgia, hereinafter called Georgia Pacific,

W I T N E S S E T H:

WHEREAS, Georgia Pacific generates electric power at its plant at Fort Bragg, California, hereinafter called the Fort Bragg Plant, and desires to sell the additional energy so generated surplus to its needs; and

WHEREAS, NCPA desires to purchase such electric energy from Georgia Pacific;

NOW, THEREFORE, the parties agree as follows:

1. NCPA will purchase, and Georgia Pacific will sell, electric energy generated at the Fort Bragg Plant surplus to the needs of Georgia Pacific, as provided for herein.

Georgia Pacific shall contact NCPA at the office of its Executive Director, with information on the quantities of surplus power available and the times that such power will be available. Unless otherwise agreed, this information shall be provided to NCPA no later than 2:00 p.m. on each Friday for the next consecutive week.

2. NCPA will pay to Georgia Pacific for electric energy so sold an amount equal to .75¢ per kilowatt hour;

AGREEMENT

PAGE ONE

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Georgia Pacific shall bill NCPA for all such energy supplied in
/ calendar month within ten days after the end of such month
NCPA shall make payment within 30 days after receipt of such
11.

The price specified in this section will be adjusted
ward or downward, effective every January 1st and every July
after the date of this contract in accordance with the per-
centage of increase or decrease in the Consumer Price Index,
Items, U.S. City Average, Unadjusted, (published monthly by
Bureau of Labor Statistics, U.S. Department of Labor). If
application of the Consumer Price Index shall be discontinued,
parties hereto shall thereafter select and use in lieu there-
a substitute index for the cost of living for the State of
ifornia, as it shall be computed and published by an agency
the United States, the State of California or by a responsible
ancial periodical of recognized authority, such source to be
ected by the parties hereto.

3. Georgia Pacific shall hereby assign to NCPA any
ights Georgia Pacific will have now or at any time during this
reement to purchase any right or interest in or to the step-
substation constructed for the Fort Bragg Plant; provided,
ever, that no right to purchase the real property belonging
Georgia Pacific upon which the step-up substation is located
ll be given or assigned to NCPA. In the event NCPA does
quire through this assignment, any interest in the substation,
further in the event that subsequent to acquisition this
reement is terminated, Georgia Pacific is hereby granted the
ght to buy any and all interest of NCPA to the substation at
PA's cost.

4. This agreement may be terminated by either party

AGREEMENT

PAGE TWO

POOR ORIGINAL

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giving one years notice in writing to the other. The one year shall commence running as of the time of the mailing or personal delivery of said notice, whether this timing coincides with the annual period of this lease or not.

5. All notices required herein shall be mailed to Georgia Pacific at: 90 West Redwood Avenue
Fort Bragg, California 95437

All notices required herein shall be mailed to NCPA at:
Attention: Executive Director
1400 Coleman Avenue Suite G 27
Santa Clara, California 95050

6. If Georgia Pacific shall hereafter offer to schedule power to NCPA on a firm basis, NCPA and Georgia Pacific will negotiate on a revision of the terms of this agreement to reflect the value of such scheduled firm power.

7. This agreement may not be assigned by either party without the consent of the other, which consent shall not be unreasonably withheld.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year first above written.

GEORGIA PACIFIC CORPORATION

By J. C. Williams
Its President
FCH 10/25/76

NORTHERN CALIFORNIA POWER AGENCY

By Richard C. Hughes
Its Chairman

NOV 18 1976

540 116
POOR ORIGINAL

Z A L 5040589
NORTHERN CALIFORNIA POWER AGENCY

ATTACHMENT 16 42

221 WEST PINE STREET
LODI, CALIFORNIA 95240

(209) 363-0641

CHAIRMAN

GARY G. GILLMOR, MAYOR
CITY OF SANTA CLARA

GENERAL COUNSEL

MARTIN MC DONOUGH
555 CAPITOL MALL
SACRAMENTO, CALIFORNIA 95814

LEGAL ADVISOR

EARL D. MURPHY, CITY ATTORNEY
CITY OF REDDING

VICE CHAIRMAN

RICHARD L. HUGHES, MAYOR
CITY OF LODI

EXECUTIVE DIRECTOR

NORMAN P. INGRAHAM
1400 COLEMAN AVENUE
SANTA CLARA, CALIFORNIA 95050
(408) 248-3422

SECRETARY

HENRY A. GLAVES, CITY MANAGER
CITY OF LODI

November 1, 1976

NOV 2 1976
02580

Georgia-Pacific Corporation
90 West Redwood Avenue
Fort Bragg, California 95437

ATTENTION: Mr. F. C. Holmes

Dear Mr. Holmes:

On October 28, 1976, the Commission of the Northern California Power Agency (NCPA) authorized its Chairman to sign the agreement for the purchase and sale of surplus energy with Georgia-Pacific. They further requested the Chairman to obtain certain clarifications.

One of these clarifications is contained in Mr. Tallman's letter to Norman Ingraham, NCPA's Executive Director, dated October 27, 1976.

This letter says and I quote:

"This agreement shall take effect 30 days after NCPA has obtained the agreement of Pacific Gas and Electric Company to transmit energy purchased under this agreement or terms satisfactory to NCPA, provided that if such agreement with P.G.&E is not obtained within six months from the date of this agreement, this agreement shall never take effect."

The second clarification wished is your concurrence that this contract, while in force, pertains to all surplus energy produced by Georgia-Pacific.

Z A L 0040590

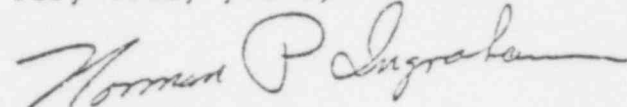
Georgia-Pacific Corp.

-2-

November 1, 1976

If you concur, will you please initial and date this letter signifying your concurrence. It can then be attached as part of the contract.

Very truly yours,



Norman P. Ingraham
Executive Director
Northern California Power Agency

Approval for NCPA:

By Richard C. Hughes its Chairman

By Monte M. Boney, its General Counsel

Date: NOV 18 1976

Approved by Georgia-Pacific Corporation,
Northern California Division

By J. C. Holmes, its General Manager

Date: Nov 8 1976

540 118

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PACIFIC GAS AND ELECTRIC COMPANY

Shasta
035Shasta Dam Area P.U.D.
June Report

July 27, 1965

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WPK		102
ICM		103
HEJ		104
RLT		105
SAHE		106
VO		107
MS		108
MEM		109
PAC		110
NK		111
HIL		112
CLW		113
E.M.		114
RESEARCH		115
LINE		116

MR. R. W. JOYCE:

This report is interesting for several reasons, most of which are not readily apparent.

We have no exact information regarding the number of active electric accounts which the District serves. Our figures indicate, however, that they have lost 26 customers to us in the last two months. New services of which we obtained 10 and the PUD 3, were excluded to arrive at that figure.

I understand that this is the first time that the PUD has shown a net loss of customers.

This competitive pressure has caused the PUD to relax its collection demands, resulting in an increase in its electric accounts receivable. Water accounts receivable are normal because the PUD bears down on its water customers who take electric service from us. The PUD's electric demand appears to be dropping and this accounts for the lower energy cost.

We believe that the PUD's waiving of charges for electricity for the month of August is a result of the increased competitive pressure we have been putting on them. We must meet this dangerous precedent in some manner or we shall certainly lose customers.

The PUD's action indicates the need on our part to step up our competitive effort. This we are doing.

The fourth paragraph indicates to us that the PUD and Eschen have had some preliminary discussions. If the PUD thinks they can charge us with responsibility for the voltage surge, we can be sure they will do it.

We will be alert for any new developments.

L. W. BRILLHART

LWB/na

cc: JFBender
RHPeterson
JFRoberts
Encs.

HEKruess
VCRedman
SLSibley

540 119

POOR ORIGINAL

Z A M I J o 4 **COPY**
PACIFIC GAS AND ELECTRIC COMPANY

39

Shasta
035

P G & E LAW DEPT. - PUC PROCEEDINGS

Shasta Dam Area

Public Utility District FILE NO. _____

January 24, 1966

HP	
FTS	
PG&E	
PLT	
PEP	
PKJV	
PW	
RK	
REC	
TR	
YAM	
PAC	
SK	
HIL	
GLH	
LM	
ASST. MGR.	
LSF	
LAW DEPT.	
RWW	

MR. R. L. MYDEN:

The attached brief report from L. E. Blew indicates that our increased competitive pressure is showing results.

The P.U.D.'s increased power use has been sold to large users and the lower billing rates have reduced its revenue. The P.U.D.'s operating expenses are also increasing.

We will keep the pressure on.

L. W. BRILLHART

LWB/ma

cc: JFBonner
 HCKruse
 RHPeterson ✓
 VCRedman
 JFRoberts
 SLSibley

Encl.

540 120

POOR ORIGINAL

PACIFIC GAS AND ELECTRIC COMPANY
Shasta - Cascade - Central Valley

005

Regular SDA-PGD Board of Directors Meeting
Wednesday, January 19, 1966

January 20, 1966

MR. GEORGE O'BRIEN:

The meeting was brisk and uneventful. There were no other visitors besides myself. The directors, manager, and electric superintendent had little to exchange. Correspondence passed quietly from one director to another, and the financial statement, copy attached, evoked little comment. Price did note that the \$520 surplus in the Special Road Maintenance District #1 fund for street lighting was now listed as a tax allocation under Power revenues.

Our breakdown of the District's electric revenue and expense shows a decline in their growth rate compared with previous years. For instance, electric sales for the 12 months ending December 1964 were up 14.6 percent compared with an increase of only 6.3 percent in the last 12 months. Electric revenue for the 12 months ending December 1964 was up 10.1 percent compared with an increase of only 2.6 percent in the last 12 months. Cost of power for the 12 months ending December 1964 was up only 2.2 percent compared with an increase of 7 percent in the last 12 months. Electric expense, (including street lighting and \$12,198 free power in August 1965) was up 9.1 percent for the 12 months ending December 1964 compared with an increase of 20.3 percent for the last 12 months. Net electric revenue for the 12 months ending December 1964 was up 11.4 percent, compared with a decrease of 25.2 percent for the last 12 months. If we add the \$12,198 worth of free power in August, their net electric revenue would still be down over 2.5 percent in the last 12 months as compared to 1964.

The only reason that the District didn't experience a decrease in sales and revenue below the 1964 level was due to the increase of industrial and commercial load. The District lost 25 domestic customers during the last 12 months, but the new Farmers Market, Laundromat and 150 HP hog at Deron Hills exceeded their lost domestic load by over 200 KW.

At the present rate of growth, the District revenues should fall below their \$170,000 budget by nearly \$8000. If it should happen, it would be the first time gross electric revenues have not exceeded the budget. This is the direct result of the sales effort of both Representatives and clearly illustrates what could be done with more sales tools and manpower.

L. E. ELBY

LEB:bd

POOR ORIGINAL 540 121

ELECTRIC REVENUE AND EXPENSE ANALYSIS
SHASTA DAM AREA PUBLIC UTILITY DISTRICT
December 1965

	<u>1965</u>	<u>1964</u>	<u>Difference from December 1964 Increase (Decrease)</u>
Accounts Receivable	\$ 41,479.93	\$ 42,011.76	(2.75)
Electric Revenue	18,473.67	17,677.33	4.53
Water Revenue	6,156.25	5,970.15	8.03
Total Revenue	\$ 21,947.92	\$ 23,625.51	5.14
Balance	16,550.01	18,983.22	(12.03)
Electric Revenue December	see \$ 18,473.67	\$ 17,677.33	4.53
Electric Revenue per kWh	.02266	.0237	(5.73)
Electric Revenue 12 months	162,121.57	157,978.25	2.63
Electric Revenue 12 months per kWh	.0232	.0239	(2.15)
Power Cost December	\$ 5,390.02	\$ 4,733.22	13.93
Power Cost per kWh	.0040	.00331	2.73
Power Cost 12 months	47,921.21	44,783.17	7.03
Power Cost 12 months per kWh	.0064	.00562	.52
Electric Expense December	\$ 10,815.95	\$ 9,159.82	18.13
Electric Expense per kWh	.00533	.0040	6.73
Electric Expense 12 months	113,252.82	104,137.23	8.73
Electric Expense 12 months per kWh	.0061	.0041	2.13
Net Electric Revenue December	\$ 7,991.76	\$ 8,517.55	(6.23)
Net Electric Revenue per kWh	.00505	.00595	(15.23)
Net Electric Revenue 12 months	** 40,355.01	53,869.30	(25.23)
Net Electric Revenue 12 months per kWh	.00307	.00435	(29.13)
MLI & Deposits in Lieu of Credit			
Water	\$ 7,427.44	\$ 5,977.82	24.33
Electric	366.40	none	100.24
Power Purchases in December	1,584,000 kWh	1,430,400 kWh	10.73
Power Purchased 12 months	13,158,400 kWh	12,383,400 kWh	6.33

see Actual cash receipts - not amount billed
 ** Reflects \$12,193.35 free power in August
 • Excludes \$12,193.35 free power in August

540 122

STATE OF CALIFORNIA
CITY OF REDDING
JULY 1, 1965

-ASSETS-

CURRENT ASSETS:

Cash on Hand	\$ 110.56	
Cash in Bank of America - General Fund	5,306.72	
Cash in Bank of America - Savings Account	25,688.33	
Cash in Crocker Citizens Bank - Customers' Deposits	2,866.95	
Cash in Crocker Citizens Bank - Park Fund	2,062.39	
Cash in Crocker Citizens Bank - Park Fund Savings	2,348.39	
Accounts Receivable	41,479.93	
County Tax Allocation Receivable (Estimated)	29,936.69	
Total Current Assets		\$ 110,292.88

FIXED ASSETS:

Land, Rights-of-Way, and Land Improvements	\$ 21,831.07	
Water System	515,075.86	
Electric System	629,644.45	
Parks	58,661.29	
Buildings	38,530.27	
Machinery and Equipment	66,354.17	
	<u>\$1,328,197.11</u>	
Less: Allowance for Depreciation (Estimated)	235,417.54	
Total Fixed Assets		1,092,779.57

DEFERRED CHARGES:

Inventory of Materials	\$ 30,198.96	
Prepaid Water (Estimated)	8,000.00	
Prepaid Insurance, Bond Selling Costs, etc.	5,838.19	
Total Deferred Charges		<u>44,037.15</u>
TOTAL ASSETS		<u>\$1,247,109.60</u>

-LIABILITIES-

CURRENT LIABILITIES:

Notes Payable	\$ 10,000.00	
Contracts Payable (Current Portion)	7,572.00	
Bonds Payable (Current Portion)	19,000.00	
Mortgage Payable (Current Portion)	2,799.96	
Line and Substation Lease Payments (Current Portion)	22,931.04	
Accounts Payable	5,595.17	
Customers' Deposits	2,866.93	
Accrued Payroll Taxes	324.57	
Accrued Interest Payable	5,418.72	
Total Current Liabilities		\$ 76,508.39

LONG-TERM LIABILITIES:

Contracts Payable (Non-Current Portion)	\$ 11,401.00	
Bonds Payable (Non-Current Portion)	200,000.00	
Mortgage Payable (Non-Current Portion)	11,526.44	
Line and Substation Lease Payments (Non-Current Portion)	128,331.64	
Total Long-Term Liabilities		351,259.08

CAPITAL AND ACCUMULATED EARNINGS:

Capital, July 1, 1965	\$ 749,432.88	
Revaluation Surplus	11,863.06	
Current Earnings (6 Months)	58,046.19	
Total Capital		<u>819,342.13</u>
TOTAL LIABILITIES		<u>\$1,247,109.60</u>

NOTE: This statement was prepared without the use of generally accepted auditing procedures.

540 123

819,342.13

\$1,247,109.60

POOR ORIGINAL

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SHYSEA WPA P.A. PROJECT, DISTRICT
 COUNTY 3700, 1965
PERIOD JULY 1, 1964 TO DECEMBER 31, 1965

	<u>TOTAL</u>	<u>WATER</u>	<u>POWER</u>	<u>PARKS</u>
<u>GRASS REVENUE:</u>				
Fees	\$ 31,295.29	\$ 51,006.42	\$ 80,288.87	\$ -
Connections, Extensions, etc.	8,111.37	7,429.44	366.40	315.53
County Tax Allocations	99,370.94	18,750.00	520.14	11,100.00
Total Revenue	<u>\$ 138,777.60</u>	<u>\$ 77,185.86</u>	<u>\$ 81,175.41</u>	<u>\$ 11,415.53</u>
<u>DIRECT EXPENSE:</u>				
Purchases, Water and Power	\$ 31,829.95	\$ 10,629.20	\$ 23,200.75	\$ -
Wages, Administration	11,060.40	6,650.68	4,337.40	578.32
Operating Expense	12,788.10	2,810.61	9,977.49	-
Maintenance and Repairs	7,807.90	1,601.17	1,854.48	4,352.25
Depreciation (Estimated)	11,580.00	4,860.00	6,150.00	570.00
Interest, Bonds and Notes	5,381.22	2,881.20	2,500.02	-
Total Direct Expense	<u>\$ 82,953.57</u>	<u>\$ 29,432.86</u>	<u>\$ 48,020.14</u>	<u>\$ 5,500.57</u>
<u>INDIRECT EXPENSES:</u>				
Maintenance, Buildings	\$ 24.94	\$ 12.47	\$ 12.47	\$ -
Maintenance, Equipment	455.40	242.70	242.70	-
Office Expense	1,150.99	633.04	460.40	57.55
Professional Services	1,187.73	564.17	354.17	59.39
Insurance	1,912.00	420.64	1,300.16	191.20
Automotive	1,253.37	401.08	639.22	213.07
Interest, General	453.88	260.98	170.21	22.69
Tools	137.01	48.64	48.64	39.73
Supplies and Yard Expense	24.87	14.30	9.33	1.24
Travel	67.67	38.91	25.38	3.38
Miscellaneous	221.87	127.58	83.20	11.09
Payroll Taxes	434.47	249.82	162.93	21.72
Collection Expense	277.00	166.20	110.80	-
Dues and Subscriptions	140.63	66.82	66.82	7.04
Telephone	123.32	64.12	49.33	9.87
Employee Welfare	774.53	326.43	292.59	155.51
Utilities	838.96	-	-	888.96
Directors' Fees	1,500.00	712.50	712.50	75.00
Customers' Dividend	12,198.35	-	12,198.35	-
Depreciation (Estimated)	5,520.00	2,280.00	3,036.00	204.00
Total Indirect Expense	<u>\$ 28,777.04</u>	<u>\$ 6,630.40</u>	<u>\$ 20,183.70</u>	<u>\$ 1,961.24</u>
Total All Expenses	<u>\$ 111,730.61</u>	<u>\$ 36,063.26</u>	<u>\$ 68,203.84</u>	<u>\$ 7,461.81</u>
Net Income	\$ 58,046.99	\$ 41,122.60	\$ 12,970.07	\$ 3,953.52
Accumulated Earnings to 6/30/65	<u>749,412.88</u>	<u>419,116.29</u>	<u>256,192.19</u>	<u>74,124.40</u>
Accumulated Earnings to 12/31/65	<u>\$ 807,479.07</u>	<u>\$ 460,238.89</u>	<u>\$ 269,162.26</u>	<u>\$ 78,077.92</u>

NOTE: This statement was prepared without the use of generally accepted auditing procedures.

540 124

POOR ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

6-30-75

In the matter of the application of)
 PACIFIC GAS AND ELECTRIC COMPANY for)
 a certificate of public convenience)
 and necessity to construct, install,) Application No. 53127
 operate, maintain, and use Unit 11)
 at The Geysers Power Plant together)
 with transmission lines and related)
 facilities. (Electric))

PROPOSED DECISION

SUBMITTED BY NORTHERN CALIFORNIA POWER AGENCY

AS INTERESTED PARTY

Pursuant to the Examiner's suggestion (RT 143, lines 1-2, RT 144, lines 13-15) Northern California Power Agency as interested party submits the following proposed decision on the pending application.

Applicant Request

Pacific Gas and Electric Company (PG&E) requests an order of this Commission issuing to it a certificate under Section 1001 of the Public Utilities Code declaring that the present and future public convenience and necessity require or will require the construction, installation, operation and maintenance of Unit No. 11 at The Geysers Power Plant in Sonoma County

Background

Pursuant to prior authorizations of this Commission

PG&E constructed The Geysers Power Plant and installed or is in process of installing 10 units.¹ Unit No. 1 was placed in commercial operation on September 25, 1960.

Certificates for the first six units were granted ex parte, without protest. When the application was filed for Units Nos. 7 and 8, Northern California Power Agency (NCPA), a joint powers organization of eleven northern and central California cities, requested and obtained a hearing, at which it presented its contention that the contracts by which PG&E would obtain its steam supplies for those units violated the federal and state antitrust laws, and were against the public interest.

On November 10, 1970, this Commission issued its decision No. 77918 holding that there was no need to determine the issues raised by NCPA. This decision was annulled on review by the California Supreme Court, Northern California Power Agency v. Public Utilities Commission (1971) 5 Cal.

1. Units Nos. 1 to 6:

Decision No. 58243, April 7, 1959, Application No. 40641
 Decision No. 62243, July 11, 1961, Application No. 43331
 Decision No. 67858, Sept. 22, 1964, Application No. 46807
 Decision No. 70940, July 12, 1966, Application No. 48448
 Decision No. 73646, Jan. 23, 1968, Application No. 49869
 Decision No. 74926, Nov. 13, 1968, Application No. 50556

Units Nos. 7 and 8:

Decision No. 79402, Nov. 23, 1971, Application No. 51892

Units Nos. 9 and 10:

Decision No. 79403, Nov. 23, 1971, Application No. 52325

3d 370, 96 Cal. Rptr. 18, 486 P.2d 1218, which held that this Commission must consider the questions raised by NCPA and must express its finding and conclusions specifically as to each of the material issues raised.

In Decision No. 79402, dated November 23, 1971, this Commission made detailed findings of fact and conclusions of law on the material issues raised by NCPA, and determined that the certificate should issue. NCPA's petition for writ of review of this decision was denied by the California Supreme Court on June 7, 1972, S. F. No. 22879.

Meanwhile PG&E had sought a certificate for Units Nos. 9 and 10, and the parties had stipulated that the record in the proceedings on Units Nos. 7 and 8 might be used for determination of NCPA's objections to the new units. By Decision No. 79403, issued November 23, 1971, this Commission granted the certificate on the same findings, and NCPA's unsuccessful petition for writ of review on Decision 79402 included Decision 79403.

The application for Units Nos. 9 and 10 considered for the first time for The Geysers Power Plant the requirements of this Commission's General Order No. 131, adopted June 3, 1970, which require that this Commission consider the impact of proposed generation and transmission facilities upon the air, water, land and other aesthetic, environmental and ecological requirements of the public and of its energy needs.

PG&E's Proposal

PG&E now proposes to install Unit No. 11 at The Geysers Power Plant, to consist of one 106,000 kw net capacity turbine designed for steam at 100 pounds per square inch gauge and 355 degrees Fahrenheit, one 132,000 kva, 13,800 volt, hydrogen-cooled generator, one direct contact condenser with gas ejectors and condensate pumps, and one cooling tower, together with related facilities. Transformation will consist of one-132 mva, 13.8-230 kv, 3 phase transformer. The Unit will be provided with a steam supply of not less than 2,000,000 pounds of steam per hour at a pressure of 100 pounds per square inch gauge and a temperature of approximately 355 degrees Fahrenheit.

The location of Unit 11 is planned to be about one mile north of the Units 7 and 8 site on land to be provided by Union Oil Company of California (Union), Magma Power Company (Magma), and Thermal Power Company (Thermal). A building permit to construct the unit will be obtained from Sonoma County.

The transmission facility will be a 230 kv double circuit tower line with one circuit strung, originating at Unit No. 11. The line will be 1113 MCM, 61-strand aluminum cable with summer normal and summer emergency capacities of 318 and 387 mva, respectively. The route selected proceeds southerly about 2 miles to a junction near Units Nos. 5 and 6 with an existing 230 kv transmission line constructed for those units. A 230 kv disconnect switch will

be provided at the tap point.

With the completion of Unit No. 11 the total net normal operating capacity of The Geysers Power Plant will be 502,000 kw.

The estimated present cost to install Units Nos. 7 and 8 is \$13,338,000. It is estimated that escalation could add \$1,008,000, \$34,000, and \$24,000, respectively, to the costs for production, substations, and transmission facilities. A detailed estimate of the cost is shown in Exhibit H to the application.

The development of annual cost of power for Units Nos. 7 and 8 is shown in Exhibit I to the application. The average delivered cost of power on the basis of present cost for operation at various capacity factors is as follows:

<u>Capacity Factor %</u>	<u>Cost-Mills/kwhr</u>
70	6.46
80	6.05
90	5.74

For the operation of The Geysers Power Plant, PG&E has entered into a steam sale agreement (Exhibit 9 in the proceedings on Application 51892) with Union to cover Union's interest in the steam produced from the lands covered by the agreement dated June 7, 1967. PG&E has also entered into a parallel agreement (Exhibit 8) with Magma and Thermal which supersedes an earlier agreement dated October 30, 1958.

PG&E states that its operating experience of

Units Nos. 1, 2, 3 and 4 at The Geysers Power Plant has been, and is, satisfactory. Tests on the geothermal steam wells developed on land from which steam is available to Magma and Thermal in Sonoma County indicate that steam can be produced in sufficient quantities to supply Units Nos. 5 and 6, as heretofore authorized. Exploratory wells have been drilled in the area in which it is planned to install Units Nos. 7 through 11. Additional wells to supply steam to the units will be completed 14 months prior to their commercial operating dates.

PG&E desires to proceed with the installation of Unit No. 11 to comply with the terms of the geothermal steam sale agreements, to provide an additional economic source of power for its North Bay Division and to promote the conservation of fossil fuels through utilization of geothermal steam.

Exhibit E to the application entitled "Area Loads" shows PG&E's actual loads and resources for 1967 through 1971 and estimated loads and resources for both adverse and average years for 1972 through 1981.

Rates to be charged for service to be rendered by means of the requested construction will be PG&E's system electric rates now in effect or as may be authorized by the Commission in the future.

Antitrust and monopoly issues

At the hearing on this application, PG&E produced at NCPA's request a witness to testify with regard to PG&E's

policy toward geothermal steam suppliers in The Geysers area, and toward NCPA. PG&E selected for this purpose Mr. E. E. Hall, Chief Siting Engineer.

Mr. Hall testified that PG&E is discussing the purchase of geothermal steam with other potential steam suppliers in The Geysers area besides its present suppliers, Union, Magma and Thermal. It appears from the map of holdings introduced as Exhibit 5, that these other suppliers - Pacific Energy Corporation, Signal Oil Company, Getty Oil Company and Shell Oil Company - together with Union, Magma and Thermal, control virtually all the steam-bearing lands in the area. Apparently the discussions have not progressed to the point where a contract is being negotiated. However, Mr. Hall testified that it was his responsibility "to indicate to ^{the} interested groups that the company was interested in acquiring their steam supply." (RT 18, lines 24-27) His testimony indicated that PG&E's policy is to obtain the same kind of control over additional suppliers of steam that it has over Union, Magma and Thermal (RT 20, line 5 to 22, line 2).

Mr. Hall further testified that PG&E's policy is that Union, Magma and Thermal would not be allowed to supply steam to an NCPA generating plant (RT 51, lines 2-7), no matter how much steam was discovered in their holdings at The Geysers (RT 51, line 8 to 53, line 17), although the Company has made no determination as to whether it will

increase its own planned rate of development of 100 megawatts per year.

The witness also testified that PG&E would not undertake certain specified acts of cooperation with NCPA if the latter attempted to construct geothermal generation in the Geysers area, and that PG&E is opposed to such generation.

"MR. McDONOUGH: Let me rephrase the question and move one step on.

"Q. Under the circumstances that I described in the previous question, where NCPA contracts for geothermal steam in The Geysers field from some supplier other than Union, Magma or Thermal, and plans to construct geothermal generation, is it company policy that it would share transmission facilities or provide transmission service for NCPA?

"MR. CRANE: I object. Again, we are straying further and further afield from Unit 11 at The Geysers.

"MR. McDONOUGH: I think we are dealing with the whole situation in The Geysers. Mr. Crane, I think we are dealing with the extent of control which PG&E has or intends to have over The Geysers field.

"EXAMINER GILLANDERS: Mr. Crane, I hate to keep bringing it up, but we have been up to the Supreme Court once and back down again, and I understand we are still there on the issue of control and antitrust.

And the Supreme Court told this Commission that if the parties don't bring up the issues, and there are any other issues it might think of, the Commission is sua sponte again, and supposed to bring them up. And, certainly, as far as I am concerned, Mr. McDonough is bringing up things the Commission is interested in, and before this hearing is over, I am going to ask everybody concerned if they have exhausted the questions regarding the antitrust.

"And, if I can think of some sua sponte, I will ask them.

"So, let's keep on going to the point where the Supreme Court would say, in their wisdom, they thought the Commission gave everyone an opportunity to discuss the antitrust. And, I would also suggest that antitrust, according to the Supreme Court, is not a bad thing. If I read the decision correctly, they said the Commission could find, if it wanted to, in its wisdom, that there might have been worse violations of the Cartwright Act.

"However, if it is in the public interest, let's keep on.

"THE WITNESS: I think the answer is "No".

"MR. McDONOUGH: Q. Under the circumstances of geothermal generation under NCPA that I mentioned

in the last question, is PG&E willing to enter into reserve and standby agreements with NCPA?

"MR. CRANE. For the record, I will make the same objection.

"THE WITNESS: No, we are not. We feel that the generation at the Goysers is a benefit to all of our customers and that NCPA is enjoying the same economical source of power for the wholesale rate they are now being served by.

"Q. Then, it is a fair summary that the company is opposed to generation by NCPA in the area regardless of who the steam supplier is?

"MR. CRANE: Objection, misconstruing the witness' testimony.

"MR. McDONOUGH: I think the witness can tell me if I am misconstruing his testimony.

"EXAMINER GILLANDERS: I think so.

"Overruled.

"Why don't we try it this way. "Yes, it is," or "No, it isn't because...?"

"THE WITNESS: Will you repeat the question?

"EXAMINER GILLANDERS: Mrs. Reporter, please.

"(Record read)

"THE WITNESS: Yes." (RT 54, line 23, to 56, line 28)

After redirect examination, the witness reaffirmed his earlier testimony on recross:

"BY MR. McDONOUGH:

"Q. Have you changed your opinion since this morning of what the company policy is with respect to obtaining control in contracts with other suppliers?

"A. There was some concern this morning as to what was meant by the word "control".

"The orderly development of a steam field is really a very delicate thing according to Professor Ramey, and from the standpoint of the investment, we would like to be assured that the amount of steam that we had contracted for would be there.

"And, I think from the standpoint of control, this would be really what we are after. So, there would have to be a contract that is approved.

"Q. At the moment, I am not debating the wisdom of the policy. I asked you this morning if you were familiar with the extent of control which PG&E had over supplies of steam generated by Union, Magma, and Thermal, and you said you were familiar with that?

"A. Yes.

"Q. And I asked if it was company policy to assume the same amount of control in regard to others you might negotiate with in regard to The Geysers field, and your answer was "Yes"?

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"A. Yes, I think this would be the optimum contract from the standpoint of the company, if you can obtain one that was acceptable.

"Q. So, you have not changed from the answer you gave me this morning?

"A. Yes, recognizing we haven't another policy.

"Q. But you are talking about policy that enters into your negotiations?

"A. From the standpoint -- if you began, this is what you would like to do, to continue -- continuing the supply of steam from resources planning.

"Q. Now, with regard to the company's attitude with respect to the geothermal system in regard to the NCPA in The Geysers area, have you changed your view of that since the recess?

"A. No, the only thing that I have said in answer to Mr. Crane's questions is that we certainly have no control over any negotiations between NCPA and any other supplier; and, as an operating utility interested in the area, we would certainly like to have all the resources that we could get.

"Q. So that you are saying the company may not have the power to implement its policy because it may not be able to prevent NCPA from building,

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but insofar as the company can, it wants to discourage NCPA from building?

"MR. CRANE: I object.

"I don't think that is a correct characterization.

"MR. McDONOUGH: He is a good witness, and can tell me the answer.

"THE WITNESS: I don't draw that conclusion.

"In other words, what you are suggesting, if I read you correctly, is that we would use our influence and our leverage to the extent that somebody wouldn't sign up with NCPA; then I don't think this is the case.

"EXAMINER GILLANDERS: I didn't hear the last.

"You don't think this is the -- ?

"THE WITNESS: I don't think this is the case.

"We would not do this.

"EXAMINER GILLANDERS: You wouldn't?

"Why not?

"THE WITNESS: Because we certainly don't have any control over either NCPA or the other producer.

"EXAMINER GILLANDERS: But, if you thought you needed the steam, your testimony is you wouldn't use your muscle to get the steam for your company instead of someone else's?

"THE WITNESS: I think we would compete in the

open market on an economic basis.

"I don't know what else we could do.

"EXAMINER GILLANDERS: Are you the chief negotiator for PG&E?

"THE WITNESS: I would certainly make a strong case as to the desirability of somebody signing up with us. But, after all, it is up to them whether they sign a contract with you or somebody else,

"MR. McDONOUGH: Q. Have you changed your view since the recess as to the extent of cooperation that PG&E would afford to NCPA with respect to transmission service and reserves and standby arrangements?

"A. No.

"Q. Your opinion now is the same as it was before the recess?

"A. If I use the same words, yes, I have not changed my opinion.

"MR. McDONOUGH: That is all." (RT 77, line 28 to 80, line 26)

An expert on steam supplies in the Geysers area, employed by PG&E, wrote a letter which was introduced into evidence, dealing, in part, with the extent of steam

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reserves in The Geysers area. He said that he could only speculate as to total field steam reserves, but he believed that they will be found to be much larger "than say 900 MW. It could eventually amount to 1,500 to 2,000 MW or more. I have heard of estimates as high as 25,000 MW."

In our Decisions 79402 and 79403, this Commission found that the steam contracts between PG&E and Union, Magma and Thermal did not violate the antitrust laws, and were not against the public interest. The record on the antitrust and public interest issues developed in the proceedings on Applications 51802 and 52325 was also received in evidence by reference. The testimony in this proceeding, summarized above, is new information to the Commission since those decisions.

The prior decisions, insofar as they related to antitrust considerations, were based on alternate theories of the relevant market. Those were, (a) all power sources in northern and central California comprises the relevant market (Finding No. 11); (b) all geothermal power sources in northern and central California comprise the relevant market (Finding No. 9, 2d sentence); and (c) the geothermal power sources in The Geysers area comprise the relevant market (Finding No. 9, 1st sentence). It is still clear now, as it was then, that if either (a) or (b) is the relevant market, PG&E's actions in the Geysers area do not amount to monopolization of that market. Under (c), however, the additional facts noted above make a better case

that PG&E is monopolizing the Geysers area.

Under the facts now in the record, PG&E is not only exercising control over about half of the steam field in the Geysers area, but is effectively preventing its only known competitor for that steam, NCPA, from developing geothermal steam for its own generation by seeking to obtain exclusive control over the whole field by negotiating with the owners of the remaining leases, and, more importantly, by denying to NCPA the normal transmission and interchange service necessary among those in the electrical generating business.

It is not necessary for us to determine whether the activities of PG&E violate the antitrust laws, since they are clearly against the public interest. As this Commission said in Decision 79403,

"It is in the best interests of the State to develop available supplies of geothermal steam known to be of practical value for the generation of electric power and energy to meet the growing needs of such power and energy, in preference to fossil fuel and nuclear fired generation."

(p 12)

We also said:

"It is in the best interests of the State to permit competition, rather than

allow monopoly, in the development of these geothermal sources of power; and it is in the public interest to permit cities having their own distribution systems to generate their own power, if they desire to do so, rather than to require them against their will to purchase such supplemental power from a public utility." (p 13)

PG&E's activities are clearly antagonistic to these principles.

In 1967 the Federal Power Commission rendered a report on "Prevention of Power Failure", climaxing an investigation which followed the great Northeast power failure of November 9 and 10, 1965. In that report the Commission said:

"The critical remaining needs which many utilities are striving to meet are to develop mechanisms for effective coordinated planning, design, construction and operation of generation and transmission facilities. The challenges here are as much institutional as technical; there are hundreds of large and small utilities, privately, publicly, cooperatively and federally owned. The technology of reliability, however, ignores ownership and

calls for a high degree of coordination in planning and functional cooperation by the diverse managements in carrying out their bulk power supply responsibilities."

(p 2) (emphasis added)

It also pointed out that

"Hundreds of small systems, however, are still operating in complete electrical isolation. This has resulted in the installation by many small systems of reserve generating capacity that would not have been needed if coordination were practiced. Isolated operation is generally accompanied by higher production costs and inferior reliability." (p 39)

The conclusion is that coordinated planning is being emphasized, but

"... greater progress is essential if the industry is to keep pace with the multiplying demands for reliable, low-cost power."

(p 39)

The 1970 National Power Survey of the Federal Power Commission also discusses the problems of the smaller publicly owned utilities:

"Many small systems buy all of their power requirements at wholesale, although they have the option to plan, install, and

operate bulk power facilities. A heavy concentration of these distribution systems within a specific geographic area increases the chances of economic feasibility for them jointly to plan and construct their own bulk power system, but such endeavors may result in duplication of facilities unless suitable wheeling arrangements can be worked out with neighboring, and generally competing, systems." (Part I, p I-17-27)

And the Commission points to the shape of the future to be hoped for:

"The accelerated coordination activity throughout the country has in many areas greatly enhanced opportunities for area-wide coordination. As a result, about 10 percent of the systems with annual peak demands of 500 megawatts or less are now participating in coordination arrangements involving reserve sharing, reciprocal emergency assistance, economy exchange, etc.; and the number of systems that receive benefits from large scale generating facilities is increasing."

(Part I, p I-17-29)

This Commission notes that the Federal Power Commission has compelled a larger privately-owned utility to interconnect with a smaller publicly owned generating utility, and that this decision has been upheld by the United States Supreme Court, in Gainesville Utilities Department, et al. v. Florida Power Corp. (1971) 402 U.S. 515. And it also notes that the United States District Court for the District of Minnesota has issued an injunction, at the request of the United States Department of Justice, against a Minnesota public utility which refused to wheel electric power to municipalities it formerly served, in United States v. Otter Tail Power Company (1971) 331 F. Supp. 54. The latter case has been appealed directly to the U. S. Supreme Court under the Expediting Act (15 U.S.C. 29) and probable jurisdiction was noted May 22, 1972 (No. 71-991).

This Commission has not been directly involved in the matter of interconnections between public utilities and public agencies since the decision of the U. S. Supreme Court in Federal Power Commission v. Southern California Edison Co. (1964) 376 U.S. 205, where it was held that sales of electric energy by that company to the City of Colton were subject to federal jurisdiction. However, the State of California and this Commission are as vitally interested in sound, efficient, and reliable electric service as are the federal agencies and federal

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courts, and it is manifest that the determination of PG&E to keep NCPA out of the Geysers field by signing contracts with all suppliers of steam in that area, and by denying interconnections to NCPA in case it should find a supplier, are not conducive to the goals which the federal bodies have so persuasively established.

The instant proceeding is not an application by NCPA for interconnection with PG&E; jurisdiction of such an application would probably be in the Federal Power Commission, under 16 U.S.C. 824a. But for this Commission to issue a certificate of public convenience and necessity, under the authority vested in it by the Constitution of the State of California, for the construction of facilities which the applicant has announced will be used to deprive NCPA of interconnection and pooling and reserve and standby privileges for any generation which NCPA might construct would conflict with federal law and policy in a way not contemplated by the supremacy clause of the federal Constitution. In addition, it would strengthen and reinforce the position of a utility which seeks to isolate the generation of small electric systems constructed by municipalities, thus making such generation less economic and less reliable, and increasing the damage to the environment.

Therefore the Commission will appropriately condition, in the public interest, the certificate which

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it issues in this proceeding.

Other Issues

Findings of Fact

Based upon a consideration of the record herein, the Commission finds as follows:

1. Undisputed evidence demonstrates the need for the new electric generation to be provided by Geysers' Unit 11.

2. The findings of fact contained in Decision No. 79402, dated November 23, 1971, are and continue to be true and applicable to this proceeding except insofar as they are inconsistent with the express findings herein.

3. In addition to the contract for geothermal steam which PG&E has with Union, Magma and Thermal, upheld in Decision No. 79402, PG&E is negotiating with all other major steam suppliers in the Geysers area with the purpose and intent of reserving all the geothermal steam in that area for use by generating plants owned by PG&E, with the purpose and effect of preventing NCPA from constructing geothermal generation in the area.

4. In addition to the contracts and negotiations referred to in paragraph 3, PG&E has adopted a policy of refusing to provide transmission facilities or transmission service to any geothermal generating plant

constructed by PG&E in the area, if NCPA shall obtain a steam supply, and of refusing to enter into reserve and standby arrangements with NCPA for such generation, and of taking any other economic action which it can to prevent the construction and operation of geothermal steam generation by NCPA in the Geysers area.

5. If PG&E is successful in preventing NCPA from obtaining a geothermal steam supply in the Geysers area, or if PG&E refuses to make joint transmission, reserve, and standby arrangements for such geothermal generation if constructed, NCPA will be prevented from utilizing an economical, environmentally sound source of power adaptable to small scale development. If NCPA is able to construct geothermal steam generation despite PG&E's policies, it will be required by PG&E's policies to operate in isolation, with significant loss of efficiency and reliability. There is no other geothermal steam field similar to the Geysers in California (RT 61, line 28, to 62, line 1).

(other findings on other issues) *****

Conclusions of Law

1. Although the geothermal steam contracts which PG&E has with Union, Magma and Thermal are not against the public interest, necessity, convenience and welfare, and do not violate the antitrust laws, when

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they are combined with the evident intent and purpose and policy of PG&E to exclude all others, and NCPA in particular, from constructing and operating geothermal steam generation in the Geysers area, granting an unconditioned certificate of public convenience and necessity would be against the public interest, necessity, convenience and welfare, and might violate the antitrust laws.

. (other conclusions of law on other issues)*****

ORDER

IT IS ORDERED That:

1. A certificate of public convenience and necessity is granted to Pacific Gas and Electric Company to construct, operate, maintain and use geothermal steam-electric generating Unit 11 of The Geysers Power Plant and associated transmission facilities as described in the application and the evidence adduced thereon.
2. Such certificate shall contain the following terms:
 - (a) PG&E shall not contract with other geothermal steam suppliers in the Geysers area without the permission of this Commission, which permission will be granted only after notice and hearing to interested parties.

(b) PG&E shall make available to others, including NCPA, who shall construct geothermal steam generation in the Geysers area, transmission and standby service, and provide reserves, on fair and equitable terms, including appropriate reciprocal services by NCPA as shall be established or approved by this Commission or by the Federal Power Commission as jurisdiction may appear.

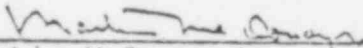
3. (other orders on other issues) *****

4. Pacific Gas and Electric Company shall file with this Commission a detailed statement of the capital cost of The Geysers Power Plant Unit 11 and related facilities within one year following the date Unit 11 is placed in commercial operation.

5. The authorization granted herein shall expire if not exercised within three years from the effective date hereof.

The effective date of this order shall be 20 days from the date hereof.

Dated at San Francisco, California this _____ day of _____, 1972.


 Martin McDonough
 520 Capitol Mall, Suite 800
 Sacramento, California 95814
 Telephone: 916: 444-3900

June 30, 1972

General Counsel for Northern
 California Power Agency 540 14.

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PGandE

FOR INTRA-COMPANY USES

DIVISION OR DEPARTMENT Stockton

FILE NO. 031

RE LETTER OF

SUBJECT Meeting with City of Lodi

November 29, 1973

MR. E. B. LANGLEY, JR.:

As you will recall, in late October Mayor Richard Hughes and Councilman James Pinkerton of Lodi personally expressed a desire to re-open discussions with the company related to the independent development of geothermal generation at The Geysers and transmission supply to Lodi over company lines. It is recognized that Mayor Hughes, who is vice-chairman of NCPA, is in effect expressing the stated goals of NCPA and its eleven member cities.

This verbal request was directed to General Office, but because of pending litigation, the meeting with Mayor Hughes and Councilman Pinkerton was not scheduled.

We have now received a communication (copy attached) from the City Council of Lodi signed by Mayor Hughes formally requesting a meeting with PGandE to discuss (1) the non-exclusive availability of geothermal steam supplies in The Geysers area, and (2) the utilization of company transmission facilities as a "common carrier" to transport electrical power from any source to any destination.

It is interesting to note that this letter talks about NCPA generation and supply to member cities, yet closes asking for discussions between PGandE and the City of Lodi.

The City Council's action in writing to the company has been reported in the Lodi News Sentinel (copy also attached). Mr. Fred Weybret, publisher of the Lodi News Sentinel and well known to us, has now asked for our comments on the Council's letter. He is also very much interested in the potential and planned development by PGandE of generation in The Geysers area.

The division feels that it would be extremely beneficial in our relationships with both the Lodi City Council and the press if the requested meeting, or a modification thereof, could be arranged.

Howard M. McKinley
HOWARD M. MCKINLEY
HMck:pb
cc: FWMielke/WBKuder
JYDeYoung/JSCoccer

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CITY COUNCIL

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RICHARD L. HUGHES, Mayor
JAMES W. FITZKENTON, Jr., Mayor Pro Tem
EZRA EHRHARDT
WALTER KATZNICH
DEN SCHAFER

CITY OF LODI

CITY HALL, 211 WEST PINE STREET
LODI, CALIFORNIA 95240

(209) 368-0641
November 21, 1973

HENRY A. GLAVES, Jr.
City Manager
MISS JESSIE BENNETT
City Clerk
ROBERT H. MULLEN
City Attorney

43

Mr. Peter Lightfoot
Manager
Pacific Gas and Electric Company
12 W. Pine Street
Lodi, California

Dear Mr. Lightfoot:

With the heavy cloud of the energy crisis hanging over the country today, it is imperative that all available sources of power be developed and utilized. 60% of PG & E's current electrical generating capacity is oil or gas fired and is thus directly subject to the growing oil shortage. The City of Lodi owns its own electrical power distribution system within its City limits, but PG & E is Lodi's sole supplier of electrical power. While the City is and will continue to voluntarily exercise every effort to conserve energy, Lodi stands a very real risk of being unable to secure sufficient electrical power to meet the basic needs of its customers at current levels without considering future growth in demand.

The City of Lodi is obligated to seek out alternate sources of electrical power to meet its customers demands. Similarly, PG & E as Lodi's current sole supplier is obligated, in the public interest, to cooperate to the fullest extent in assisting Lodi to develop an alternative source of power.

The City of Lodi, in conjunction with 10 other northern California cities, has participated in an engineering study which demonstrates the feasibility of the cities, through their joint powers organization, Northern California Power Agency (NCPA), financing, building, and operating a 220 Mw geothermal power generating facility in the Geysers area. The two primary areas of difficulty in implementing this power generating facility are a source of

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POOR ORIGINAL

Mr. Peter Lightfoot

Page No. 2

November 21, 1973

geothermal steam and electrical transmission capability. PG & E can be of specific assistance in both areas and the City of Lodi hereby calls upon PG & E to demonstrate its cooperation in alleviating Lodi's power shortage, while making more power available to PG & E's other customers, by taking the following actions.

First, with respect to geothermal steam supplies, we would ask that PG & E agree to recind the "exclusive buyer" clauses in its contracts with present geothermal steam suppliers and allow the steam suppliers to develop and sell steam to NCPA. Further, PG & E would agree not to use its current status as the only buyer of geothermal steam to force "exclusive buyer" clauses on new suppliers proving up geothermal steam sources in the Geysers area. It is understood that PG & E currently has proven steam reserves in excess of its planned development needs through 1977.

Secondly, the City of Lodi recognizes the inefficiency and visual pollution of competitive power transmission lines and thus does not desire to be a party to the building of such lines when adequate transmission capacity is available on existing lines or those under construction. The City of Lodi calls upon PG & E to recognize its obligation, as the sole franchisee of the State, to transmit, or to become involved in joint planning to build the necessary transmission capacity to transmit, electrical power from any source to any destination at rates sufficient to amortize the cost of these facilities and to yield an acceptable profit to PG & E. In effect, PG & E must recognize its obligation to serve as a "common carrier" of electricity in its franchise area.

Since it is generally agreed that there is a very real potential for insufficient electrical energy in the PG & E system, the 220 Mw's of energy that NCPA is able to generate and supply to its member cities will in effect make available an additional 220 Mw of electricity to other PG & E served customers and effectively add 2% to the PG & E system's energy base.

It is understandable that PG & E desires to protect its exclusive franchise in Northern California to generate and transmit power, but PG & E has a

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Mr. Peter Lightfoot

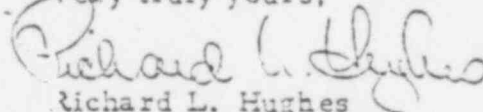
Page No. 3

November 21, 1973

higher obligation to the people of the State of California, who have granted PG & E this franchise, to exhaust every effort and extend every cooperation to see that all the people in the PG & E served area have access to the maximum electrical power available.

Toward this objective and more specifically to implement the non-exclusive availability of geothermal steam supplies in the Geysers area and to implement the availability of transmission facilities, the City Council of the City of Lodi requests a meeting with PG & E at the earliest possible convenience to PG & E. We trust that PG & E's concern for the needs of all the people will take priority over PG & E's corporate interests and objectives. Your prompt response is requested.

Very truly yours,



Richard L. Hughes
Mayor

RLH:ar

540 153

Lodi Seeks Truce Talks With PG&E

CLIPPING ON SHEET

DO NOT PASTE BEYOND THIS LINE

LODI— Perhaps it's the coming season of peace and goodwill that this week prompted the City of Lodi to announce it will seek truce talks with its longtime adversary, the Pacific Gas and Electric Co.

Season of peace or not, City Manager Henry Graves doubts the mighty utility will consent to chats with city leaders. He bases the belief on plenty of scars from previous skirmishes with PG&E.

City Council members, however, believe there is still a chance of conferring with PG&E on a major issue— proposed deliveries of electric power from an energy conversion site at the geothermal fields at the Sonoma Geysers. In an informal breakfast session Tuesday, councilmen gave their blessing to a request for talks with PG&E; all this despite Graves' prediction, "They won't meet with us."

For years, Lodi and a handful of other California cities— all owning their own electric systems— have warded with PG&E over wholesale power prices and rate increase pro-

posals.

More recently the war has extended to the cities' attempts to gain access to new power sources such as the geothermal fields at Sonoma. PG&E presently is the sole recipient of power from the Sonoma fields operated by the Union Oil Co.

Lodi seeks the meeting with PG&E based on two proposals outlined by Mayor Richard Hughes. The council, which approved the letter, proposes:

- That PG&E should rescind its exclusive buyer clause, which requires the steam supplier to provide all of its power output only to PG&E.

- That the City of Lodi recognize PG&E as the sole franchisee for transportation of power from the geothermal field, thus making the company the common carrier.

It was Councilman James Pinkerton who brought the council word that PG&E officials were reluctant to meet because of pending legal disputes between the city and the power company.

Pinkerton, who had been

probing possibilities of PG&E talks, reported, "They (PG&E) feel it isn't proper and it looks as if someone's got his neck bowed."

Despite this, Pinkerton urged councilmen to go ahead and press for a meeting.

Graves repeated doubts about PG&E accepting the meeting bid.

"They have never wanted to talk to us. The cities have asked PG&E to sit down with us and discuss the whole power system. They counter by saying bring us your plan and we'll discuss it."

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California Legislature

CHARLES WARREN

MEMBER OF THE ASSEMBLY, FORTY-SIXTH DISTRICT

CHAIRMAN
COMMITTEE ON ENERGY
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EEH

Mr. Ronald B. Robie, Director
Department of Water Resources
1416 - 9th Street, Room 1115-1
Sacramento, California 95814

cc: JFB WDK
FWM WMC
JDW EEH
JCM HRP

Dear Ron:

It is my understanding that present firm power contracts between DWR and Pacific Northwest agencies terminate in 1983. In addition, certain provisions of the contracts between the major California utilities who are furnishing energy for State Water Project pumping plants will have to be renegotiated to take effect in 1983. Consequently in 1983 DWR will be searching for a supply of approximately 5.5 billion kilowatt-hours of energy growing to as much as 7.5 billion kilowatt-hours by the early 1990's if the water project attains its maximum capacity.

According to plans announced by DWR, one of the options for obtaining this energy is equity participation by the department in the San Joaquin Nuclear Project. As you know, this project has encountered a number of delays and cost escalations.

Within California are the richest geothermal resources in the nation. Testimony before my committee and its predecessors and before the Joint Committee on Public Domain Lands of which I was also chairman, has indicated that these resources could be developed much more quickly than they currently are. The development of some resources could potentially reduce requirements for relatively more environmentally damaging fossil fuel and nuclear power plants. Furthermore, the costs of power generated at The Geysers have been below costs for recent oil-fired and nuclear units, and are much less than the estimated power costs from the San Joaquin Nuclear Project. The reasons for the delay are complex, involving technological, institutional and legal problems.

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Mr. Ronald B. Robie
December 1, 1975
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One of the major problems appears to be the limited number of potential buyers of geothermal steam for use in electric power plants. The large utility companies are the obvious purchasers for this steam, but because their system demands are large and their annual requirement for capacity also large, rapid development of geothermal areas, given the greater uncertainty involved, has not always been considered the top candidate for new capacity. Smaller users, including municipal utilities, have been very interested in geothermal power plants but have been put off by the difficulties of obtaining transmission service for power from geothermal fields far removed from their service areas.

I know that DWR has for a number of years been studying the potential use of geothermal power plants to obtain the electricity needed for SWP pumping plants and I believe it is now time to move that option to the top of the agenda. I believe that it would be most appropriate for DWR to be the leader in opening the throttle on geothermal development in California and that this would be beneficial both for DWR, the small electric utilities in the state, and even the largest of the state's privately-owned electric utilities.

I would like you to investigate a number of possible actions to utilize geothermal resources.

First, I believe you should analyze building a DWR-owned geothermal electric plant in The Geysers area for the purpose of supplying power to pumping plants of the State Water Project. Such a plant could begin to fill a portion of the needs of DWR especially for the pumping plants at the north end of the SWP. This plant should be a model for future development, incorporating the best environmental controls available and managed in a way that will minimize the adverse consequences to The Geysers area.

Second, because sufficient transmission line capacity may not exist between The Geysers and your load centers I would like you to consider building a new transmission line to meet your needs. I believe you may find this cheaper than paying wheeling charges especially if you adopt the next suggestion.

Third, I believe you should try to build the transmission line on a cost-sharing basis with municipal electric utilities such as Palo Alto, Santa Clara, SMUD and Lodi. This may reduce total power costs both to you and to these utilities.

Fourth, you should also consider some arrangement for sale of excess power or joint development both with the small utilities

Mr. Ronald A. Eobias 4 6 7 7 9

December 1, 1975

Page 3

and the large utilities. These arrangements might also include back-up power agreements. The sale of excess power could reduce total costs to DWR.

Fifth, for power nearer the large pumping plants at the Tehachapis, I believe you should look at similar arrangements for developing the (1) Mono Lake/Inyo County geothermal fields, and (2) the Imperial Valley geothermal fields participating with the Burbank, Pasadena, and Los Angeles municipal utilities in cost sharing arrangements.

There is no question that there will be a risk to DWR in developing these areas. I believe the economic and environmental benefits are worth these risks and that a program could be designed to provide sufficient alternatives and options should difficulties be encountered. The existence of new transmission lines giving access to a number of new buyers of electricity produced from geothermal steam may be one of the crucial elements which leads to the more rapid use of this state's geothermal resources. It would be unfortunate if DWR could not move into this position of leadership.

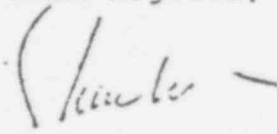
I am also writing to Mr. Richard Maullin, Chairman of the Energy Resources Conservation and Development Commission to ask that the commission investigate the possibility of providing research and development funds to DWR to aid in surmounting any technical or planning hurdles which may be encountered.

And I have also relayed my thoughts on this to the Northern California Power Association, SMUD, LADWP, and the cities of Burbank and Pasadena, requesting their aid in the study of the feasibility of the suggestions set forth in this letter.

I would appreciate it if you could undertake shortly a preliminary look at these suggestions jointly with the staff of my committee and the groups and individuals named above. I will be pleased to provide whatever additional aid I possibly can to move ahead on this project should you find it worthy.

We will be looking forward to your response.

Warm Regards,



CHARLES WARREN

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CW:dn

POOR ORIGINAL

A X E 8 4 6 7 7 6

cc: Mr. J. L. Mulloy
Chief Electrical Engineer
and Assistant Manager
Los Angeles Department of
Water and Power

Mr. J. D. Worthington
Senior Vice President
Pacific Gas and Electric Company

Mr. William R. Gould
Senior Vice President
Southern California Edison Company

540 158

PACIFIC GAS AND ELECTRIC COMPANY 2

COPY

ECONOMICS AND STATISTICS

Electric Load Forecast Summary

RECEIVED

FEB 6 1979

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FILE COPY

Elec Reports
February 5, 1979

MR. D. G. LUBBOCK:

Attached is a summary of the electric energy and peak demand forecasts adopted by the Electric Load Forecasting Committee and contained in the load letter dated December 6, 1978. This document has been reviewed by the members of the Electric Load Forecasting Committee. It is intended to provide easy reference to the current official PGandE electric load forecasts and to offer a brief explanation as to why the forecasts behave as they do. These forecasts supersede the electric load forecasts provided to the California Energy Commission in March 1978 and it is appropriate that copies of this document be forwarded to the Executive Directors of both the CEC and the CPUC.

S. M. ANDREW

S. M. ANDREW

JCFoley (2486):lw
Attachments

cc: WBlumst	DHLuders
JFBonner	RMertz
JSCooper	FWielke
RDavis	ROlbach
JYDeYoung	JCO'Keefe
WHEdwards	HRPerry
WMGardner	RHPeterson
EEHall	SPReynolds
JFHelms	BWShackelford
GBHessler	STSkinner
EFKaprielian	JASproul
JEXerler	RPTompson
EBLangley	WCTravis
WCLester	JDWorthington

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ELECTRIC LOAD FORECASTS

1978-1998

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PACIFIC GAS AND ELECTRIC COMPANY

DECEMBER 1978

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FORECAST OF
ELECTRIC LOADS
WITHIN THE
PACIFIC GAS AND ELECTRIC COMPANY
SERVICE AREA
1978-1998

PACIFIC GAS AND ELECTRIC COMPANY
DECEMBER 1978

540 161

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INTRODUCTION

Pacific Gas and Electric Company's Electric Load Forecasting Committee meets semi-annually to review the long range outlook for electric energy and peak demand. The Committee, through the process diagramed in Figure I, examines the impact on future loads of the most recent information available on economic and demographic conditions, energy prices, and conservation and load management. The information is incorporated into the load forecasting process through PGandE's Electric Energy Model and Electric Peak Demand Model.

The PGandE electric load forecasts are used by various groups in the Company to guide operations and planning. Short and long range financial forecasting and resource planning incorporate the load forecasts. In addition, regulatory proceedings also require long range forecasts. The long range PGandE forecasts are filed with the California Energy Commission on a biennial basis as part of that Commission's responsibilities to monitor the long range outlook for electric loads and resources. The load forecasts are also used in rate proceedings before the California Public Utilities Commission.

The forecasts contained in this document reflect the most recent thinking of the Electric Load Forecasting Committee. A description of the forecasts of energy and peak demand are included in the first two sections. The following three sections describe the factors most important in determining electric loads. Future economic and demographic conditions, energy prices, and conservation and load management impacts are shown.

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Pacific Gas and Electric Company

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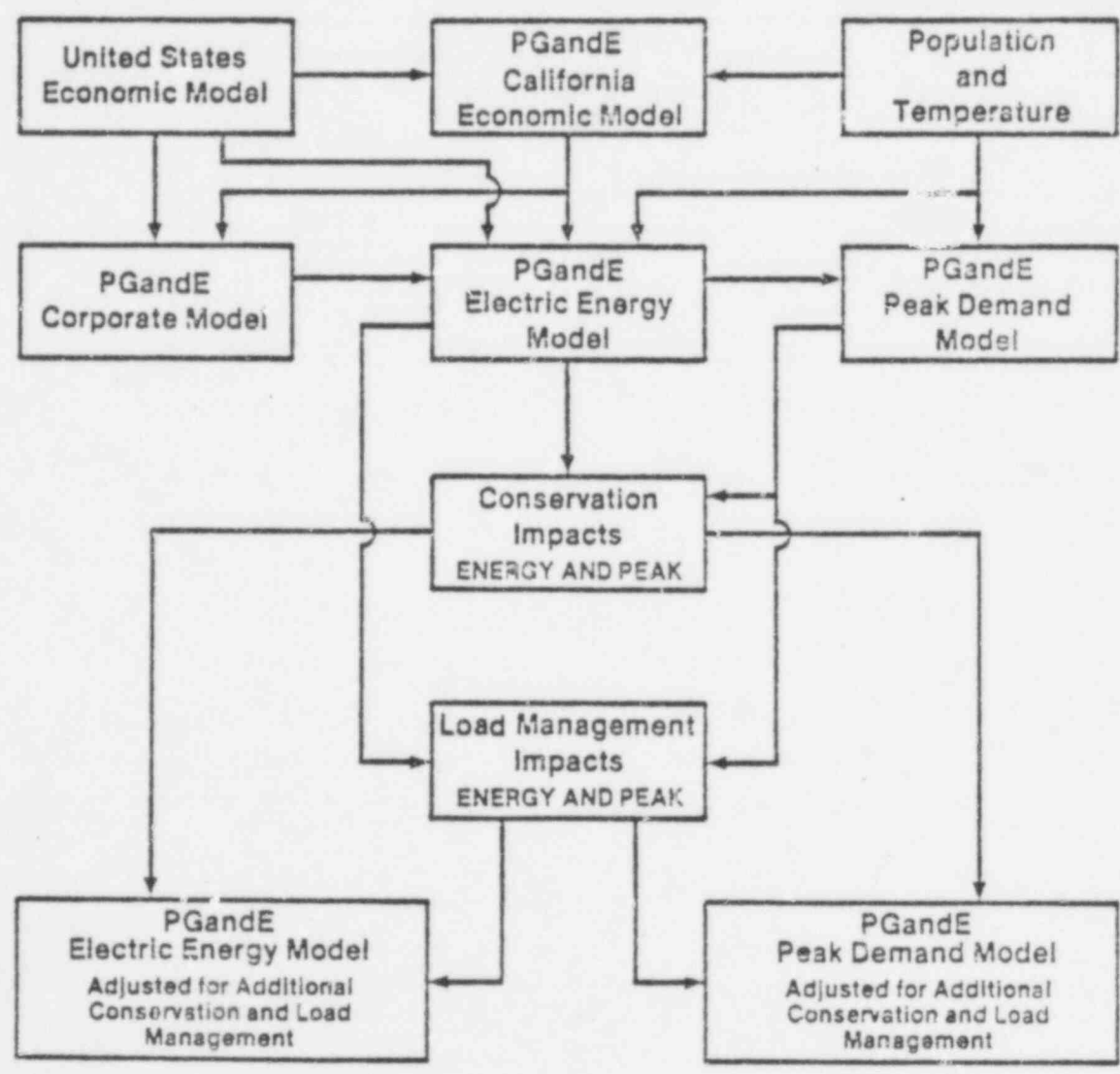
Because there is uncertainty about the future course of the economy, population, energy prices, and conservation and load management, as well as an amount of uncertainty inherent in the models, the final section addresses the nature of uncertainty and how it is incorporated into the load forecasting process. An understanding of why deviations from a most likely forecast occur and the probable magnitudes of the deviations is imperative if the forecasts are to be fully exploited. The final section attempts to analyze those aspects of load forecasting.

Pacific Gas and Electric Company

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Figure 1

PACIFIC GAS AND ELECTRIC COMPANY ELECTRIC FORECASTING MODEL



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ELECTRIC LOAD
FORECAST: ENERGY

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ELECTRIC LOAD FORECAST: ENERGY

The PGandE Area consists of the loads and resources of PGandE, the Sacramento Municipal Utility District, the City and County of San Francisco, the loads of Modesto and Turlock Irrigation Districts not supplied by their own generation, the U.S. Bureau of Reclamation-Central Valley Project, the State Department of Water Resources, and various other irrigation districts and water agencies. The Area demand at any time is the total electric demand being met by total available generation within the Area adjusted for the net interchange of power with interconnected utilities outside the Area. Geographically the Area may be described as encompassing the 7 northern counties of California from Santa Barbara and Kern Counties in the south to Shasta, Trinity, and Humboldt Counties in the north.

PGandE owns 76 percent of the electric generating capacity in this area. The many types of generating facilities represent a most diverse mix of generating capability. Hydroelectric, thermal-electric, and nuclear plants provide the majority of the system capacity, with the nation's only geothermal electric plant, The Geysers, providing the rest.

The 47 county area that makes up the Area includes the metropolitan areas surrounding San Francisco Bay and the major cities, communities and most of the agricultural regions of the central and coastal valleys. During the period 1970 through 1977, the population of this region grew at a rate of 1.4 percent per year. It is estimated that the population of the region in 1978 is 9.6 million, with approximately 70 percent of the population being 18 years

of age or over. These 9.6 million residents represent approximately 43 percent of the total state population.

Economic activity throughout this region may be categorized as principally light industrial and service oriented in the metropolitan areas and primarily agricultural in the central and coastal valley areas. Approximately 68 percent of the total employment in the region in 1977 was involved in service oriented activities such as wholesale and retail trade, finance, insurance, services, real estate, and government. The region also contains approximately 78 percent of California's agricultural employment.

The growth in population and economic activity in the region has contributed to the growth in electrical energy consumption demonstrated in Figure II. Total Area load increased from 55,542 million Kwh in 1970 to 72,129 million Kwh in 1977, a rate of growth of 3.8 percent and well below the growth experienced in the 1960's. The next twenty years are not expected to witness a return to the rates of growth in electric energy consumption of the 1960's, but rather, maintain the pattern of the 1970's. Annual electric energy consumption for the period 1978 through 1998 is presented in Table I. As is shown in Table II, PGandE Area load is expected to increase at a rate of 3.3 percent per year during the period 1978-1983. During the succeeding five year interval, 1983-1988, the rate of growth in Area load is expected to increase slightly to 3.9 percent. In the next two five year intervals, 1988-1993 and 1993-1998, the rate of growth in total Area load is expected to fall slightly to 3.8 percent per year. Overall, for the period 1978 through 1998, Area electric energy load is anticipated to increase 3.7 percent per year and reach 156,766 million Kwh by 1998.

Pacific Gas and Electric Company

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The causes of the lower rates of growth in the 1970's and beyond can be identified as higher electric prices, slower growth of economic activity, slower population growth, and the impact of conservation on consumption. Conservation programs are expected to reduce consumption by 11 billion Kwh in 1988 and by nearly 19 billion Kwh in 1998. This amounts to reductions of approximately 9 percent and 11 percent, respectively.

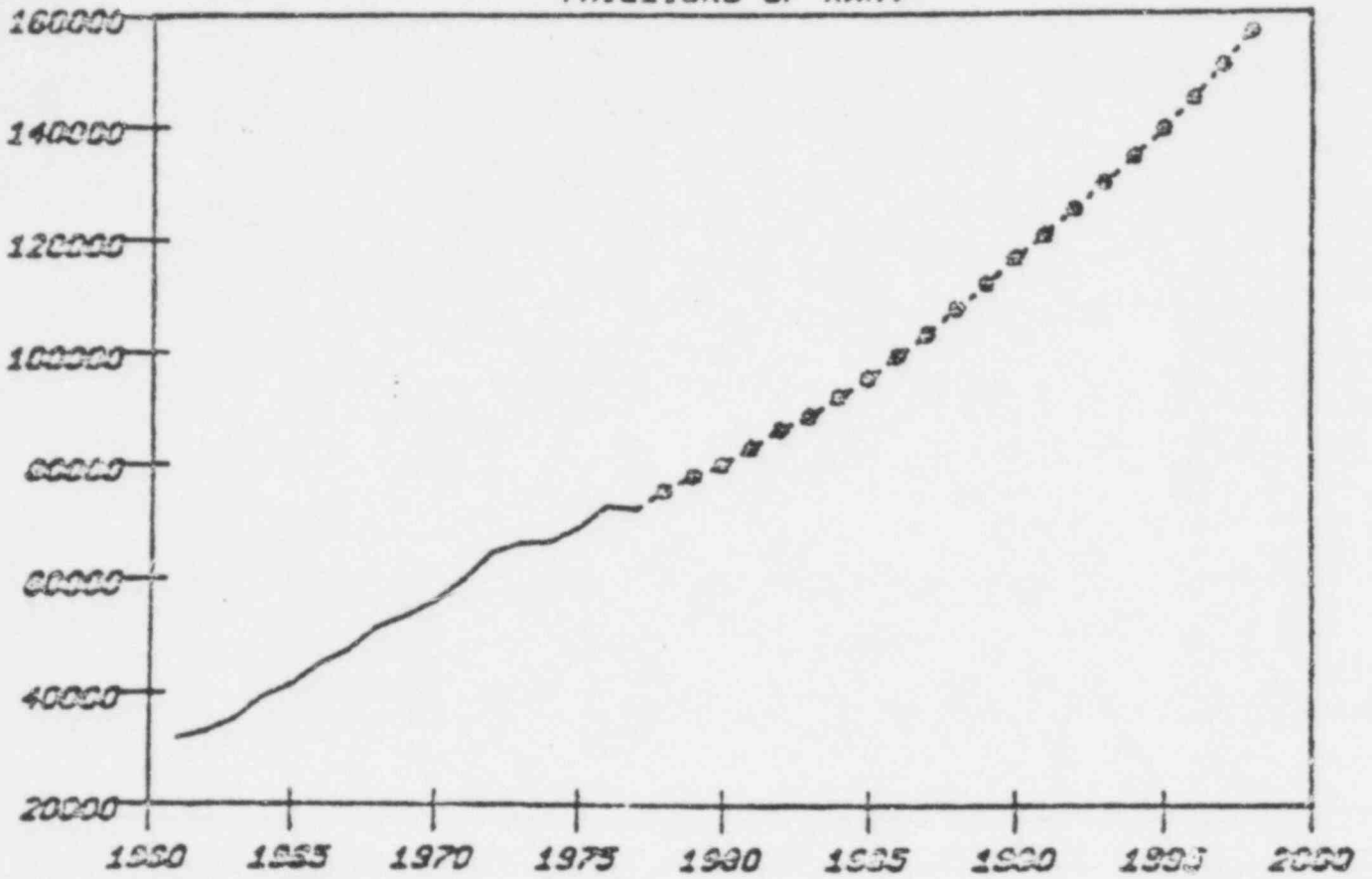
The number of PGandE electric customers associated with the electric energy forecast is presented on Table III. To provide more insight into the Area energy forecast as displayed on Table I, some brief comments concerning the PGandE Residential and Light and Power categories are presented. Historically these categories have represented approximately 65 percent of the entire PGandE Area energy load. Tables I and II indicate that PGandE residential consumption is expected to increase at a rate of 4.0 percent per year during the forecast period and reach 39,526 million Kwh by 1998. Underlying this residential energy forecast, as shown in Table III, is the expectation that the number of PGandE residential customers will grow at a rate of 1.8 percent per year and reach nearly 4 million by 1998. This means that use per customer (Figure III and Table IV) will increase from 6,400 Kwh in 1976 to nearly 10,000 Kwh per year by 1998. During the 1960's, residential use per customer grew at 5.0 percent per year. This substantial growth was caused by a healthy economy and falling real electric prices in the residential sector. Between 1970 and 1977, use per customer grew at only 1.7 percent per year as real electric prices rose, the economy faltered, and the 1975 energy crisis and the drought limited growth. The forecast of residential use per customer through 1998 grows at 2.2 percent per year. This growth is substantially below that of the 1960's because real

electric prices are higher, the economy is not expected to grow as fast, and conservation is expected to have an impact. Table IV also disaggregates the residential use per customer by electrical appliance type and the corresponding saturation of appliances for major appliances. It should be cautioned that this particular residential end-use pattern should only be considered representative of a normally expected residential usage composition.

Tables I and II also indicate that Small and Medium Light and Power electrical consumption is expected to grow at 4.2 percent per year during the forecast period and reach 38,272 million Kwh in 1998. Furthermore, Table I indicates that Large Light and Power electrical consumption will be 29,739 million Kwh in 1998 with an associated annual compound rate of growth of 3.9 percent for the period 1978-1998. The forecast of use per customer for each of these categories is shown in Table V.

Figure II

PACIFIC GAS AND ELECTRIC COMPANY
TOTAL AREA LOAD
1961 TO 1999
(MILLIONS OF KWH)



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POOR ORIGINAL

PACIFIC GAS AND ELECTRIC COMPANY
ELECTRIC DEPARTMENT
AREA SYSTEM LOAD
(MILLIONS OF KWH)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
PACIFIC GAS AND ELECTRIC COMPANY											
RESIDENTIAL											
INDIVIDUAL METER	17,204	17,700	18,116	19,060	19,856	20,767	21,668	22,625	23,613	24,688	25,820
MASTER METER	710	746	784	824	864	905	950	993	1,032	1,070	1,107
TOTAL	17,915	18,447	18,900	19,883	20,721	21,672	22,618	23,618	24,646	25,758	26,928
LIGHT AND POWER											
SMALL	4,298	4,541	4,658	4,751	4,842	4,956	5,098	5,248	5,437	5,588	5,747
MEDIUM	12,405	12,780	13,036	13,639	14,167	14,686	15,286	15,917	16,726	17,541	18,452
TOTAL	16,703	17,321	17,694	18,390	19,010	19,642	20,383	21,164	22,163	23,129	24,199
LARGE LIGHT AND POWER											
	13,905	14,359	14,914	15,499	16,010	16,513	17,055	17,599	18,242	18,945	19,752
OTHER:											
AGRICULTURE	3,736	3,732	3,721	3,702	3,686	3,660	3,641	3,617	3,589	3,573	3,563
STREET LIGHTING	487	455	407	359	329	323	327	332	338	347	355
RAIL	217	207	217	227	237	237	237	237	237	237	237
RESALE	964	995	1,028	1,062	1,095	1,129	1,168	1,210	1,253	1,297	1,342
ELECTRIC DEPARTMENT USES	23	23	23	23	23	23	23	23	23	23	23
INTERDEPARTMENTAL	184	186	188	191	193	196	199	202	205	208	212
TOTAL	5,606	5,598	5,594	5,564	5,563	5,567	5,595	5,620	5,645	5,685	5,732
EFFECTIVE											
	216	216	216	216	216	216	216	216	216	216	216
CENTRAL VALLEY PROJECT											
LINE	3,860	4,096	4,269	4,419	4,551	4,702	5,160	5,425	5,721	6,031	6,355
BIRES	293	210	339	440	452	464	477	486	499	521	535
CHICAGO APER PROJECT PUMPING	186	182	173	174	172	172	172	172	172	172	172
TOTAL	693	698	696	696	695	695	700	699	707	712	714
CITY AND COUNTY OF SAN FRANCISCO:											
MUNICIPAL	710	786	828	875	893	901	909	917	926	934	943
FALANCE	169	169	169	169	169	169	169	169	169	169	169
DELIVERIES TO MODESTO-TUPLOCK	1,299	1,412	1,545	1,689	1,818	1,938	2,067	2,205	2,350	2,499	2,651
TOTAL	2,177	2,367	2,543	2,734	2,880	3,008	3,145	3,291	3,445	3,603	3,763
SHED											
	5,359	5,543	5,746	6,032	6,253	6,460	6,716	6,999	7,267	7,538	7,847
STATE DWP PUMPING											
	2,706	3,134	3,051	2,941	3,496	3,007	3,319	3,446	3,625	3,822	4,200
LOSSES AND UNACCOUNTED FOR											
	5,892	5,995	6,084	6,229	6,356	6,492	6,638	6,790	6,964	7,147	7,347
TOTAL APER LOAD											
	75,509	78,167	80,263	83,216	86,474	88,809	92,193	95,525	99,312	103,074	107,760

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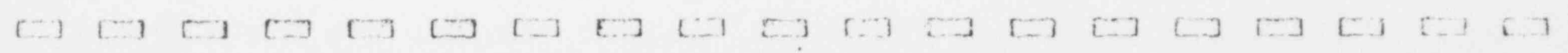


TABLE I
Continued

PACIFIC GAS AND ELECTRIC COMPANY
ELECTRIC DEPARTMENT
APEA SYSTEM LOAD
(MILLIONS OF KWH)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
PACIFIC GAS AND ELECTRIC COMPANY										
RESIDENTIAL										
INDIVIDUAL METER	27,006	28,081	29,060	30,144	31,394	32,581	33,809	35,191	36,708	38,010
MUSTER METER	1,144	1,180	1,215	1,254	1,294	1,336	1,379	1,424	1,470	1,515
TOTAL	28,151	29,261	30,275	31,397	32,688	33,917	35,188	36,615	38,178	39,525
LIGHT AND POWER										
SMALL	5,916	6,062	6,209	6,358	6,487	6,596	6,720	6,910	7,081	7,286
MEDIUM	19,394	20,380	21,456	22,625	23,904	24,996	26,222	27,644	29,245	30,986
TOTAL	25,310	26,442	27,665	28,983	30,390	31,592	32,942	34,554	36,326	38,272
LARGE LIGHT AND POWER	20,591	21,415	22,257	23,146	24,054	24,974	25,926	27,030	28,335	29,739
OTHERS										
AGRICULTURE	3,551	3,527	3,504	3,485	3,461	3,436	3,418	3,401	3,393	3,372
STREET LIGHTING	364	373	381	390	398	407	416	424	433	441
HAZT	237	237	237	237	237	237	237	237	237	237
RESALE	1,386	1,427	1,470	1,519	1,570	1,625	1,682	1,744	1,808	1,874
ELECTRIC DEPARTMENT USES	23	23	23	23	23	23	23	23	23	23
INTERDEPARTMENTAL	216	220	224	228	232	237	241	246	252	258
TOTAL	5,777	5,807	5,839	5,880	5,921	5,964	6,017	6,075	6,135	6,206
BERKELEY	216	216	216	216	216	216	216	216	216	216
CENTRAL VALLEY PROJECT										
SLAC	6,699	7,017	7,340	7,672	8,016	8,350	8,696	9,057	9,434	9,826
ARES	551	567	580	593	604	615	624	637	650	661
SAN LUIS AREA PROJECT PUMPING	172	172	172	172	172	172	172	172	172	172
	714	714	714	714	714	714	714	714	714	714
CITY AND COUNTY OF SAN FRANCISCO										
MUNICIPAL	951	960	969	978	988	997	1,006	1,016	1,026	1,036
BALANCE	169	169	169	169	169	169	169	169	169	169
DELIVERIES TO MODesto-TURLOCK	2,807	2,961	3,114	3,270	3,431	3,595	3,762	3,935	4,116	4,303
TOTAL	3,928	4,090	4,253	4,418	4,588	4,761	4,938	5,120	5,310	5,508
SHUD	8,179	8,495	8,783	9,066	9,369	9,656	9,947	10,263	10,593	10,922
STATE DWR PUMPING	4,315	4,756	4,635	4,885	4,955	4,884	5,103	5,156	5,177	5,255
LOSSES AND UNACCOUNTED FOR	7,556	7,756	7,957	8,176	8,405	8,631	8,866	9,138	9,443	9,751
TOTAL APEA LOAD	112,158	116,707	120,685	125,316	129,994	134,546	139,349	144,247	150,602	156,756

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TABLE II

PACIFIC GAS AND ELECTRIC COMPANY
COMPOUND ANNUAL GROWTH RATES OF ELECTRIC ENERGY BY MAJOR CATEGORY OF LOAD
(Percent)

	<u>1960-1970</u>	<u>1970-1977</u>	<u>1978-1983</u>	<u>1983-1988</u>	<u>1988-1993</u>	<u>1993-1998</u>	<u>1978-1998</u>
Residential Total	8.4	4.7	3.9	4.4	3.9	3.9	4.0
Small Light and Power	4.9	2.3	2.9	3.0	2.5	2.4	2.7
Medium Light and Power	NA	3.5	3.4	4.7	5.2	5.4	4.7
Large Light and Power	NA	3.9	3.5	3.7	4.0	4.3	3.9
Agriculture	-0.8	4.6	-0.4	-0.5	-0.6	-0.5	-0.5
Area Load	6.5	3.8	3.3	3.9	3.8	3.8	3.7

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TABLE III

PACIFIC GAS AND ELECTRIC COMPANY
ELECTRIC DEPARTMENT
AVERAGE NUMBERS OF CUSTOMERS

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
RESIDENTIAL:											
INDIVIDUAL METER	2,778,609	2,852,233	2,826,596	2,893,897	3,062,757	3,133,201	3,205,264	3,278,995	3,334,728	3,391,418	3,449,672
MULTI-METER	18,591	18,520	18,516	18,515	18,516	18,516	18,516	18,516	18,516	18,516	18,516
TOTAL	2,796,600	2,870,803	2,845,102	2,912,412	3,081,273	3,151,716	3,223,780	3,297,501	3,353,244	3,409,934	3,467,598
LIGHT & POWER:											
SMALL	289,653	295,111	300,630	306,219	311,918	317,823	323,874	330,632	335,795	341,660	347,621
MEDIUM	29,423	30,769	32,177	33,685	35,222	36,834	38,616	40,478	42,271	44,137	46,066
TOTAL	319,076	325,980	332,807	339,905	347,140	354,659	362,490	370,510	378,066	385,798	393,687
LARGE LIGHT & POWER	807	849	893	941	982	1,027	1,077	1,121	1,163	1,206	1,249
PUBLIC AUTHORITY	25	25	25	25	25	25	25	25	25	25	25
AGRICULTURE	94,291	96,273	98,254	100,236	102,217	104,199	106,180	108,162	110,143	112,124	114,106
STREET LIGHTING	13,507	14,192	14,870	15,546	16,221	16,897	17,577	18,264	18,950	19,635	20,322
RAILWAY-BART	1	1	1	1	1	1	1	1	1	1	1
RESALE	11	11	11	11	11	11	11	11	11	11	11
TOTAL CUSTOMERS	3,224,319	3,308,032	3,391,963	3,469,077	3,547,069	3,628,534	3,711,141	3,795,594	3,861,604	3,928,735	3,996,989

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TABLE III
Continued

PACIFIC GAS AND ELECTRIC COMPANY
ELECTRIC DEPARTMENT
AVERAGE NUMBERS OF CUSTOMERS

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
RESIDENTIAL:										
INDIVIDUAL METER	3,507,707	3,567,338	3,613,713	3,660,691	3,711,194	3,750,196	3,812,839	3,866,219	3,920,346	3,975,231
MASTER METER	18,516	18,516	18,516	18,516	18,516	18,516	18,516	18,516	18,516	18,516
TOTAL	3,526,223	3,585,854	3,632,229	3,679,207	3,730,457	3,778,712	3,831,355	3,884,735	3,938,862	3,993,747
LIGHT & POWER:										
SMALL	353,679	359,976	365,463	371,115	375,830	382,774	388,752	393,976	399,205	404,700
MEDIUM	49,058	50,129	52,077	54,146	56,029	58,685	61,048	63,312	65,726	68,263
TOTAL	401,736	410,024	417,539	425,261	431,860	441,459	449,800	457,288	465,011	472,962
LARGE LIGHT & POWER	1,294	1,340	1,397	1,435	1,486	1,539	1,592	1,648	1,706	1,766
PUBLIC AUTHORITY	25	25	25	25	25	25	25	25	25	25
AGRICULTURE	116,087	118,069	120,050	122,032	124,013	125,995	127,976	129,958	131,939	133,921
STREET LIGHTING	21,012	21,706	22,396	23,077	23,738	24,405	25,081	25,745	26,396	27,036
RAILWAY-TRAPT	1	1	1	1	1	1	1	1	1	1
TRAM	11	11	11	11	11	11	11	11	11	11
TOTAL CUSTOMERS	4,066,339	4,137,030	4,193,638	4,251,056	4,311,591	4,372,145	4,435,941	4,499,411	4,563,951	4,629,469

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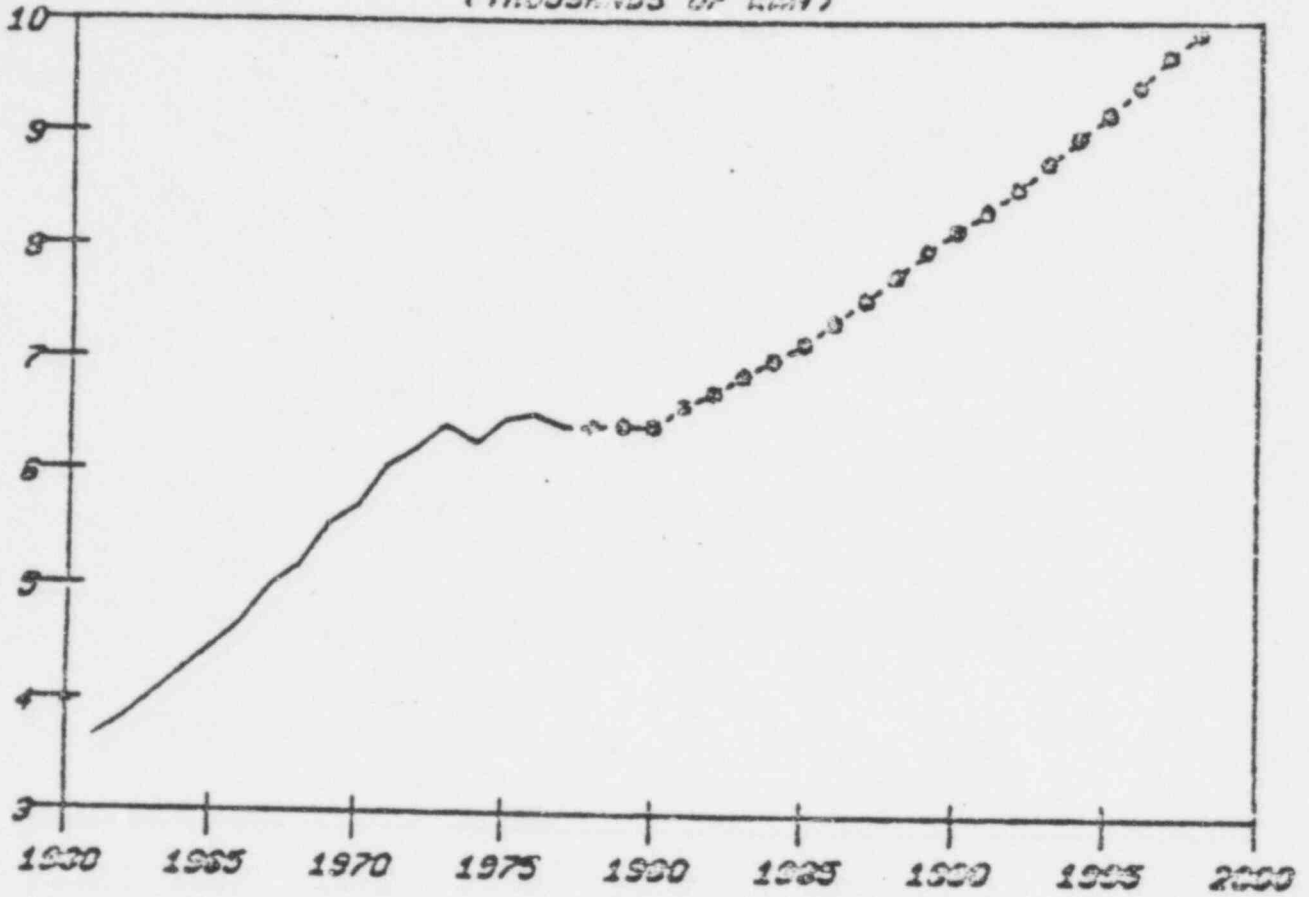
POOR ORIGINAL

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FIGURE III

PACIFIC GAS AND ELECTRIC COMPANY
RESIDENTIAL USE PER CUSTOMER
1951 TO 1993
(THOUSANDS OF KWH)



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POOR ORIGINAL

Z A M I O PACIFIC GAS AND ELECTRIC COMPANY

FORECAST OF RESIDENTIAL USE PER CUSTOMER
AND SELECTED APPLIANCE SATURATIONS
AND UNIT ENERGY CONSUMPTIONS

Year	Residential Use Per Customer		
	Load (MCKWH)	Customers	User Per Customer (KWH)
1970	12,575	2,207,518	5,697
1977	17,383	2,712,659	6,408
1978	17,915	2,796,600	6,406
1979	18,450	2,870,802	6,427
1980	18,900	2,945,102	6,417
1981	19,884	3,012,413	6,601
1982	20,723	3,081,273	6,725
1983	21,672	3,151,716	6,876
1984	22,616	3,223,780	7,015
1985	23,618	3,297,501	7,162
1986	24,648	3,353,743	7,350
1987	25,759	3,409,934	7,554
1988	26,928	3,467,588	7,766
1989	28,150	3,526,227	7,983
1990	29,259	3,585,853	8,160
1991	30,275	3,632,229	8,335
1992	31,398	3,679,207	8,534
1993	32,690	3,730,456	8,763
1994	33,917	3,778,712	8,976
1995	35,187	3,831,354	9,184
1996	36,615	3,884,734	9,425
1997	38,178	3,938,861	9,693
1998	39,525	3,993,746	9,897

Saturations and Unit Energy Consumptions by Major Appliance Type

	Space heating		Water heating		Ranges		Laundry Driers		Air Conditioners		Refrigerators	
	Saturation (Percent)	UEC (KWH)	Saturation (Percent)	UEC (KWH)	Saturation (Percent)	UEC (KWH)	Saturation (Percent)	UEC (KWH)	Saturation (Percent)	UEC (KWH)	Saturation (Percent)	UEC (KWH)
1970	10.0	NA	11.0	NA	45.4	NA	36.1	NA	23.9	NA	NA	NA
1978	12.5	7,035	11.5	3,822	60.5	698	50.8	1,386	33.7	1,400	125.6	1,311
1980	12.3	7,026	11.1	3,750	61.8	695	53.1	1,347	36.1	1,352	125.4	1,271
1985	11.4	6,980	10.1	3,622	65.6	690	58.4	1,283	42.0	1,287	126.1	1,221
1990	10.4	6,781	9.3	3,471	70.1	687	63.1	1,247	47.4	1,259	126.5	1,213
1995	9.7	6,367	8.7	3,238	74.8	686	67.3	1,227	52.3	1,246	126.8	1,222

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POOR ORIGINAL

TABLE V

PACIFIC GAS AND ELECTRIC COMPANY
 USE PER CUSTOMER
 FOR OTHER MAJOR CATEGORIES OF LOAD

Year	Small Light and Power			Medium Light and Power			Large Light and Power			Agriculture		
	Load (MMKWH)	Customers	Use Per Customer (MKWH)	Load (MMKWH)	Customers	Use Per Customer (MKWH)	Load (MMKWH)	Customers	Use Per Customer (MKWH)	Load (MMKWH)	Customers	Use Per Customer (MKWH)
1970	3,567	246,906	14.439	2,587	23,327	410.990	10,242	653	15,671	2,737	78,242	47.766
1971	4,251	284,491	14.765	12,152	25,493	426.519	13,415	767	17,475	5,113	93,397	54.752
1976	4,298	289,653	14.838	12,405	29,423	421.607	13,905	837	17,226	3,737	94,291	39.633
1979	4,540	295,110	15.394	12,782	30,769	415.412	14,361	848	16,923	3,733	96,272	39.775
1980	4,655	300,629	15.434	13,036	32,177	405.130	14,513	892	16,700	3,719	98,254	37.851
1981	4,750	306,219	15.512	13,539	33,685	404.898	15,498	941	16,467	3,702	100,235	36.933
1982	4,342	311,917	15.523	14,166	35,221	402.196	16,011	981	16,305	3,684	102,217	36.041
1983	4,956	317,823	15.594	14,685	36,834	398.676	16,511	1,027	16,069	3,661	104,198	35.135
1984	5,098	323,874	15.741	15,286	38,615	395.850	17,054	1,076	15,835	3,642	106,190	34.300
1985	5,249	330,032	15.905	15,915	40,477	393.180	17,600	1,121	15,700	3,616	108,161	33.431
1986	5,437	335,794	16.191	16,727	42,270	395.709	18,243	1,163	15,679	3,588	110,142	32.576
1987	5,569	341,660	16.358	17,540	44,137	397.396	18,944	1,206	15,706	3,574	112,124	31.875
1988	5,747	347,620	16.532	18,452	46,066	400.554	19,751	1,249	15,811	3,563	114,105	31.225
1989	5,916	353,678	16.727	19,394	48,057	403.558	20,591	1,294	15,912	3,551	116,087	30.539
1990	6,063	359,895	16.847	20,382	50,128	406.595	21,415	1,339	15,985	3,527	118,068	29.872
1991	6,209	365,462	16.989	21,457	52,076	412.028	22,258	1,386	16,051	3,502	120,050	29.171
1992	6,359	371,114	17.135	22,626	54,146	417.869	23,146	1,435	16,125	3,483	122,031	28.542
1993	6,488	375,830	17.263	23,803	56,029	424.831	24,053	1,485	16,187	3,460	124,013	27.900
1994	6,597	382,773	17.235	24,996	58,684	425.937	24,974	1,538	16,236	3,435	125,994	27.261
1995	6,722	388,752	17.291	26,222	61,048	429.530	25,925	1,592	16,281	3,416	127,976	26.692
1996	6,911	393,975	17.542	27,643	63,312	436.615	27,030	1,648	16,398	3,400	129,957	26.162
1997	7,081	399,284	17.734	29,245	65,726	444.950	28,335	1,706	16,605	3,384	131,939	25.648
1998	7,287	404,699	18.006	30,936	68,262	453.922	29,739	1,766	16,836	3,372	133,920	25.179

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POOR ORIGINAL

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ELECTRIC LOAD
FORECAST: PEAK

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ELECTRIC LOAD FORECAST: PEAK

The PGandE area annual peak demand has occurred in the summer all but twice since 1955. The years 1968 to 1974 witnessed a rapid increase in the difference between summer and winter peaks attributable to the rapid increase in the number of air conditioned homes during that period. The growth of the summer peak from 1968 to 1973 was approximately 6.3 percent annually. From 1973 to 1978 the summer peak demand grew at a rate of 4.0 percent per year. The drought and cooler than normal temperatures depressed the peak demand in 1977 as it dropped to below the 1976 level. However, the 1978 peak demand was 14,948 MW, an increase of nearly 1,100 MW over 1977. PGandE expects the summer to continue as the system peak, growing at a rate of 3.6 percent per year between 1978 and 1998. The causes of this slower growth can be found in higher electric prices and PGandE and government sponsored conservation and load management programs. The annual peak demands are displayed graphically in Figure IV and presented in Table VI.

To recognize the fact that PGandE is a summer peaking system because of the growth in air conditioning, PGandE forecasts peak demand by separating the load into weather sensitive and non-weather sensitive components.

The weather sensitive component is defined to be that portion of the summer peak which results from air conditioning demands associated with temperatures exceeding 80 degrees in inland regions and 77 degrees in coastal regions. In 1967 the weather sensitive component represented 16 percent of the peak. By 1970 it had reached 21 percent and is currently about 29 percent. This percentage is expected to rise slightly in the immediate future as more people purchase

Pacific Gas and Electric Company

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air conditioners, and then decrease due to the impact of voluntary and mandatory conservation and load management programs. By 1988 PGandE conservation efforts and state mandated standards are expected to reduce the weather sensitive component by 416 megawatts and PGandE load management programs are expected to reduce it by another 257 megawatts.

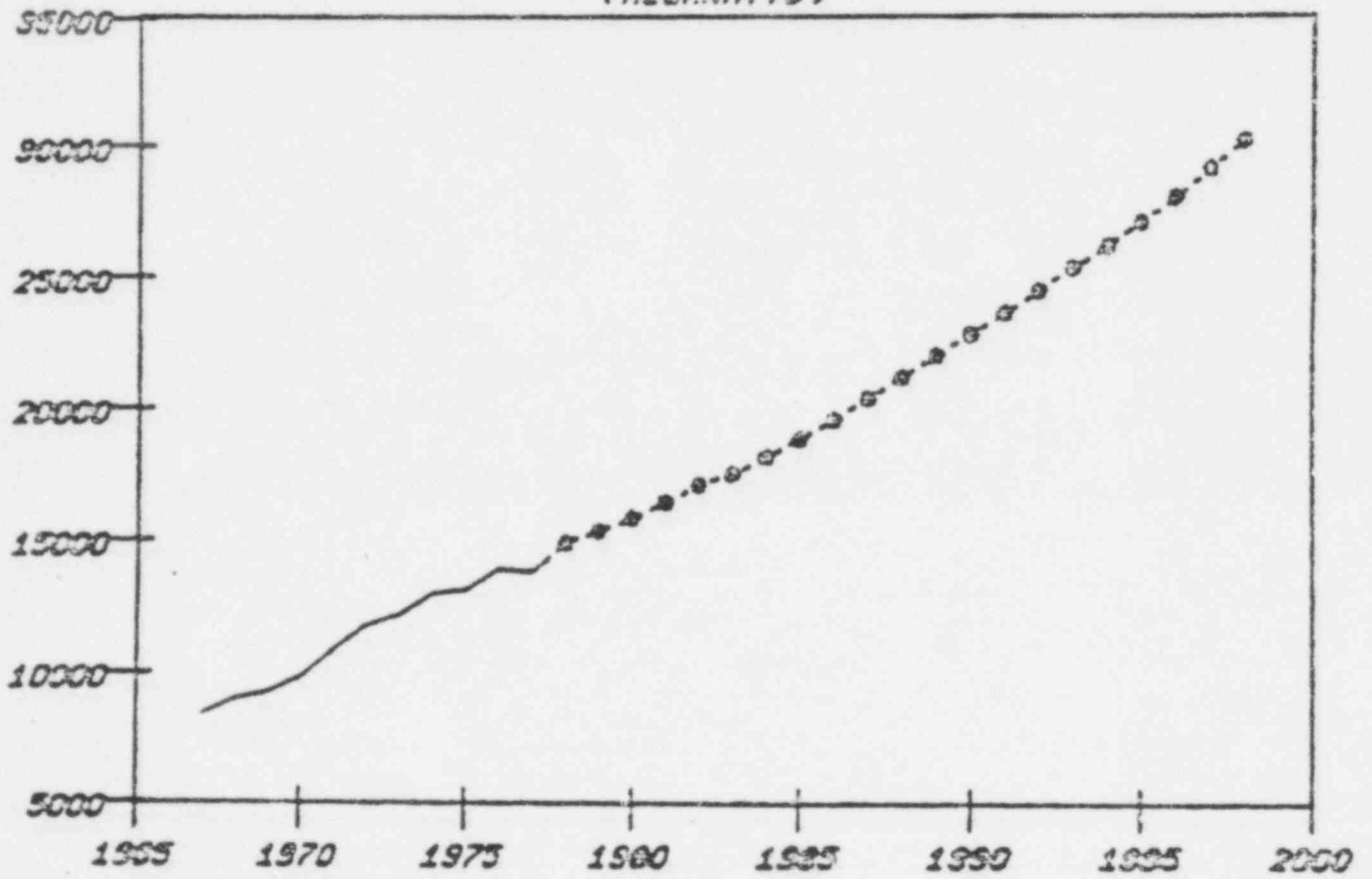
The non-weather sensitive component of summer peak grew at the rate of 3.4 percent from 1968 to 1978. The forecast of this component incorporates the impact of future economic activity, energy prices, population growth, and conservation and load management programs. It is expected to grow at 3.7 percent from 1978 to 1998. By 1988 the conservation programs are expected to decrease this component of the summer peak demand by about 1,249 megawatts. Load management is expected to decrease it by another 447 megawatts.

The sum of the conservation and load management impacts on the total summer peak demand is estimated to be about 2,370 megawatts by 1988.

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Figure IV

PACIFIC GAS AND ELECTRIC COMPANY
TOTAL ELECTRIC AREA PEAK DEMAND
1967 TO 1993
(MEGAWATTS)



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POOR ORIGINAL

TABLE VI

PACIFIC GAS AND ELECTRIC COMPANY
ELECTRIC DEPARTMENT
AREA LOAD

YEAR	BASIC LOAD (1)		SUMMER PEAK DEMAND (MW)	WINTER PEAK DEMAND (MW)	AVERAGE PEAK DEMAND (MW)	AREA PEAK REQUIREMENT (MW)	LOAD FACTOR (%)
	NON-WEATHER SENSITIVE DEMAND (MW)	WEATHER SENSITIVE DEMAND (MW)					
HISTORICAL							
1967	6948	1374	8330	4214	4435	46420675	81.5
1968	7440	1311	8921	4480	4724	50670458	84.1
1969	7634	1435	9176	4682	4788	52814167	84.9
1970	7759	2043	9814	4788	4884	55541769	84.3
1971	8399	2288	10726	4659	4813	59078923	81.8
1972	9172	2743	11655	10678	11777	64053815	82.1
1973	9271	2480	12089	9447	12212	65731755	81.4
1974	9343	2130	12607	9931	12964	67601317	81.8
1975	9540	3415	12983	10561	13129	68761427	81.8
1976	10300	3312	13745	10856	13932	72701011	81.6
1977	10498	2294	13717	11038	13815	72126708	81.6
1978	10342	4487	14708	11899	14968	74046000	81.5
FORECASTED							
1979	10731	4340	15071	12012	15390	78163407	81.0
1980	11063	4485	15548	12330	15873	80267121	81.7
1981	11467	4664	16130	12673	16487	82404307	81.9
1982	11827	4869	16715	13255	17151	84511140	81.6
1983	12203	5077	17280	13720	17573	86673319	81.7
1984	12518	5281	17900	14213	18224	88733119	81.7
1985	13054	5501	18555	14733	18899	92178810	81.7
1986	13554	5736	19290	15133	19638	95211719	81.7
1987	14076	5983	20060	15428	20450	99294427	81.7
1988	14640	6140	20820	15713	21257	103204089	81.6
1989	15227	6385	21611	16007	22091	107740056	81.9
1990	15787	6597	22384	17452	22892	112144254	81.9
1991	16347	6824	23175	18610	23701	116692715	81.2
1992	16950	7067	24017	19310	24537	120671303	81.1
1993	17573	7281	24854	20087	25396	125302137	81.3
1994	18183	7501	25684	20804	26235	129474826	81.0
1995	18814	7728	26543	21553	27119	134532273	81.0
1996	19550	7965	27515	22347	28041	139334917	81.7
1997	20371	8210	28581	23379	29161	144737543	81.0
1998	21216	8463	29679	24337	30249	150688435	81.0
AVERAGE ANNUAL COMPOUND GROWTH RATE, %							
1969 - 73	4.50	13.60	8.27	7.23	8.23	5.34	-0.81
1973 - 78	2.21	12.59	4.00	4.72	4.13	2.41	-1.65
1978 - 83	3.36	2.50	3.28	2.89	3.27	1.72	0.42
1983 - 88	3.71	4.01	4.80	3.85	3.46	1.73	0.05
1988 - 93	3.72	3.33	3.61	3.72	3.62	1.82	0.19
1993 - 98	3.44	3.05	3.08	3.72	3.56	1.82	0.25
1978 - 98	3.06	3.22	3.57	3.84	3.54	1.82	0.23

(1) BASIC SUMMER PEAK DEMAND EXCLUDES AMELIATED AND LINEAR ACCELERATION (SLAC), SAN LUIS AREA PROJECT PUMPING AND STATE DAM PUMPING

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ECONOMIC AND
DEMOGRAPHIC CONDITIONS

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ECONOMIC AND DEMOGRAPHIC CONDITIONS

Associated with the demand for electricity are economic activity and population conditions of the PGandE service area. The past, present and future demand for energy, like all energy sources, is influenced by certain demographic and economic factors. Those factors include economic growth, energy prices, and population increases.

The demographic projections used by PGandE have been developed by the Population Research Unit of the State of California Department of Finance (DOF). DOF recently released a population and household projection, referred to as the E-150 projection, representing its current beliefs about population growth in the state. The projection embodies assumptions of a 2.0 fertility rate and 150,000 annual in-migrations. Because the forecasts are available by county, PGandE has used the forecasts to develop population and household projections for its service areas. The electric service area population projections and compound annual rates of growth are presented in Table VII. As Table VII shows, the population of the electric service area increases from 9,576,850 in 1978 to 12,587,820 in 1998.

The rate of growth of population is depicted in Figure V. Population is expected to grow slightly faster, about 1.5 percent, from 1977 to 1983 than during the 1970 to 1977 period when it grew at about 1.4 percent. The growth is expected to taper slightly after 1988, falling to about 1.2 percent per year.

Pacific Gas and Electric Company

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Household projections are less stable, but the pattern is the same. Households are expected to grow at a slightly greater rate than population until 1988.

The rate of growth of household formation declines over the entire period, from about 2.5 percent through 1983, to about 1.4 percent for the period 1993-1998, but it always grows faster than the population, resulting in a decline in persons per household. This decline in persons per household is likely to slow the rate of growth of residential use per customer.

The economic measures listed in Table VIII represent some of the major economic influences associated with the demand for electricity. Figure VI shows both the historical and forecast path of Northern California Real Wage and Salary Income, one of the most significant economic indicators for Northern California. The figure shows the strength of the economy in the late 1960's as well as the mild recession of 1970-1971 and the severe recession of 1974-1975. The economy is currently in its fourth year of recovery from that recession and until 1978, both unemployment and inflation had continually improved. Unfortunately, 1978 has witnessed the return of substantial inflationary pressures and a static unemployment rate. The immediate future of the economy is uncertain, particularly in light of recent decisions by President Carter concerning the economy. However, this is a long term forecast and although the economic forecast includes some year to year variation in the rate of growth, it does not try to capture periods of extreme economic prosperity or recession. For example, the years 1970 to 1977 contained two recessions and the compound annual growth rate of real income between those years was only 2.9 percent. Conversely, 1961 to 1968 were times of relative prosperity. The growth rate in those years was

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5.3 percent per year. The last seventeen years combined have witnessed a growth rate of 3.8 percent per year. A long term forecast is not intended to capture the peaks or the valleys, but instead it attempts to determine an overall path of growth. The forecast of real income through 1998 grows at 3.5 percent per year, indicating that the next twenty years are not expected to be quite as prosperous as the last seventeen.

PACIFIC GAS AND ELECTRIC COMPANY
FORECASTED DEMOGRAPHIC CONDITIONS

	<u>Population in Electric Counties</u>	<u>Percent Change</u>	<u>Households</u>	<u>Percent Change</u>	<u>Persons per Households</u>	<u>Percent Change</u>
1970	8,536,100	-	NA	-	-	-
1977	9,435,420	-	3,221,052	-	-	-
1978	9,576,850	1.5	3,304,278	2.6%	2.9	0.0%
1979	9,721,170	1.5	3,390,541	2.6	2.9	0.0
1980	9,869,300	1.5	3,479,805	2.6	2.8	0.0
1981	10,020,650	1.5	3,560,201	2.3	2.8	0.0
1982	10,174,410	1.5	3,643,265	2.3	2.8	0.0
1983	10,331,670	1.5	3,728,033	2.3	2.8	0.0
1984	10,492,630	1.6	3,815,871	2.4	2.7	0.0
1985	10,656,800	1.6	3,905,662	2.4	2.7	0.0
1986	10,809,550	1.4	3,972,181	1.7	2.7	0.0
1987	10,965,510	1.4	4,039,950	1.7	2.7	0.0
1988	11,124,670	1.5	4,109,660	1.7	2.7	0.0
1989	11,286,330	1.5	4,180,052	1.7	2.7	0.0
1990	11,450,600	1.5	4,252,294	1.7	2.7	0.0
1991	11,594,260	1.3	4,309,467	1.3	2.7	0.0
1992	11,739,510	1.3	4,367,032	1.3	2.7	0.0
1993	11,857,370	1.0	4,425,918	1.3	2.7	0.0
1994	12,038,040	1.5	4,485,514	1.3	2.7	0.0
1995	12,190,500	1.3	4,546,324	1.4	2.7	0.0
1996	12,320,940	1.1	4,608,234	1.4	2.7	0.0
1997	12,453,180	1.1	4,670,692	1.4	2.7	0.0
1998	12,587,820	1.1	4,735,095	1.4	2.7	0.0

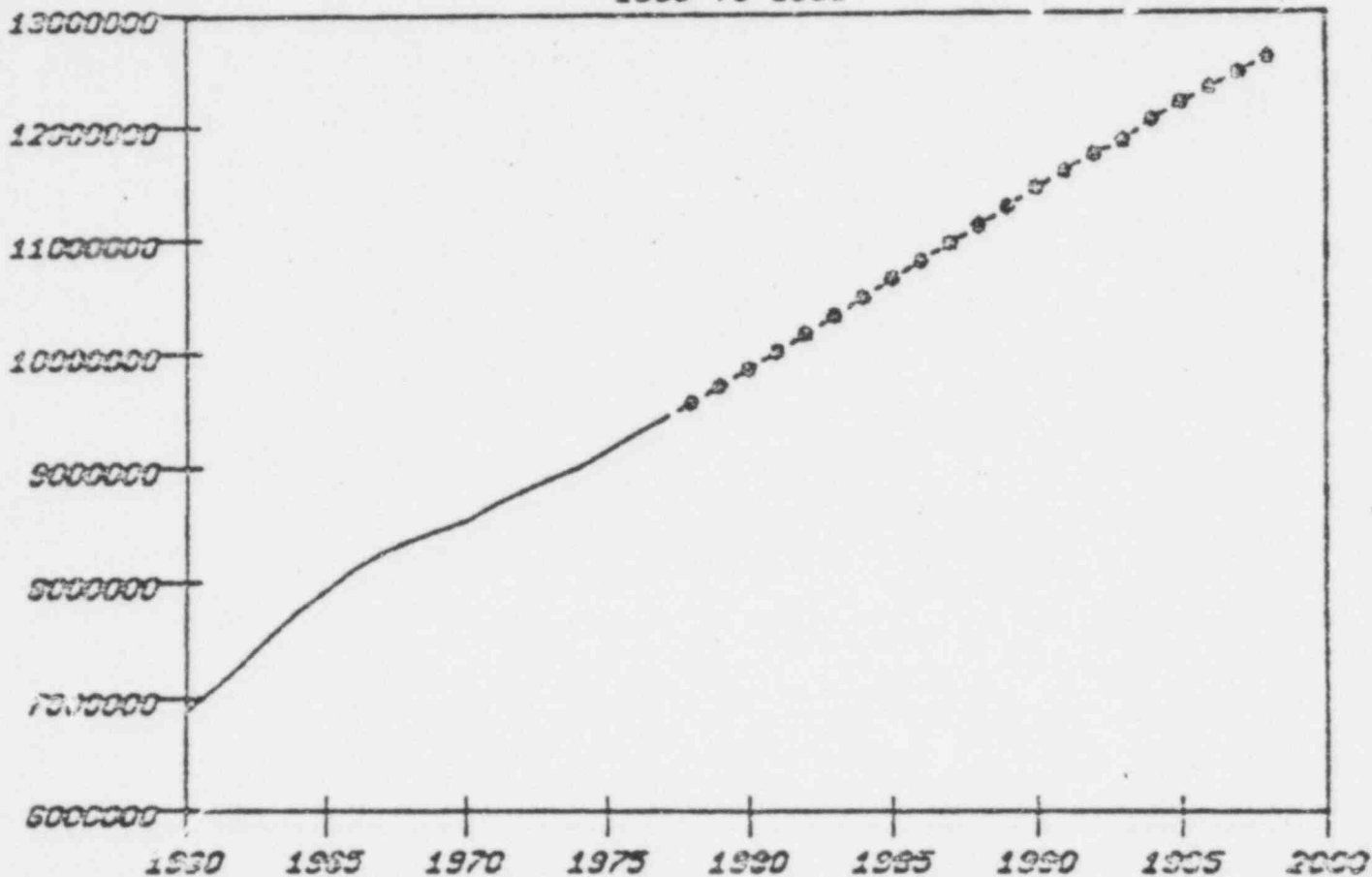
COMPOUND ANNUAL GROWTH RATES

1970-1977	1.4%	NA	NA
1977-1983	1.5	2.5%	-0.6%
1983-1988	1.5	2.0	-0.7
1988-1993	1.3	1.5	0.0
1993-1998	1.2	1.4	0.0
1978-1998	1.4	1.8	-0.4

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Figure V

PACIFIC GAS AND ELECTRIC COMPANY
ELECTRIC SERVICE AREA POPULATION
1960 TO 1990



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Table VIII

PACIFIC GAS AND ELECTRIC COMPANY
FORECASTED ECONOMIC CONDITIONS

Year	Real Wage and Salary Income Northern California (Billions of Dollars)	Percent Change	Real Taxable Sales Northern California (Billions of Dollars)	Percent Change	Real Appliance Price Index	Percent Change	Real Wage Rate (\$/Hr.)	Percent Change	Consumer Price Index	Percent Change
1970	20.68	-	17.17	-	0.92	-	3.05	-	1.16	-
1977	25.19	-	23.42	-	0.77	-	2.96	-	1.82	-
1978	26.30	4.4	24.44	4.3	0.75	-2.0	3.04	2.6	1.94	6.7
1979	27.46	4.4	25.33	3.6	0.75	-1.0	3.08	1.2	2.06	5.9
1980	28.65	4.4	26.23	3.6	0.74	-1.4	3.08	0.3	2.17	5.7
1981	29.86	4.2	27.00	2.9	0.73	-1.1	3.09	0.2	2.30	5.6
1982	31.12	3.9	27.95	3.5	0.72	-1.3	3.11	0.5	2.42	5.3
1983	32.33	4.2	29.00	3.8	0.71	-1.3	3.12	0.5	2.54	5.1
1984	33.7	4.3	30.00	3.5	0.70	-1.3	3.14	0.6	2.67	4.9
1985	35.05	3.9	30.98	3.3	0.69	-1.5	3.16	0.7	2.80	4.9
1986	36.35	3.7	31.93	3.1	0.69	-1.5	3.19	1.0	2.93	4.9
1987	37.62	3.5	32.82	2.8	0.67	-1.4	3.22	0.3	3.08	4.9
1988	38.87	3.3	33.70	2.7	0.66	-1.3	3.24	0.5	3.22	4.5
1989	40.11	3.2	34.50	2.6	0.65	-1.2	3.27	0.9	3.33	4.7
1990	41.35	3.1	35.69	3.2	0.65	-	3.30	0.9	3.53	4.7
1991	42.61	3.1	36.92	3.2	0.64	-1.4	3.33	0.9	3.70	4.7
1992	43.91	3.1	38.01	3.2	0.63	-1.7	3.36	0.9	3.87	4.7
1993	45.25	3.1	39.23	3.2	0.62	-1.8	3.39	0.9	4.05	4.7
1994	46.64	3.1	40.49	3.2	0.60	-1.9	3.41	0.9	4.23	4.7
1995	48.06	3.1	41.78	3.2	0.59	-2.0	3.44	0.9	4.45	4.7
1996	49.53	3.1	43.12	3.2	0.58	-2.0	3.47	0.9	4.66	4.7
1997	51.04	3.1	44.50	3.2	0.57	-2.0	3.50	0.9	4.88	4.7
1998	52.60	3.1	45.92	3.2	0.56	-2.0	3.53	0.9	5.10	4.7

COMPOUND ANNUAL GROWTH RATES

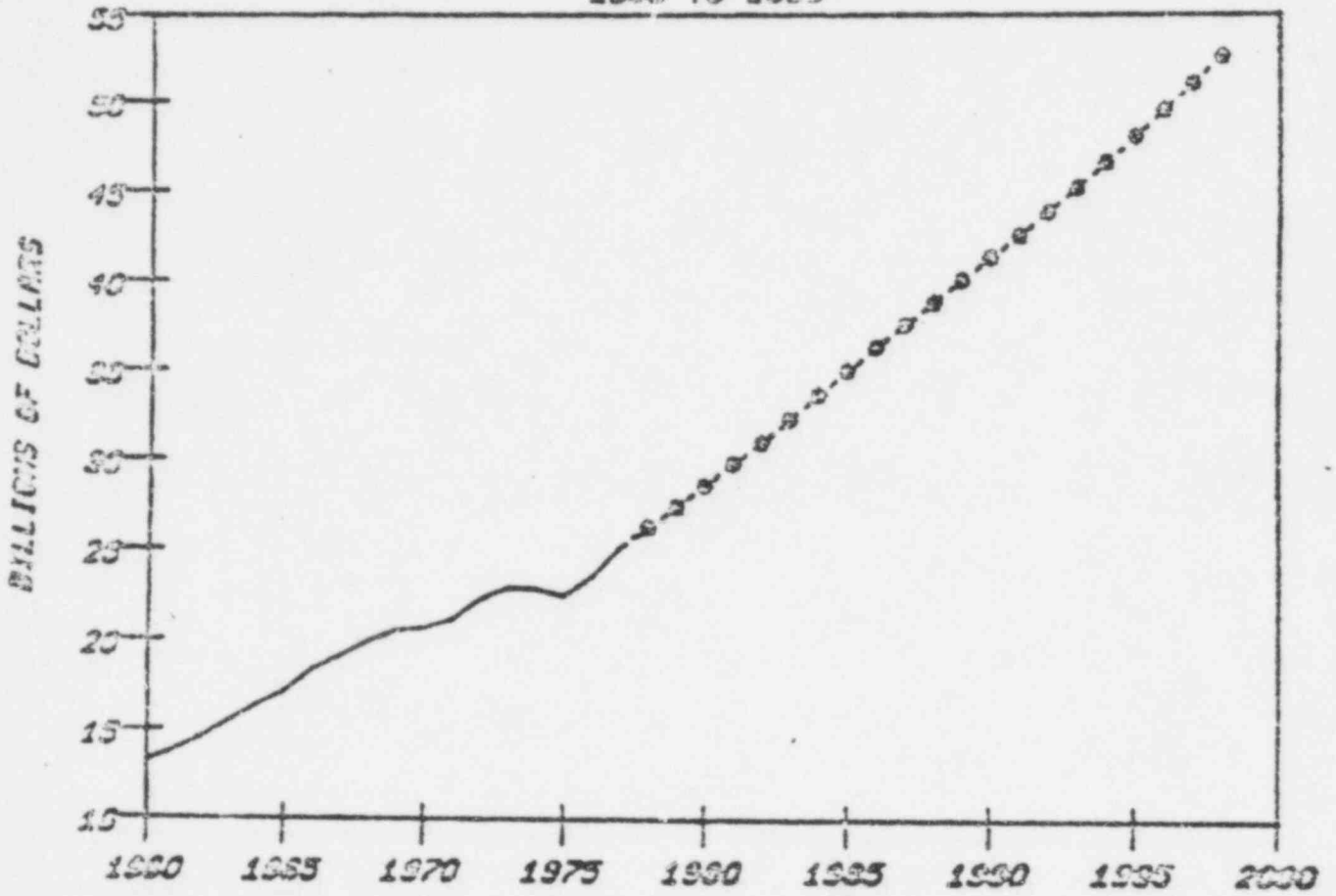
1970-1977	2.9%	4.5%	-2.5%	-0.4%	6.6%
1977-1981	4.2	3.5	-1.3	0.9	5.7
1981-1985	3.9	3.1	-1.5	0.9	4.9
1985-1991	3.1	3.1	-1.2	0.9	4.9
1991-1993	3.1	3.2	-2.0	0.9	4.7
1993-1995	3.5	3.2	-1.5	0.9	5.0

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Figure VI

PACIFIC GAS AND ELECTRIC COMPANY
REAL NORTHERN CALIFORNIA WAGE AND SALARY INCOME
1960 TO 1999



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PG&E ORIGINAL

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ENERGY PRICES

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ENERGY PRICES

The trend of falling real electric prices in the PGandE area was abruptly halted in the 1970's by increasing fuel costs and the unavailability of inexpensive hydroelectric power attributable to Northern California's drought of 1976 and 1977. The days of significant decreases in real electric prices are not expected to return, but the large increases of the 1970 to 1977 era are not expected to continue. The rise in real prices continued in 1978 but a reduction is expected until 1980 with real prices remaining virtually constant thereafter.

Real natural gas prices are projected to continue their rise throughout the forecast period. The large growth rates of recent years will not occur, but the fall expected in electric prices will not be observed in natural gas prices.

Table IX shows the forecast path of real residential gas and electric prices. Since these two forms of energy are substitutes in the residential sector, an increase in the price of gas relative to the price of electricity should result in the growth of electric energy consumption at the expense of natural gas consumption.

Table IX also shows forecasted real large light and power electric prices. This sector experienced enormous increases between 1970 and 1977, the effects of which will continue to be felt, but the growth through 1998 is expected to be a moderate 0.3 percent per year.

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PACIFIC GAS AND ELECTRIC COMPANY
 REAL ENERGY PRICES USED IN PREPARATION
 OF THE ELECTRIC ENERGY FORECAST

Year	Electric Residential (\$/kWh)	Percent Change	Electric Industrial (\$/kWh)	Percent Change	Gas Residential (\$/therm)	Percent Change	Gas Industrial (\$/therm)	Percent Change
1970	0.011	-	0.006	-	0.059	-	0.035	-
1977	0.019	-	0.016	-	0.090	-	0.115	-
1978	0.022	10.9	0.016	-0.6	0.106	17.0	0.114	-3.8
1979	0.022	1.1	0.016	2.9	0.126	19.8	0.107	-6.0
1980	0.021	-5.3	0.015	-5.4	0.129	2.0	0.107	0.4
1981	0.021	0.3	0.016	2.2	0.130	1.0	0.112	4.2
1982	0.022	2.7	0.017	5.2	0.138	5.9	0.117	4.3
1983	0.022	2.6	0.017	4.8	0.151	9.9	0.120	2.8
1984	0.023	1.9	0.018	3.7	0.163	7.6	0.122	2.0
1985	0.023	0.1	0.018	1.3	0.173	6.0	0.125	2.0
1986	0.022	-1.8	0.018	0.4	0.181	4.5	0.127	2.1
1987	0.022	-1.5	0.018	-1.5	0.184	2.0	0.130	2.3
1988	0.021	-3.3	0.017	-4.0	0.187	1.6	0.134	2.5
1989	0.021	-2.2	0.017	-1.8	0.189	0.9	0.137	2.7
1990	0.020	-1.5	0.017	-0.9	0.188	-0.4	0.141	2.7
1991	0.020	-1.1	0.017	-0.5	0.187	-0.6	0.145	2.7
1992	0.020	-1.3	0.017	-0.8	0.186	-0.6	0.149	2.9
1993	0.020	-0.5	0.017	0.1	0.194	-1.2	0.153	2.9
1994	0.020	0.1	0.017	0.3	0.180	-2.0	0.157	2.8
1995	0.020	0.0	0.017	0.0	0.181	0.3	0.161	2.7
1996	0.020	0.0	0.017	0.0	0.190	5.3	0.170	5.4
1997	0.020	0.0	0.017	0.0	0.198	3.8	0.182	7.0
1998	0.020	0.0	0.017	0.0	0.206	4.3	0.195	7.0

COMPOUND ANNUAL GROWTH RATES

1970-1977	8.1%	15.0%	6.2%	18.2%
1977-1983	2.5	1.0	9.0	0.7
1983-1988	-1.0	0.0	4.4	2.2
1988-1993	-1.0	0.0	-0.3	2.7
1993-1998	0.0	0.0	2.3	5.0
1978-1998	-0.5	0.3	3.4	2.7

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CONSERVATION AND
LOAD MANAGEMENT

CONSERVATION AND LOAD MANAGEMENT

In the past few years two new elements affecting the demand for electricity have appeared on the energy scene -- conservation and load management. People have become increasingly aware of their use of energy and how consumption might be reduced. Both utilities and government agencies are implementing programs which will induce consumers to reduce voluntarily their consumption of electricity. In addition to these voluntary programs, publicly mandated standards have recently been or soon will be adopted to require more efficient uses of energy, specifically on an end-use basis.

Projections of the impacts of these various conservation programs on electricity (Table X) and the impacts of conservation and load management on electric peak demands (Table XI) in the period 1978 to 1998 are included in the forecast. The projections include impacts of mandatory conservation regulations (appliance efficiency standards and residential and non-residential building standards), proposed load management standards, PGandE sponsored voluntary conservation and load management programs, and conservation programs administered by other organizations. Portions of conservation impacts have been implicitly included in the energy forecast through the price mechanism. The remaining conservation impacts are applied to the forecast to reflect the complete impact of conservation and load management. This method of incorporating conservation into the forecast avoids double counting. That is, it prevents the same conservation impacts from being subtracted from the forecast more than once.

The impact of conservation and load management programs in 1978 is based on the programs in progress and those being actively planned. Projections of impacts

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in years beyond 1978 are based on potential impacts of expanded conservation and load management programs in the various market sectors, including continuation of on-going programs, i.e., ceiling insulation, energy audits, agricultural pump testing, time-of-use pricing, the scheduled implementation of mandatory State standards, etc. Specific programs to exploit the identified conservation and load management potential in each major market sector will be developed in future years as more experience is gained from current conservation programs.

Conservation programs are developed with the primary objective of reducing the customer's end use energy requirements. Voltage reduction programs are implemented at the system distribution level to achieve energy reductions. Associated with the energy reduction can be a reduction of the peak demand requirements. Additionally, load management programs designed to reduce or shift peak demands do not materially influence energy savings but impact system peak demand.

Near term conservation and load management impacts are based on current programs and the implementation of significant new supplemental programs. The impact of future programs which are logical extensions of the current programs have been included. The combined impact of all programs provides the most realistic assessment or "most likely" estimate of conservation and load management impacts which can be made from presently available data. In the next 20-year period, it is reasonable to assume that other conservation and load management programs may evolve that will have an additional impact on energy and peak demand or replace some programs included in this projection. However, the precise nature and structure of these future programs and their attendant savings are impossible to determine.

Pacific Gas and Electric Company

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Conservation and load management impacts shown in this presentation represent the vigorous support of conservation and load management programs implemented by PGandE. However, it should be cautioned that there has only been limited experience to date with any of these programs from which to confidently estimate their impact on the future demand for electricity or their cost effectiveness. As additional research and experience with conservation and/or load management programs is obtained, it will be prudent to modify specific programs to achieve cost effective savings. As specific programs are modified, the long run impact of conservation and/or load management on the demand for electricity will be reevaluated.

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TABLE X

PACIFIC GAS AND ELECTRIC COMPANY
 ESTIMATES OF CONSERVATION AND LOAD MANAGEMENT
 IMPACTS ON TOTAL AREA ELECTRIC ENERGY LOAD
 YEARS 1978-1987

(Millions of Kwh)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
<u>Conservation Impacts:</u>										
<u>Company Sponsored Programs:</u>										
<u>Customer Directed Programs</u>										
<u>Residential</u>										
New Homes	25	61	94	132	164	190	208	208	208	208
Retrofit Homes	17	31	37	40	44	44	44	44	44	44
Appliance and Devices	34	87	139	196	236	279	292	299	299	299
General Awareness	25	83	94	106	117	129	142	156	172	189
<u>Total</u>	<u>102</u>	<u>262</u>	<u>364</u>	<u>474</u>	<u>563</u>	<u>633</u>	<u>686</u>	<u>707</u>	<u>723</u>	<u>734</u>
Commercial/Industrial (Audits and Related Support Programs)	185	516	961	1,467	1,791	2,197	2,468	2,820	3,078	3,289
Agriculture (Audits, Seminars, Pump Tests and Computer Irrigation)	5	9	21	39	46	81	100	124	152	168
Solar (Residential, Commercial and Industrial Systems)	0	2	2	4	7	15	27	35	46	68
<u>Total Customer Directed Programs</u>	<u>292</u>	<u>799</u>	<u>1,350</u>	<u>1,954</u>	<u>2,417</u>	<u>2,928</u>	<u>3,281</u>	<u>3,686</u>	<u>3,949</u>	<u>4,254</u>
Voltage Reduction Program	600	618	640	666	650	715	742	771	804	838
Street Light Conversion	12	57	123	190	238	264	277	291	302	311
<u>Total Company Sponsored Programs</u>	<u>904</u>	<u>1,464</u>	<u>2,113</u>	<u>2,840</u>	<u>3,245</u>	<u>3,905</u>	<u>4,300</u>	<u>4,748</u>	<u>5,056</u>	<u>5,408</u>
<u>Mandatory Programs:</u>										
Appliance Efficiency Standards and Residential Building Standards	14	320	624	929	1,735	1,511	1,786	2,059	2,332	2,606
Non-Residential Building Standards	174	251	349	437	525	613	702	791	880	969
<u>Total Mandatory Programs</u>	<u>188</u>	<u>581</u>	<u>973</u>	<u>1,366</u>	<u>1,760</u>	<u>2,124</u>	<u>2,488</u>	<u>2,850</u>	<u>3,212</u>	<u>3,575</u>
Other Conservation Impacts:	103	185	368	480	584	678	773	876	975	1,078
<u>Total Conservation Impacts</u>	<u>1,195</u>	<u>2,231</u>	<u>3,454</u>	<u>4,686</u>	<u>5,689</u>	<u>6,707</u>	<u>7,561</u>	<u>8,474</u>	<u>9,242</u>	<u>10,061</u>
<u>Load Management Impacts:</u>										
<u>(Company Sponsored)</u>										
<u>Total Conservation and Load Management Impacts</u>	<u>1,195</u>	<u>2,231</u>	<u>3,454</u>	<u>4,686</u>	<u>5,689</u>	<u>6,707</u>	<u>7,561</u>	<u>8,474</u>	<u>9,242</u>	<u>10,061</u>

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TABLE X
Continued

PACIFIC GAS AND ELECTRIC COMPANY
ESTIMATES OF CONSERVATION AND LOAD MANAGEMENT
IMPACTS ON TOTAL AREA ELECTRIC ENERGY LOAD
YEARS 1988-1998

(Millions of kWh)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
<u>Conservation Impacts:</u>											
Company Sponsored Programs:											
Customer Directed Programs											
Residential											
New Homes	184	184	184	184	184	184	147	147	147	115	115
Retrofit Homes	44	44	44	44	44	44	44	44	44	44	27
Appliance and Devices	266	279	270	254	237	207	181	157	140	126	117
General Awareness	208	221	233	244	255	270	284	298	314	322	350
Total	722	728	731	726	721	705	656	646	645	617	601
Commercial/Industrial (Audits and Related Support Programs)	3,422	3,636	3,758	3,969	4,103	4,336	4,491	4,721	4,889	5,195	5,416
Agriculture (Audits, Seminars, Pump Tests and Computer Irrigation)	178	190	214	238	257	281	306	324	341	359	370
Solar (Residential, Commercial and Industrial Systems)	96	132	173	216	250	300	339	379	424	473	532
Total Customer Directed Programs	4,418	4,686	4,876	5,149	5,341	5,627	5,201	6,070	6,299	6,644	6,922
Voltage Reduction Program	874	913	949	986	1,026	1,068	1,110	1,153	1,203	1,258	1,313
Street Light Conversion	321	330	340	349	359	368	377	387	396	406	415
Total Company Sponsored Programs	5,513	5,929	6,165	6,484	6,726	7,058	6,768	7,610	7,898	8,208	8,650
Mandatory Programs:											
Appliance Efficiency Standards and Residential Building Standards	2,053	3,098	3,342	3,585	3,827	4,058	4,287	4,516	4,743	4,971	5,098
Non-Residential Building Standards	1,058	1,148	1,238	1,328	1,419	1,510	1,601	1,692	1,784	1,875	1,967
Total Mandatory Programs	3,911	4,246	4,580	4,913	5,246	5,568	5,888	6,208	6,527	6,846	7,065
Other Conservation Impacts:	1,172	1,269	1,369	1,475	1,502	1,691	2,310	1,932	2,060	2,199	2,442
Total Conservation Impacts	10,696	11,444	12,114	12,872	13,554	14,320	14,966	15,750	16,495	17,353	18,157
<u>Load Management Impacts:</u>											
(Company Sponsored)											
Total Conservation and Load Management Impacts	10,696	11,444	12,114	12,872	13,554	14,320	14,966	15,750	16,495	17,353	18,157

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PACIFIC GAS AND ELECTRIC COMPANY
 ESTIMATES OF CONSERVATION AND LOAD MANAGEMENT
 IMPACTS ON TOTAL AREA ELECTRIC PEAK LOAD
 YEARS 1978-1998
 MEGAWATTS

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
<u>Conservation Impacts:</u>											
Company sponsored programs											
Residential:	9	23	32	42	49	56	60	62	63	65	63
Commercial-Industrial:	31	87	167	247	302	370	416	475	510	554	576
Agriculture:	1	7	5	10	14	20	25	31	38	42	45
Solar:	0	0	0	0	0	0	0	0	0	0	0
Voltage reduction:	59	61	63	65	67	70	72	75	78	81	84
Total:	100	173	267	364	432	516	573	643	689	742	768
Mandatory programs											
Appliance efficiency standards:	0	27	116	177	239	290	343	396	450	505	550
Residential building standards:	0	0	19	26	33	41	50	59	68	78	88
Non-residential building standards:	31	47	63	79	95	111	127	143	159	175	191
Total:	31	74	198	282	367	442	520	598	677	758	829
Other programs											
	3	6	23	44	47	43	46	52	57	63	68
Total conservation impacts:	134	253	483	690	846	1,001	1,139	1,293	1,423	1,563	1,665
<u>Load Management Impacts:</u>											
Time-of-use pricing											
Commercial-Industrial over 100 Kw:	21	31	45	60	84	105	127	151	177	206	237
Agricultural > 75 HP:	0	0	13	18	20	27	24	26	28	30	32
Total:	21	31	58	78	104	127	151	177	205	236	269
Load deferral:											
Residential central air conditioning:	0	0	40	84	80	90	93	95	99	102	104
Commercial air conditioning:	0	0	3	27	60	85	104	119	130	141	153
Residential water heating:	0	0	7	14	15	15	16	16	16	17	17
Swimming pool filters:	9	65	95	104	108	112	117	121	120	117	121
Total:	9	65	145	229	271	307	330	351	366	377	395
Interruption											
Agricultural load control:	0	0	5	18	28	32	35	39	39	39	39
Total load management impacts:	30	96	208	325	403	461	516	567	609	652	703
Total conservation and load management impacts:	164	349	692	1,015	1,249	1,462	1,655	1,860	2,032	2,215	2,368

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PACIFIC GAS AND ELECTRIC COMPANY
ESTIMATES OF CONSERVATION AND LOAD MANAGEMENT
IMPACTS ON TOTAL AREA ELECTRIC PEAK LOAD
YEARS 1978-1998
MEGAWATTS

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
<u>Conservation Impacts:</u>										
Company sponsored programs										
Residential	64	64	64	63	62	58	57	57	54	53
Commercial-Industrial	612	637	668	691	730	755	795	823	875	912
Agriculture	48	54	60	65	71	77	81	86	90	93
Solar	0	0	0	0	0	0	0	0	0	0
Voltage reduction	87	90	94	97	100	104	107	111	115	120
Total	811	841	885	916	963	944	1,040	1,077	1,134	1,177
Mandatory programs										
Appliance efficiency standards	594	639	684	729	766	804	841	878	914	1,002
Residential building standards	98	109	120	132	145	159	173	187	201	217
Non-residential building standards	207	223	239	256	272	288	305	321	338	354
Total	899	972	1,043	1,117	1,183	1,251	1,319	1,386	1,453	1,573
Other programs										
	74	80	87	95	103	112	123	134	147	163
Total conservation impacts	1,784	1,893	2,016	2,126	2,249	2,357	2,482	2,597	2,734	2,813
<u>Load Management Impacts:</u>										
Time-of-use pricing										
Commercial-Industrial over 100 KW	271	307	346	387	432	479	528	574	613	656
Agricultural > 35 HP	35	36	38	38	38	38	37	37	37	37
Total	306	343	384	425	470	517	565	611	650	693
Load deferral										
Residential central air conditioning	107	109	112	116	118	121	123	127	130	134
Commercial air conditioning	165	178	182	186	190	196	200	205	210	214
Residential water heating	18	18	18	19	19	20	20	21	21	22
Swimming pool filters	125	129	127	124	129	132	134	132	120	132
Total	415	434	439	445	455	469	477	485	489	502
Interruption										
Agricultural load control	39	39	38	38	38	38	37	37	37	37
Total load management impacts	760	816	861	908	963	1,024	1,079	1,133	1,176	1,232
Total conservation and load management impacts	2,544	2,709	2,877	3,036	3,212	3,381	3,561	3,730	3,910	4,145

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UNCERTAINTY

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UNCERTAINTY

The forecasts of electric energy and peak demand contained in the first two sections of this document represent the results of PGandE's analysis of the most likely course of future electric loads. In addition to these forecasts however, PGandE has investigated the uncertainty associated with future loads. Recognition of the fact that complete information about the future is unavailable suggests that analysis of the causes and an estimate of the amount of uncertainty should be useful. It also suggests that techniques might be developed to reduce the amount of uncertainty.

One attempt to reduce the amount of uncertainty was the development by PGandE of sophisticated models of electric energy and peak demand. The models incorporate into the forecasting process the most important factors affecting the level of loads. Energy prices, economic and demographic conditions, weather, the saturation of air conditioners, conservation, regulatory policies, and other factors all contribute to the actual energy and peak demand levels. The models determine the impact each factor has on loads, thereby providing a systematic framework for developing a forecast. Despite the formalization of the forecasting process two significant causes of uncertainty remain. First, the future level of the factors affecting demand is not known with certainty. Second, the models, which are themselves based on probability, would not forecast perfectly even if all future values of important factors were known. These considerations have led PGandE to investigate the degree of uncertainty associated with the most likely forecast and to determine within what bounds the loads are most likely to occur.

Two measures of uncertainty have been analyzed. The first makes certain assumptions about the probability of actual loads diverging from the forecast and develops a range in which the actual load can be expected to fall with some amount of confidence. The second technique makes alternative assumptions about the future demographic, economic, conservation, and energy price conditions. Forecast scenarios based on these assumptions demonstrate the causes for a possible divergence from the most likely forecast.

The first technique develops a range associated with the most likely electric energy and peak demand forecast by using a Monte Carlo simulation to randomly generate many different forecasts. This process produced the bands of uncertainty shown in Figures VII and VIII. Ninety-five percent of the simulations closest to the most likely forecast all fell within the band. The electric energy growth rate for the years 1977 through 1999 has a 95 percent chance of being between 2.0 percent and 5.1 percent per year. Likewise, the peak demand growth has a 95 percent chance of being between 2.0 percent and 4.8 percent per year. In 1985, for example, the electric peak demand has a 95 percent chance of being somewhere between 4,185 MW above or 4,235 MW below the most likely forecast of 18,899 MW.

In addition to the band of uncertainty, PGandE examined scenarios to determine the extent to which different economic, demographic, conservation, and price conditions may cause loads to differ from the most likely forecast. A description of the scenarios is shown in Table XII. The more rapid growth scenario includes projections of economic conditions more optimistic than those in the most likely forecast. For example, the rate of real growth of income/capita

for this scenario is 2.8 percent per year, compared to 2.1 percent per year in the most likely forecast and -0.03 percent per year in the less rapid growth scenario. The alternative scenarios also reflect the impact of alternative levels of demographic growth. While the most likely forecast uses the Department of Finance (DOF) E-150 projection which has an implied growth rate of 1.8 percent per year in households, the more rapid growth scenario assumes a growth rate in households similar to that in the DOF D-225 projection, 2.4 percent per year. The less rapid growth scenario uses a growth rate in households which is similar to that in the DOF F-75 projections, 1.5 percent per year. Energy prices and the impact of conservation are also altered in the scenario analysis. The real price of electricity grows one percent per year less in the more rapid growth forecast than it does in the most likely forecast. In the less rapid growth scenario, real electric prices grow at one percent per ~~year~~ more than in the most likely forecast. In the more rapid growth scenario, no additional electric energy conservation adjustments are made, but a small adjustment to peak demand is made for load management. In the less rapid growth scenario the amount of additional conservation included is the same as that used in the most likely forecast. The results of the simulations and scenarios for area electric energy load are shown in Figure IX and Table XIII.

These alternative energy estimates impact the non-weather-sensitive demand component of peak demand. In addition, alternative assumptions are made about the sensitivity of peak demand to weather. The results of the simulations and scenarios for area electric peak demand are shown in Figure X and Table XIII.

The alternative energy and peak demand scenarios represent future paths of electric loads with more rapid and less rapid rates of growth than the most

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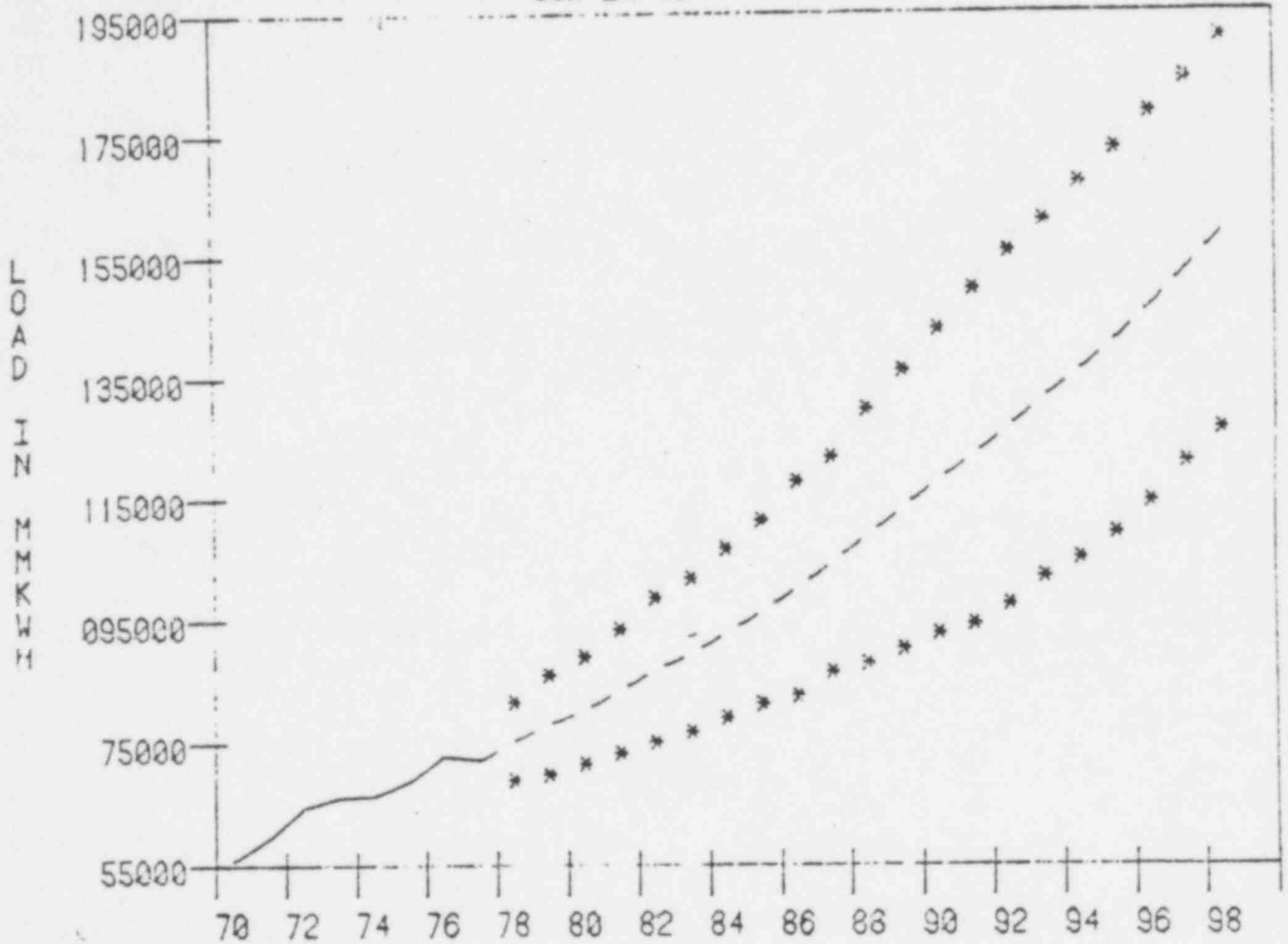
likely forecast. The assumptions have been combined to produce a divergence from the most likely forecast and approach the bounds of the bands of uncertainty. By 1998 the more rapid growth scenario of total area load exceeds the most likely forecast by 37 billion KWH or approximately 24 percent. To achieve this level will require growth at a rate of 4.8 percent per year. Similarly, the less rapid scenario is 42 billion KWH below the most likely by 1998 and requires a growth rate of only 2.1 percent per year. In view of historical patterns, both scenarios currently appear unlikely, but they do serve to demonstrate the causes and possible magnitude of a divergence from the most likely forecast.

The same analysis exists for the forecast of electric peak demand. There too the alternative scenarios approach the bounds of the bands of uncertainty. Still, if the forecasts are used optimally, recognition of the possibility of a departure from the most likely within these bounds is necessary.

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FIGURE VII

PACIFIC GAS AND ELECTRIC COMPANY
FORECAST OF ELECTRIC ENERGY LOAD
WITH ASSOCIATED REGION OF UNCERTAINTY
95% LEVEL OF CONFIDENCE



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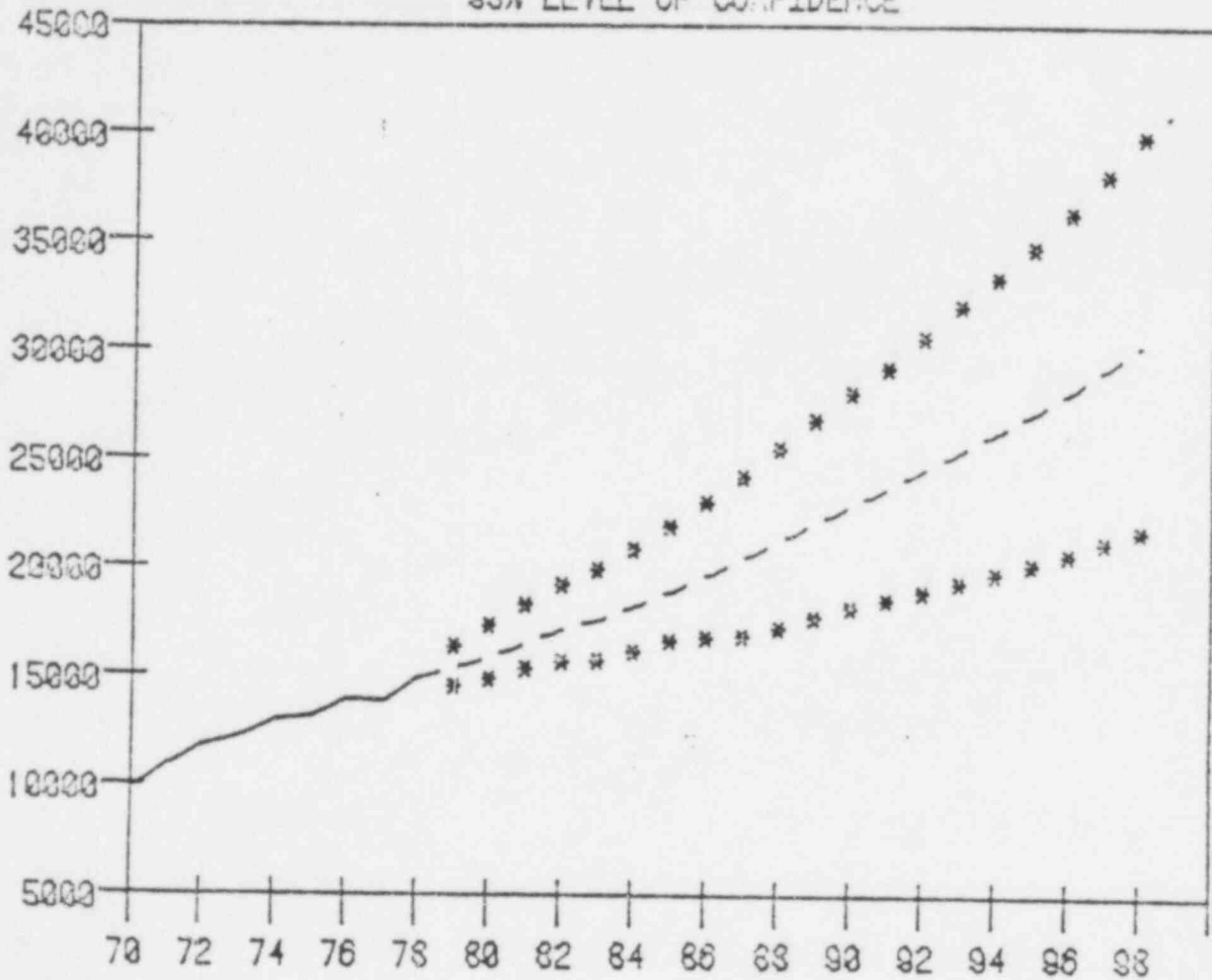
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PACIFIC GAS AND ELECTRIC COMPANY
FORECAST OF ELECTRIC PEAK DEMAND
WITH ASSOCIATED REGION OF UNCERTAINTY
95% LEVEL OF CONFIDENCE

FIGURE VIII

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Table XII

PACIFIC GAS AND ELECTRIC COMPANY
 ASSUMPTIONS UNDERLYING ELECTRIC ENERGY AND
 PEAK DEMAND FORECAST SCENARIOS

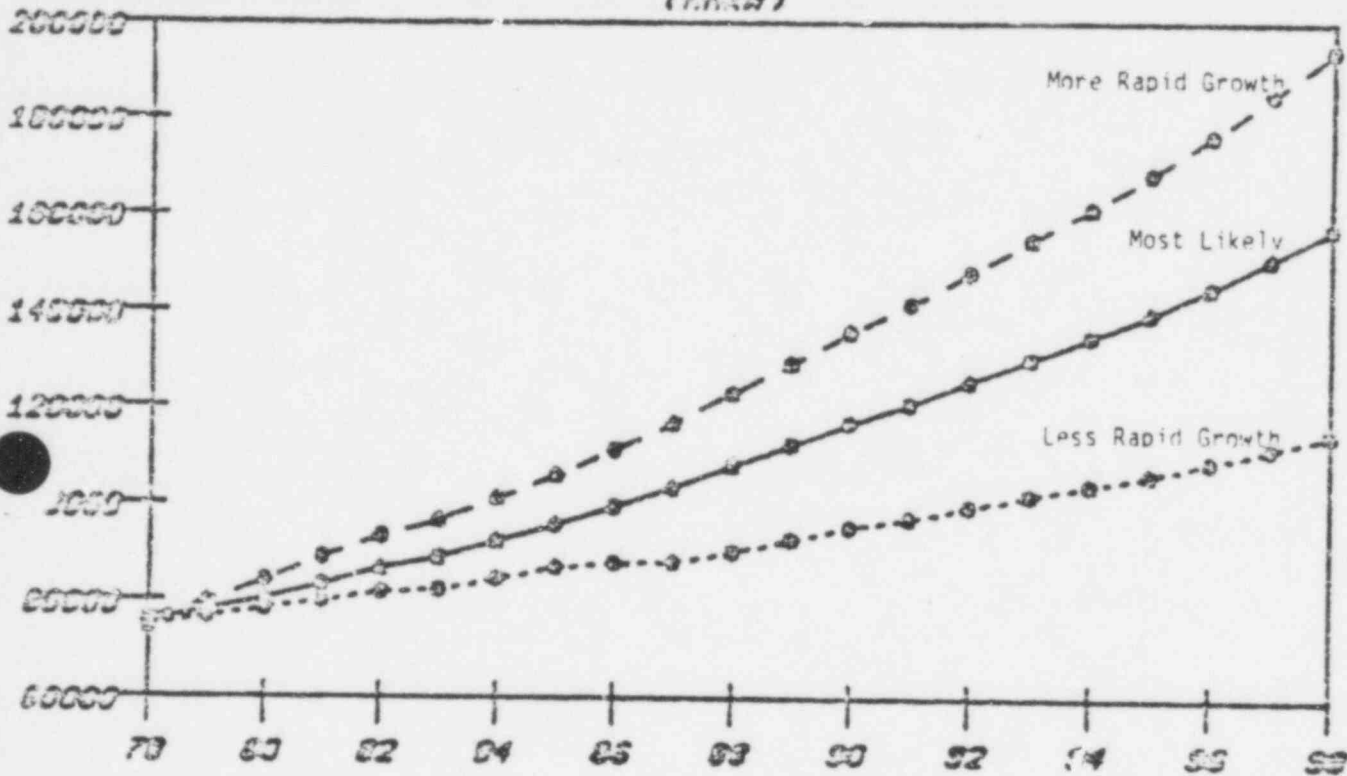
<u>Assumptions</u>	<u>Most Likely Growth</u>	<u>More Rapid Growth</u>	<u>Less Rapid Growth</u>
a) Population/Households	Department of Finance - E-150	Department of Finance - D-225	Department of Finance - F-75
b) Economic Conditions	Steady Long Term Growth	Rapid Economic Growth	Slow Economic Growth
c) Energy Prices	Most Likely Estimate	Growth Rate One Percent Per Year Lower Than Most Likely Estimate	Growth Rate One Percent Per Year Higher Than Most Likely Estimate
d) Conservation	Adjusted for Additional Conservation and Voltage Reduction	No Additional Conservation	Adjusted for Additional Conservation and Voltage Reduction
e) Air Conditioning Saturation	Most Likely Estimate	Function of High Energy Growth	Function of Low Energy Growth
f) Sensitivity of Peak Demand of Weather	Most Likely Estimate	1974 Estimate	Historical Mean

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FIGURE IX

PACIFIC GAS AND ELECTRIC COMPANY
COMPARISON OF FORECAST SCENARIOS - TOTAL AREA LOAD
1970 TO 1999
(MW)



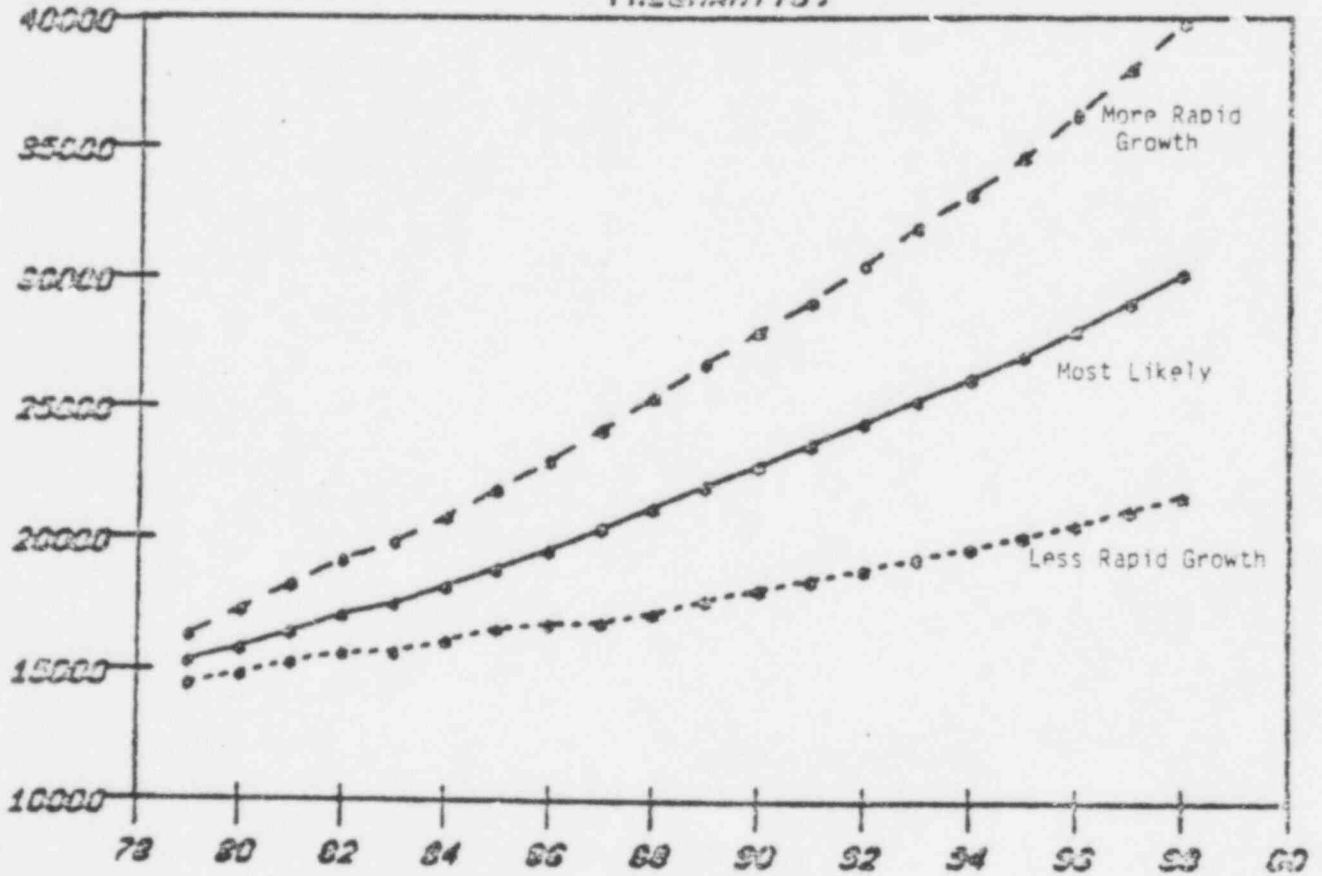
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FIGURE X

PACIFIC GAS AND ELECTRIC COMPANY
COMPARISON OF FORECAST SCENARIOS - TOTAL PEAK DEMAND
1978 TO 1999
(MEGAWATTS)



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TABLE XIII

PACIFIC GAS AND ELECTRIC COMPANY
 COMPARISON OF FORECAST SCENARIOS
 TOTAL AREA ENERGY LOAD AND
 TOTAL AREA PEAK DEMAND

ENERGY
 (Millions of KWH)

Year	Most Likely	More Rapid	Difference	Percent Difference	Less Rapid	Difference	Percent Difference
1980	80,263	84,057	3,794	4.7	78,268	-1,995	-2.5
1985	95,525	105,801	10,276	10.8	86,678	-8,847	-9.3
1990	116,707	135,543	18,836	16.1	95,159	-21,548	-18.5
1995	139,349	168,202	28,853	20.7	106,063	-33,286	-23.9

PEAK
 (Megawatts)

1980	15,873	17,320	1,447	9.1	14,862	-1,011	-6.4
1985	18,899	21,910	3,011	15.9	16,642	-2,257	-11.9
1990	22,892	28,043	5,151	22.5	18,177	-4,715	-20.6
1995	27,119	34,742	7,623	28.1	20,194	-6,925	-25.5

540 214

POOR ORIGINAL

Z 4 L 104034 *CS PAC*
CWT

STATE OF CALIFORNIA—RESOURCES AGENCY

EDUARDO G. BROWN

DEPARTMENT OF WATER RESOURCES
CALIFORNIA WATER COMMISSION
SACRAMENTO

ATTACHMENT 2

Address All Communications to:
The Chairman of the Commission
P. O. Box 308
Sacramento 95802
Phone: (916) 445-2710

JCM
M+M
LRM

December 6, 1973

your Department
should have
input
to this preparation

LAW DEPARTMENT
GENERAL FILES
COPY 029 341

RECEIVED
JOHN F. BONNER

DEC 8 1973

Mr. John F. Bonner, President
Pacific Gas and Electric Co.
77 Beale Street, Room 3003
San Francisco, CA 94106

also. Clear
work with BWS/NHD

Dear Mr. Bonner:

cc: BWS/NHD 12/12

From
To: See previous
2. file
re: preparation
12/12

The California Water Commission will conduct a workshop to assess coal as an energy source for the California State Water Project. It will be held in the Resources Building Auditorium, 1410 Ninth Street in Sacramento on February 1, 1979, beginning at 1:30 p.m.

Invitations to participate in the workshop are being extended to the Department of Water Resources to present its program for the development of the 1000 MW coal-fired power plant; the Air Resources Board on California's air quality regulations as they pertain to siting a coal-fired power plant; the U. S. Department of Energy to discuss the role of coal in the National Energy Policy; the Energy Commission to describe California's Regulatory Process; and the Electrical Power Research Institute to discuss the state-of-the-art of new technologies for coal-fired power plants.

This workshop should not be construed as a forum to debate public versus private power involvement and while I am personally an advocate of nuclear energy this would not be an appropriate place to discuss this energy source.

We would welcome any comments you would care to make regarding alternative programs to assure an adequate power supply for the State Water Project and the people of California. We look forward to your participation.

Sincerely,

540 215

Scott E. Franklin
Scott E. Franklin
Chairman

cc: Donald McCrea

We could not debate public v. private power or nuclear v. coal! But we could attack State expenditures for studies and construction of State steam plant and transmission line over and above fees needed for pumping power.

POOR ORIGINAL



TRANSFORMING AND ELECTRIC BUS-9.3 1

ATTACHMENT 25

G-2
(u)

COPY

Governmental and Public Affairs
026.43

RECEIVED
F. W. MIELKE, JR.
DEC - 1 1970

State Water Project Budget
Report of California Water Commission
to Department of Water Resources

Com B.
RBD / ZW
12/3
(Info)

December 1, 1970

MR. B. W. SHACKELFORD:

Attached for your information is a copy of a recent report to the Department of Water Resources by the California Water Commission on the FY 1971-72 State Water Project Budget.

It is interesting to note that on page 3 of the report, the Water Contractors have expressed concern with the economics of the Department's Power Office, noting that "power purchases for FY 71-72 will be in excess of one-third of the total operations and maintenance budget and that these costs will soon constitute more than one-half of operation and maintenance expenditures."

Expressions of this sort indicating the relative magnitude of the cost of power purchases may eventually lead to the Department to once again study the economic feasibility of state construction of steam plant generation to provide pumping power for the State Water Project.

A. R. TODD

540 216

DSMcCrea:sl

- cc JFDonner
- FWMielke, Jr.
- JDWorthington
- EPBraun
- MHDaines

enclosure

POOR ORIGINAL

REPORT TO THE DEPARTMENT OF WATER RESOURCES
by
THE CALIFORNIA WATER COMMISSION
ON A REVIEW OF THE STATE WATER PROJECT BUDGET

The State Water Project Budget Review Committee met October 9 with representatives of the Water Service Contractors to receive their comments on the Project budget.

Staff of the Commission had monitored meetings between representatives of the Water Contractors and the Department of Water Resources August 19 and September 10.

After consideration of the written and oral comments of the Water Contractors, the following comments of the Commission are submitted:

The Water Service Contractors suggest that the Department undertake the necessary management review to reduce management and general administrative costs. Special attention should be given to opportunities for reduction in supervision in the executive elements of the Department commensurate with reduction in total staff.

The present schedule for the Middle Fork Eel River development has Bulletin No. 175, The Middle Fork Eel River Advance Planning, scheduled to be completed in November 1971. However, an appendix on environmental effects will not be completed until about March 1972. Consideration should be given to delaying Bulletin 175 so that it will not be released ahead of the appendix on evaluation of environmental effects. This could allow a reduction in the program for 1971-72 to approximately \$400,000. With the delay in requirement for

this source of water that can be postulated from the stretch-out in water demands, a level of funding in the subsequent year of about \$250,000 should be considered.

The Department of Water Resources had the benefit of the best ability available in developing its specifications and requirements for cement and concrete. Care should be exercised that the reviews recommended do not bring about an undesirable relaxation of these standards.

The Department's program for property management and the disposal of surplus land was not brought into clear focus during discussions between representatives of the Contractors and the Department staff. A part of this program is a continuing function of the proper operation of the State Water Project, the management of Project land. While day-to-day management of this land is a part of the operation and maintenance of the Project, there are and will continue to be increasing management efforts which at this time seem appropriate for a separate headquarters-based program. These include handling the requests for rights-of-way and easements across Project land and possible other land involvements which benefit from a centralized staff with expertise not generally found within the operations staff. On the other hand, the disposal of surplus land is a part of the existing headquarters program which will phase out with a corresponding reduction in staff and budget.

The program elements, however, were not sufficiently detailed to determine what part of the \$363,000 proposed budget

for fiscal 1971-72 related to property management versus surplus land identification and disposal.

It should be recognized that some property management must continue throughout the life of the Project; and that the current level of work and budget for this function is not known to the Contractors nor the Commission.

It should be recognized also that the identification and disposal of surplus land cannot be accomplished within a two-year period from this date. Perhaps it could be accomplished about two years after acquisition and construction; but the Contractors should not be misled to expect faster performance. Nonetheless, we agree the Department should not make a major activity out of disposal of surplus property and its interim management.

The Contractors expressed concern with economies in the Department's Power Office. It was noted that power purchases for fiscal 1971-72 will be in excess of one-third of the total operations and maintenance budget and that these costs will soon constitute more than one-half of operation and maintenance expenditures. It is true that the cost of power is a major factor in operation of the Project. It is true that efficient operation of reservoirs can enable maximum use of off-peak power, and talented negotiations for the purchase of power can result in minimum operational costs. The Department, however, appears to have taken into account the need for minimizing power costs and maximizing operating efficiency in the considerations which were made prior to

implementing the economies within the Power Office. It is well to point out, nonetheless, that the Department should continue to assure itself that a sufficient, competent, and experienced staff is available within the Power Office. If the workload is increased by additional needs -- whether they be caused by expanded power facilities within the Project, by contract negotiation pressures, or by other causes -- the Department should be prepared to bolster the staff with well-qualified people to fully achieve its goals.

The Commission has not been able to assure itself that ground water monitoring programs carried on in conjunction with planned construction and with operation of the Project are not necessary. The Commission is convinced that the programs are sufficiently different from general fund monitoring of ground water levels to assure that there is insignificant, if any, duplication of effort. The Department, in several areas, has need to obtain a general picture of the existing ground water levels prior to and after construction of Project facilities. The Department has a responsibility to the public in these areas, as well as its responsibility to provide its consumers with a degree of protection against the possibility of litigation. These data are also needed along the Peripheral Canal alignment for design and for identification of wet and dry excavation for construction bidding. The degree of monitoring necessary to discharge these responsibilities requires a decision involving considerable judgment. The Department has exercised its judgment in deciding to maintain these programs,

A X F 6 8 5 9 3 6

and the Commission can find no reason to believe that the decision to do so was made with less than full consideration of all factors.

The Department will no doubt be interested, as was the Commission, in other comments of the Contractors; and the Department will no doubt respond directly to the Contractors on the items covered.

The Commission and its staff appreciate the assistance and cooperation of the Contractors and the Department during the months that the review of the 1971-72 budget for the State Water Project was accomplished.

540 221

A X E 8 4 6 9 8 7

ATTACHMENT 26

6-11

12(3)

RECEIVED

JOHN F. B

SEP 01



CITY OF ANAHEIM, CALIFORNIA

Handwritten notes and signatures in the top right margin.

August 26, 1976

Mr. John F. Bonner, President & Chief Executive Officer
Pacific Gas and Electric
77 Beale Street
San Francisco, California 94106

*ENT CO'S JWB
HPB*

Dear Mr. Bonner:

It has recently been brought to my attention that during certain times of the year and certain hours of the day, unused capacity may be available in the existing A.C. Intertie lines between the Pacific Northwest and the Pacific Southwest. Also, during certain times of the year, some of the generating capacity and energy in the Northwest is surplus and could be made available under certain conditions.

I would like to discuss with you the terms and conditions under which Anaheim might participate in such excess or surplus transmission capacity in the A.C. Intertie line.

Anaheim has a present agreement with the Southern California Edison Company which may provide transmission service to Anaheim from Sylmar, and also additional specific transmission service agreements could be made with Southern California Edison, if necessary.

I would like to review and discuss this matter with you at your earliest convenience.

Very truly yours,

Handwritten signature of Gordon W. Hoyt

Gordon W. Hoyt
Utilities Director

GWH/GHE:mf

540 222

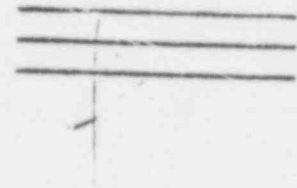
POOR ORIGINAL

COPY

ATTACHMENT 27

RECEIVED 3-11
JOHN F. BONNER (32/3)
OCT 1 - 1976

031



October , 1976

Mr. Gordon W. Hoyt
Utilities Director
City of Anaheim
P.O. Box 3222
Anaheim, California 92803

Dear Mr. Hoyt:

Mr. Bonner has asked me to reply to your letter to him of August 26, 1976, received September 21, concerning the availability of Pacific Gas and Electric Company's capacity in the Pacific Northwest-Pacific Southwest Intertie lines for transmission service to Anaheim.

Use of capacity in the PGandE transmission system not required to maintain reliability and provide service to its customers will first be made available to other power users in the PGandE service area, including entities which own, control or operate electric generation or distribution facilities for the primary purpose of selling power in the area. Until these requirements have been determined, we will not know whether any of our Intertie transmission capacity will be available for other purposes.

Sincerely,

ORIGINAL SIGNED BY
B. W. SHACKELFORD

BWS:hc

bcc w/8/26/76 ltr:	JFBonner ✓	WBKuder
	RHPeterson	EEHall
	RHGerdes	GWest, Jr.
	JDWorthington	TLLindberg
	HPBraun	HMHowe
	JCMorrissey	HRPerry
	MHFurbush	THoulihan

540 223

ZAL 1049275

ATTACHMENT 28

32-3

PUGET SOUND POWER & LIGHT COMPANY

PUGET POWER BUL. BING - (106) 414-6363
BELLEVUE, WASHINGTON 98003

OFFICE OF THE PRESIDENT

October 16, 1975

Mr. John F. Bonner, President
Pacific Gas & Electric Company
245 Market Street
San Francisco, California 94106

Dear Jack:

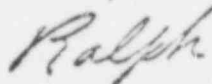
Puget Power has available for sale a substantial quantity of surplus energy on a "Share-the-Savings" basis. We have presumed that your company would be very much interested in purchasing such energy in order to displace energy from its more expensive oil-fired generating resources and have been notifying officials of your company of the availability of this energy daily since October 1, 1975. We have not sold a single kwh of this energy to any California utility.

We have concentrated our marketing efforts to date in California as it appeared to offer the best potential for oil displacement. However, if California utilities are not interested, then we are prepared to expand our offer to other areas.

A copy of our Share-the-Savings rate schedule (Puget PFC Electric Tariff, Original Volume No. 2), effective September 4, 1975, is enclosed. Also enclosed are two copies of a Service Agreement which I have executed.

If your company is interested in purchasing such energy from us on this basis, please execute and return to us one copy of the enclosed Service Agreement. If you are not interested, a response to that effect would be appreciated.

Very truly yours,



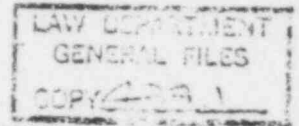
Ralph M. Davis
President

Enclosures

540 224

POOR ORIGINAL

COPY



October 24, 1975

Mr. Ralph M. Davis, President
Puget Sound Power & Light Company
Puget Power Building
Bellevue, Washington 98009

Dear Ralph:

Thank you for your letter of October 16 and the opportunity to purchase surplus energy from Puget.

In your letter you noted that on October 1, 1975 Puget initially offered to sell surplus energy to California utilities. Your offer followed P. G. and E.'s commitment to purchase significant amounts of energy produced at Hanford and Centralia. P. G. and E.'s fuel supply strategies for the immediate future were predicated upon the Hanford and Centralia commitments. The use of gas and oil fuel has been managed to meet various contract commitments in addition to providing a firm electric supply that could back up any off-system purchases subject to withdrawal. Consequently, because of the adverse effect that such purchase would have upon our operations, we are unable to purchase additional amounts of non-firm energy at this time. Very recently we have turned down offers of additional energy from both Hanford and Centralia.

You will recall that both Puget and P. G. and E. participated in meetings among Northwest and California systems on August 14, 1975 (Portland) and August 27, 1975 (San Francisco) at which times the current outlook for Northwest power was one of the subjects discussed. Unfortunately, at neither of these meetings did we learn that Puget expected to have an energy surplus available for export to California.

Because situations are changing constantly, we would appreciate being kept advised whenever either surplus hydro or coal-fired energy is available from your system. At such time that P. G. and E. can beneficially utilize your surplus energy consistent with its other commitments, we would be pleased to meet with you and discuss the terms for such delivery.

Sincerely,

Jack

(JOHN F. BONNER)

540 225

JFB:jw

bcc: JDWorthington HFBraun BWS Shackelford MHPurbush
PACrane LFKaprielian RFBenton

POOR ORIGINAL

September 14, 1970

Mr. Martin McDonoug
McDonough, Holland, Schwartz,
Allen & Wahrhaftig
520 Capitol Mall
Sacramento, California 95814

Dear Martin:

In your recent letter you inquired on behalf of Northern California Power Agency whether there was a possibility of joint participation by that organization with SMUD in the construction of its second nuclear plant. First, I should say that our second plant to be built -- probably but not necessarily at the Rancho Seco site -- may or may not be nuclear. The contract refers to that generation as Thermal Plant No. 2. Just what type of unit will be installed depends on future developments in the energy field. Also, NCPA should recognize that both Rancho Seco No. 1 and Thermal Unit No. 2 will be constructed solely at SMUD's expense and for the purpose of meeting SMUD's load. The undertaking is not a joint venture in any sense. In fact, joint participation by PG&E in our plants was never considered.

You ask whether NCPA might participate in SMUD's second thermal plant, probably by increasing its size, and you suggest the larger plant would produce lower priced power to the benefit of all. As explained to you and Bob Cowden and as you know from reading the SMUD-PG&E contract, this course of action is precluded since we have now committed the District to the construction of a plant of approximately the same size as Rancho Seco No. 1; i.e., about 930 megawatts, under the terms and conditions set forth in the contract. Further, you must consider that this agreement has large benefits for SMUD. The principal ones are these: (1) By sharing area reserves and providing backup when our plants are down for refueling or out of service due to emergency or other reasons, SMUD is placed in a position to build a large thermal plant so as to gain the advantages of a low-cost power supply. Only a large operating system such as PG&E can provide such backup. (2) Capacity and energy surplus to SMUD's needs will be sold to PG&E. Surplus capacity available in any month will be purchased. A great deal of energy is non-firm. With minor exceptions, PG&E has agreed to buy it all. Although

540 227
POOR ORIGINAL

Mr. Martin McDonough

-2-

September 14, 1970

it is possible that some of the capacity which could safely be predicted several years in advance as available for a year or more might have been sold to others, relatively little of this kind of power will be surplus. And, only a large system such as PG&E could absorb our non-firm energy and pay for capacity available on a monthly basis. (3) Surplus capacity and energy is to be "banked" by PG&E, with certain appropriate limits, so that power can be withdrawn in months when SMUD's load exceeds its generating capability. Since this will occur during the summer months of each year, the contract will enable SMUD to more fully utilize its resources and to postpone investment in new plants for many years beyond the date which otherwise would be required. For example, without this arrangement, SMUD would find it necessary to install a second power resource by about 1976 rather than 1980 as now contemplated.

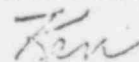
With these benefits accruing to SMUD, it seemed prudent to make certain of retaining them through the first two plants. Moreover, had this not been done, considering the long lead time required to plan and construct new resources of this type and magnitude, we would have been required to begin negotiations with PG&E regarding the second plant before the ink was dry on the present contract. Of course, the contract also had to provide substantial cost benefits running to PG&E. With these considerations in mind, we agreed that it was appropriate and reasonable for the contract to cover at least two plants.

With respect to your suggestion that the second thermal unit be enlarged, we have no information that nuclear units basically larger than Rancho Seco No. 1 are feasible. Our 930-mw plant is in the same general range as those being constructed by PG&E and others around the country. In fact, none of these larger plants is yet in operation let alone one in the 1500-mw range which I assume is what you suggest.

In summary, SMUD has executed a contract which was absolutely essential to the construction of a large nuclear plant by a relatively small entity such as our District. The plants are being built solely at SMUD's expense to meet SMUD's load. The contract has great benefits to our customers which cannot now be obtained in any other way. We do not wish to jeopardize them.

We are always glad to visit further with you and Bob Cowden or with any of your other representatives about this matter.

Sincerely,


E. K. Davis

POOR ORIGINAL

228

COPY

✓
EC.

April 2, 1976

Mr. William Walbridge
General Manager
Sacramento Municipal Utility District
6201 S Street, Box 19830
Sacramento, CA 95813

Dear Mr. Walbridge:

This is to acknowledge receipt of Mr. E. K. Davis' September 17, 1975, letter concerning Sacramento's request that certain transmission service be made available under the August 1, 1967, Extra High Voltage Transmission and Exchange Service Contract.

As you know, our respective representatives have discussed Sacramento's request for service on a number of occasions. The companies do not agree with Sacramento's claim that it now has the right to request such service under the contract. Accordingly, your requested alteration in the date on which you ask that service be commenced is noted, but on the condition that this is without prejudice to the contentions of the companies.

Sincerely,

E. K. DAVIS

GWest, Jr.:ga
bcc: JFBonner
JDWorthington
BWSackelford
MHPurbush
PACrane, Jr.
WBKuder
EFKaprielian
EEHall
HMHowe
WCTravis
TLBjindberg, Jr.
JFSias

540 229

Other Pool Companies

POOR ORIGINAL



No additional information
When...

... to ...
...
We were told
The hole you saw
Time to find ...
... in a ...
... ..

... ..
... ..
... ..
So we expect
well

... ..
... ..
... ..
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(over) 540 230

POOR ORIGINAL

24

[Faint, mostly illegible handwritten text, possibly a list or notes. Some words like "Hypocrite" and "with" are faintly visible.]

540 231

POOR ORIGINAL

I am sure you will
find it to be an important
role in rendering Elec +
Gas Service to Berk

Full Name

~~with~~

Close - with thanks
again. I can understand
why to spend the evening
with you -

As you go home
Please drive carefully!

540 232

POOR ORIGINAL

Z A L

CO 4072 *pl handle*
CC - JCM ✓ JFB
FWM
HPB
CO's sent 2/21

32-1
FILED
FILED
FILED
FILED
FILED



ATTACHMENT 34

CITY OF ANAHEIM, CALIFORNIA

NOTED

Office of the Mayor
Office of General Manager
Public Utilities Department

FEB 21 1979

February 14, 1979

Mr. John C. Gibbs
Executive Vice President
Nevada Power Company
Post Office Box 230
Las Vegas, Nevada 89151

LAW DEPARTMENT
GENERAL FILES
COPY 035

RECEIVED
B. W. SHACKELFORD
FEB 20 1979

Mr. Barton W. Shackelford
President
Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94106

Mr. William R. Gould
President
Southern California Edison Company
Post Office Box 800
Rosemead, CA 91770

File: (not copy)

Gentlemen:

Subject: Allen-Warner Project

Some time ago, I met with John Gibbs of Nevada Power Company to discuss, among other things, participation by Anaheim in the Allen-Warner Project. Mr. Gibbs indicated to me that each of your utilities would take the responsibility for responding to requests for participation in the project by municipal utilities located in your respective retail service areas. I wrote to Mr. Robert L. Myers of Southern California Edison Company last May to request project participation. Edison's reply directed me to contact Nevada Power Company.

Anaheim currently is interested in acquiring 100 mw of base load capacity from the Allen-Warner Project and perhaps a greater interest in the transmission facilities which will bring the power south and west. At a meeting held February 9, 1979 in Los Angeles, PGandE's representatives stated that Edison would be responsible for transmission facilities between the Allen Warner Project and Southern California.

Anaheim is currently a participant in the following projects

540 233

Messrs. Gibbs, Shackelford and Gould
February 14, 1979
Page 2

and feasibility studies: Intermountain Power Project, Lynndyl, Utah; San Onofre Nuclear Generating Station Units 2 and 3, San Clemente, California; Palo Verde Nuclear Generating Station, Units 4 and 5, Arizona; and the White Pine Project, Ely, Nevada. We have indicated our interest in participating in the California Coal Plant of Southern California Edison Company, site not determined, and the Stanislaus Nuclear Project of PG&E in Central California. We are currently discussing with Arizona Public Service Company the acquisition of a portion of Cholla Generating Station, Unit 4, near Joseph City, Arizona. We are in the process of opening negotiations with Public Service Company of New Mexico for capacity in San Juan, Unit 4 or Units 1 through 4. Anaheim participated in the San Joaquin Nuclear Project and the Sundesert Nuclear Project and we took our losses as did most other participants.

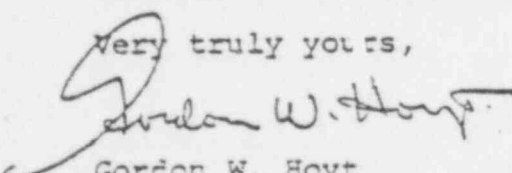
Anaheim's maximum demand in 1978 was about 400 mw and energy sales were about 1.8 billion kwh.

I have set forth all this information so that you may know that our small utility is looking for resources in five states, two of which are not even contiguous with California, all with the sole purpose of providing a reliable power supply for the City of Anaheim at the most economical cost. The transmission lines from many of these projects will pass through the retail service areas of various public and private utilities, seemingly with little problem. Our municipal utility intends to compete for and jointly develop bulk power supply and transmission projects with other public and private utilities irrespective of whose retail service area is involved. We intend to pay our own way and carry our own weight, we do not intend to place our burden on any other utility.

Please establish a procedure for responding to Anaheim's participation request.

Please inform me of the appropriate person to contact to fulfill Anaheim's interest in acquiring generating and transmission resources from the Warner-Allen Project.

Very truly yours,


Gordon W. Hoyt
General Manager

cc: Mr. Robert L. Myers, SCE

Z A M 1 0 0 5 1 0 1 :

ATTACHMENT 35

6-C

P G & E LAW DEPT. - PUC PROCEEDING.

FILE NO. Case 220

(21)

PACIFIC GAS AND ELECTRIC COMPANY

PG&E + 245 MARKET STREET · SAN FRANCISCO, CALIFORNIA 94103 · TELEPHONE 781-4211

September 25, 1967

Mr. Melvin E. Mezek
Public Utilities Commission
State of California
California State Building
San Francisco, California

Dear Mel:

In response to your recent request I am sending you some information regarding the Westlands Water District which you will find helpful in your analysis of our proposed advice. Enclosed are:

1. A memorandum pertaining to the furnishing of electric service to Westlands.
2. An analysis comparing the revenue and expenses per mile of line of distribution line. This analysis is for service rendered pursuant to the Westlands contract which is in addition to the normal wheeling service performed under the contract with the U.S.B.R.
3. A map showing the boundaries and area of Westlands Water District.
4. A statement, dated November 24, 1965, relating to Westlands Water District 1965 warrants. This statement is similar to a prospectus and gives a great deal of information regarding the District, its history, and its objectives.

As you know, Westlands is able, as a preference agency, to purchase its electrical needs from the C.U.P. The memorandum attached summarizes briefly the alternatives available to Westlands for obtaining its electrical supply.

Other than the method selected under the existing contract the most probable method for Westlands' supply was for it to build its own transmission system from Tracy and an extensive distribution system within the District boundaries. It is my understanding that such a system was designed by a consulting engineering firm. It would have paralleled much of our existing system, some of which might have been idled; the balance, however, would have had to remain in service.

540 235

Mr. Mezek

- 2 -

September 25, 1967

appropriate
~~and necessary~~
resulting loss of value of P.G. and E. facilities due to the economic waste caused by

The expenses of the remaining lines, together with the necessity of not having a competitive system, made it necessary for P.G. and E. to offer to distribute energy for Westlands to the ultimate points of use.

The one mill charge for this service (which is in addition to the normal wheeling service) will compensate P.G. and E. for its out-of-pocket expenses on the distribution lines and make a contribution towards return that is in line with the return attributable to agricultural service.

Based upon 1962-63 data it was estimated that the Westlands load would ultimately total 304,000,000 kwh per year and that P.G. and E.'s revenue (in addition to regular wheeling charges) would be \$304,000 which would not be available were Westlands to build its own distribution system.

Very truly yours,

J. F. Roberts
Manager, Rate Department

Encls.

26 Sept 67

POOR ORIGINAL

Note:

This transaction in which P&E provides + charge for a transmission of energy to a consumer was considered in view of FPC jurisdiction over transmission of energy in interstate commerce and it was thought that a FPC filing would be acceptable at the present time without deciding that FPC jurisdiction did not technically attach.

File 540 234

STATE LANDS DIVISION

37th STREET
SACRAMENTO, CALIFORNIA 95814

(916) 445-1012



April 16, 1976

File Ref.: W 5125.4

Pacific Gas & Electric Company
77 Beale Street
San Francisco, CA 94106

Gentlemen:

SUBJECT: Provision for Wheeling Power as Part of
Lease Document

The State Lands Commission has expressed concern over difficulties experienced by some local governments in attempting to obtain contracts for wheeling power from existing and potential generating sources to their urban distribution systems. To assist in resolving that portion of the problem where transmission lines cross state-owned waterways, the State Lands Commission is considering using special provisions in lease documents. These provisions would stipulate that whenever surplus capacity in fact exists in a transmission line crossing such State lands, excess capacity shall be made available, if requested, to publicly-owned distribution systems. The proposed language is attached.

As one of several with transmission lines which cross these lands, we solicit your comments on the Commission's proposal. Of particular importance would be statements with regard to your present policy concerning wheeling, any problems which now exist over wheeling power for others not having their own generating or transmission facilities and your assessment of the overall scope of the problem of wheeling power for cities and others having only distribution systems.

To facilitate the State Lands Commission's further consideration of this problem, we would appreciate your comments by April 30, 1976.

Sincerely,

James F. Brown
JAMES F. BROWN, Manager
Land Operations

JFT/cas

Attachment

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POOR ORIGINAL

PROPOSED PROVISION FOR WHEELING POWER

"The facilities occupying the lands described herein, as a condition of this lease, shall be made available, upon request, to publicly-owned power systems for the transmission of electrical energy, subject to reasonable charges therefor, whenever surplus capacity exists in said facilities. Surplus capacity shall be deemed to exist whenever the California Public Utilities Commission shall determine, pursuant to their procedures, that said facilities are not being utilized fully, or that reasonable alternate routing of power would make surplus capacity available in said facilities. This lease shall terminate upon 60 days written notice to lessee if the use of said facilities is not made to publicly-owned power systems when a surplus exists as defined above."

POOR ORIGINAL

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32(2)

May 19, 1976

Provision for Wheeling Power
as Part of Lease Document

Mr. James F. Trout
Manager, Land Operations
State Lands Division
1807 - 13th Street
Sacramento, CA 95814

Dear Mr. Trout:

This letter will provide Pacific Gas and Electric Company's (PGandE's) response to your letter of April 16, 1976, which requested the Company's comments on a proposal of the State Lands Commission to include a provision for wheeling power as part of leases of state lands managed by the State Lands Commission.

The Company believes that in view of its policy to provide transmission service to municipal electric systems and other public agencies, the proposed wheeling provision is unnecessary. Enclosed is PGandE's "Statement of Commitments" prepared in connection with the licensing of the Stanislaus Nuclear Project. The Statement, which has been reviewed and approved by the U. S. Department of Justice, describes at length the Company's commitment to provide wheeling services to various entities, including municipalities with electric distribution systems.

These commitments accommodate the highly complex technical problems involved in planning and operating an electric transmission system which must efficiently and reliably serve the instantaneous needs of millions of residential, commercial, and industrial customers located within an enormous geographical area which includes varying climatic and other environmental conditions.

In order to plan and develop an adequate and efficient transmission system, it is essential for the operator to know the timing, location, and characteristics of all sources of generation, the magnitude and location of the loads to be served, and the daily and seasonal variations projected for each.

540 239

POOR ORIGINAL

COPY

Mr. James F. Trout

May 19, 1976
Page 2

An efficiently planned transmission system is one that is reliable for various outage criteria and has a minimum amount of idle capacity. At any specific instant in time, a transmission system may have some excess capacity in certain lines, but be loaded at or near the load limit on other lines. Although spare transmission capacity sometimes results from economic planning for future growth, if the surplus capacity is provided to others, it could be very costly, maybe impractical, for the Company to replace when needed for its own customers.

PGandE already provides transmission service over its system, thereby enabling cities and other public agencies to receive power generated by non-PGandE resources. For example, for the past twenty-five years, the Company has provided transmission service from the Bureau of Reclamation's Central Valley Project to the Bureau's municipal customers and other public agencies. Similarly, the Company transmits power for the State of California's Department of Water Resources.

In addition to the transmission services the Company already provides, the Company has offered to provide additional transmission services to certain cities wishing to develop future generation resources. For example, the Company has offered to transmit power generated by the Northern California Power Agency from its proposed geothermal resource and its share of two nuclear power plants, San Joaquin and Rancho Seco Unit No. 2, to its member cities. Similarly, when the City of Redding informed PGandE that it was interested in ownership participation in Rancho Seco Unit No. 2, PGandE offered to transmit the City's power from the Rancho Seco plant to the Redding system.

When the Company's existing wheeling agreements are considered, together with the offers to provide wheeling and the Company's Statement of Commitments, it is clear that there is no need to develop a special lease provision.

PGandE wishes to cooperate with all governmental agencies and private parties in finding solutions to problems of mutual concern. We would be pleased to discuss any aspects of this problem with you.

Sincerely,

NOLAN H. DAINES

NHD:bg
Enclosure

bcc: JPBaumgartner	MAMacKillop
MHFurbush ✓	RCMiller
HVGolub	JCMorrissey
EEHall/EMHowe	HRPerry
SRKaderali/PJMatthews	BWShackelford
EFKaprielian/WCTravis	DPSpeir
WBKuder	ARTodd/CTWhite
TLindberg	GWest, Jr.

540 240

POOR ORIGINAL

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SCE

Southern California Edison Company

SPB	PG & E	
	MAY 12 1976	
	LAW DEPT.	FILE

P. O. BOX 300
 2244 WALNUT GROVE AVENUE
 ROSEMEAD, CALIFORNIA 91770

LAND DEPT. MAY 10 1976
 TCG
 LMM
 BG
 NWS
 RWO
 JWP

REC'DN FILE PREPLY UNREPLY

May 7, 1976

Mr. James F. Trout
 Manager, Land Operations
 1807 13th Street
 Sacramento, California 95814

Subject: Provision for Wheeling Power
 as Part of Lease Document
 (Your File W 5125.4)

Dear Mr. Trout:

This is in response to your letter of April 16, 1976 requesting comments on the State Lands Commission proposal to include a provision for wheeling power (transmission service) as part of lease documents associated with state-owned waterways over which transmission lines must cross.

Southern California Edison Company ("Edison") questions whether the State Lands Commission has the legal authority to impose the provision. First, the condition is imposed to benefit a third party or its customers, and not the state. As such, the condition is beyond the scope of Public Resources Code Sec. 6501.2, which authorizes the State Lands Commission to impose conditions which it "deems to be for the best interests of the state." Second, transmission of any energy in Edison's transmission system is in interstate commerce (FPC v. Florida Power & Light Co., 1972, 404 US 455, 30 L. Ed. 2d 600; FPC v. Southern California Edison Co., 1964, 376 US 205, 11 L. Ed. 2d 636). The State Lands Commission has no authority to mandate the transmission of electric energy in interstate commerce, as this is a matter that can only be regulated at the federal level.

Even if some local governments believe they are experiencing difficulty in attempting to obtain contracts for transmission service from existing and future generating sources to their urban distribution systems, and that the above approach is being considered by the Commission to alleviate these difficulties, this is certainly not the situation with respect to Edison's system.

540 241

POOR ORIGINAL

May 7, 1976

For the following reasons, Edison does not believe that it can be demonstrated to be in the best interests of Edison, its customers or the State to have a transmission service provision as part of state land leases for transmission lines which cross state-owned waterways or any other state lands:

1. Sufficient measures are already available to provide for Edison's cooperation with publicly-owned utility systems and others requesting transmission services. For example, under the conditions of Amendment No. 1 to the San Onofre Nuclear Generating Station, Unit 2 Construction Permit (Condition No. 6 in CPPR-97), a copy of which is attached, Edison has agreed to provide transmission service to other systems within and adjacent to its service territory, provided that such transmission can be found to be functionally, technically and economically feasible and can be effected without an adverse effect on service to its own customers. An identical condition is contained in the permit for Unit 3.

In addition, Edison has entered into settlement agreements with all of its large resale customers which contain provisions, among other things, relating to integrated operations and coordinated planning of customer resources with Edison resources, partial requirements service, transmission service, and participation by such customers in future Edison generating units. Edison's settlement agreement with the Cities of Anaheim, Banning and Riverside, dated August 4, 1972, was accepted by the Federal Power Commission, as set forth in its Opinion No. 654 issued March 19, 1973, in Docket No. E-7618.

2. Federal bodies, such as the Department of the Interior and Department of Agriculture, have established terms and conditions for the Federal Department's use of surplus capacity as it relates to transmission lines crossing federally-owned lands (Code of Federal Regulations: 43 CFR 2851.1-1(a)(5) and 36 CFR 251.52). For Edison, new transmission lines may likely cross both federal and state lands. In the event the State Lands Commission adopts the proposed provision, a conflict will develop over which governmental entity, federal or state, has jurisdiction over the use of the facilities' surplus capacity.

540 242

POOR ORIGINAL

May 7, 1976

The foregoing expresses our opinions with regard to your concept. In summary, Edison believes several questions, including those of legality and jurisdictional responsibility, must be answered before such a provision can be implemented. However, assuming such questions can be resolved to the satisfaction of all concerned, the "Proposed Provision for Wheeling Power" would still require extensive modification to make it acceptable. It is of primary concern that several important considerations which are essential to the development of such a provision are either too confusing in their application or not explicitly addressed in the draft. The following is meant to identify some of these important considerations, but is by no means a complete summary:

1. Any provision of this nature should be made applicable to all types of utilities, both publicly-owned and investor-owned. The State cannot, and should not, discriminate against the customers of an investor-owned utility in favor of those of a publicly-owned utility.
2. Transmission service for others should be required to be made available only when feasible from a functional, economic and technical standpoint, and when there is no adverse impact on the transmitting utility's customers. The determination of transmission surplus capacity can best be made by those owning the facilities in which surplus capacity is being requested. In the event that differences arise between the responsible agency and the facilities' owner regarding the feasibility and advisability of satisfying a request, a mechanism, established and defined in the Provision, must be utilized to resolve these differences.
3. Any provision for transmission service for others should contain specific conditions for discontinuing use when surplus capacity no longer exists in such transmission facilities.
4. Any provision for transmission service utilizing facilities' surplus capacity should contain an explicit definition of surplus capacity which includes consideration of factors or circumstances that may arise to reduce or eliminate said facilities' surplus capacity, such as reserving such surplus capacity to provide reliable service during outage or emergency conditions.

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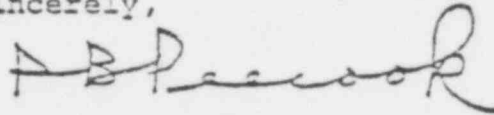
POOR ORIGINAL

May 7, 1976

5. Since the "Proposed Provision for Wheeling Power" is being considered for implementation, it is recommended that a mechanism be devised and implemented for those seeking leases and having justification for waiver or modification of the Provision. This is consistent with federal policy, as described earlier in this letter, and has been exercised in connection with many transmission lines, including the Pacific Northwest-Pacific Southwest Intertie Transmission Lines.
6. Edison believes that the 60-day lease termination notice does not provide adequate time to prepare a response to the notice or make appropriate alternate arrangements. A more equitable time period, between written notification and termination of the lease, is believed to be 180 days.

It is hoped that this response provides you with the information sought in your request. If Edison can be of further assistance regarding this matter, please contact us.

Sincerely,



P. B. Peacock, Manager
Right of Way and Land

540 244

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ATTACHMENT 39

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PACIFIC GAS AND ELECTRIC COMPANY

Service to

CITY OF PALO ALTO

Electric Resale Service

540 245

AGREEMENT FOR SALE OF ELECTRIC POWER AND ENERGY
BY PACIFIC GAS AND ELECTRIC COMPANY TO
CITY OF PALO ALTO

THIS AGREEMENT, made by and between CITY OF PALO ALTO, a California municipal corporation situated in the County of Santa Clara, State of California, hereinafter called City, and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called Pacific,

WITNESSETH that:

WHEREAS City now purchases electric power and energy from the United States of America, Department of Interior, Bureau of Reclamation, hereinafter called Reclamation, under a contract between Reclamation and City dated December 4, 1963, as amended, which provides for changes, from time to time, in the maximum amount of power, including partial withdrawal thereof, to be available thereunder, hereinafter called "contract rate of delivery;" and

WHEREAS the present contract rate of delivery is 120,000 kilowatts:
and

WHEREAS City anticipates that its electric power and energy requirements may exceed the contract rate of delivery from time to time in effect; and

WHEREAS City has requested Pacific to furnish City with such electric power and energy as may be required by City in excess of the contract rate of delivery and to enter into a new contract that will cancel and supersede the existing contract between City and Pacific, dated July 20, 1966; and

WHEREAS the Electric power and energy as may be purchased by City from Reclamation will be delivered by Pacific to City, pursuant to Contract No. 14-06-200-2948A between Pacific and Reclamation, the present expiration date of which is January 1, 2005, or pursuant to the terms and conditions of any

contract or contracts that may supersede or succeed Contract No. 14-06-200-2948A;
and

WHEREAS Pacific is willing to comply with City's said request subject to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual promises of the parties hereto, herein contained, it is agreed as follows:

1. Pacific shall sell to City and City shall purchase from Pacific all the electric power and energy required by City in excess of the contract rate of delivery from Reclamation from time to time in effect. Electric power and energy purchased by City from Pacific shall not be sold, distributed, or used by City outside the corporate limits of City except for service to City's facilities or installations.

2. It is expressly understood and agreed that, except as otherwise specifically set forth herein, the execution of this agreement does not in any way prevent City from seeking to obtain electric power and energy from sources other than Reclamation and Pacific. It is further understood and agreed that if another source does become available to City, including its own generation, but City also desires that some electric power and energy service from Pacific be available to City, Pacific will promptly enter into negotiations with City, at City's request and in good faith, either to amend this agreement or enter into a new agreement, as may be appropriate, to provide for such service on such equitable terms and conditions as the facts then determined may warrant.

3. With respect to the power and energy of Pacific delivered to City by Pacific hereunder, City shall pay Pacific monthly, at any of its established offices, at rates and charges and upon conditions as follows:

(a) To determine the amount of power and energy supplied by Pacific to City for the purposes of billing under subsection (c) of this section:

(1) In any current billing period in which City's total demand (being the 30-minute maximum integrated demand delivered over the facilities of Pacific in each billing period) exceeds the then effective contract rate of delivery, the total amount of electric demand and energy delivered to City in said billing period shall be deemed to have been supplied as follows:

(i) By Reclamation: Electric demand equal to the contract rate of delivery available to City from Reclamation and that portion of the total deliveries of electric energy to City for said billing period which is equal to the proportion between said then effective contract rate of delivery and City's said total demand delivered by Pacific.

(ii) By Pacific: The balance of electric demand and energy delivered to City in said billing period which remains after deduction of the electric demand and energy delivered by Reclamation as determined in accordance with subsection (a)(1)(i) of this section.

(2) In any current billing period in which City's said total demand does not exceed the said then effective contract rate of delivery, the total amount of electric demand and energy delivered to City in said billing period shall be deemed to have been supplied by Reclamation.

(3) If, during any monthly billing period, Reclamation shall change the contract rate of delivery which it makes available to City, the then effective contract rate of delivery for purposes of subsections (a)(1)(i), (a)(2), and (c)(2) of this section shall be considered as being the weighted average during such period, which shall be determined by dividing the sum of the products of each such contract rate of delivery times the number of days

each was effective by the total number of days in such billing period.

(b) The schedule of rates and charges to be used in determining billing hereunder shall be as follows:

Demand Charge

First	50 kw or less of maximum demand	\$80.41 per month
Next	150 kw of maximum demand	\$1.6065 per kw per month
Next	300 kw of maximum demand	1.0710 per kw per month
Next	500 kw of maximum demand	.8075 per kw per month
Next	1000 kw of maximum demand	.6715 per kw per month
All Excess	kw of maximum demand	.4505 per kw per month

Energy Charge (to be added to the Demand Charge):

First	150 kwh per kw per month	.9118c per kwh
Next	150 kwh per kw per month	.6596c per kwh
All Over	300 kwh per kw per month	.5238c per kwh

Except that for all energy furnished in excess of 8,000,000 kwh per month, the above energy rates shall be reduced by 0.5141 mill per kwh.

Minimum Charge:

Applicable when the maximum demand in the current month or in one or more of the preceding 11 months has exceeded 25,000 kw: \$1.30 per month per kw of such maximum demand.

Maximum Demand:

The maximum demand in any month will be the average kw delivery of the 30-minute interval in which such delivery is greater than in any other 30-minute interval in the month; provided, that if the load is intermittent or subject to violent fluctuations a 5-minute interval may be used.

Off-Peak Demand:

City may, upon request, have its demands occurring between 10:30 p.m. and 6:30 a.m. of the following day and on Sundays and legal holidays ignored in determining the demand used for computing demand and energy charges hereunder.

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Power Factor:

The total charge for any month as computed on the above rates will be decreased or increased, respectively, by 0.1% for each 1% that the average power factor of City's load in that month was greater or less than 85%, such average power factor to be computed (to the nearest whole percent) from the ratio of lagging kilovolt-ampere-hours to kilowatt-hours consumed in the month, provided, however, that no power factor correction will be made for any month when City's maximum demand is less than 10% of the highest demand in the preceding eleven months.

(c) The amount due Pacific from City for demand and energy shall be billed each monthly billing period as follows:

(1) The schedule of rates, charges, and conditions as set forth in subsection (b) of this section shall be applied to total deliveries of electric demand and energy to City as if such total deliveries had been entirely purchased from Pacific.

(2) The schedule of rates, charges, and conditions as set forth in subsection (b) of this section shall be applied to amounts of electric demand and energy supplied by Reclamation as if said amounts had been entirely purchased from Pacific.

(3) The dollar amount derived under subsection (c)(2) of this section shall be subtracted from the dollar amount derived from subsection (c)(1) of this section. The resulting remainder shall be the amount due Pacific from City.

(4) The total payments by City to Pacific in any contract year shall in no event be greater than such payments would have been had the rates, charges, and conditions set forth in subsection (b) of this section been applied directly to the amounts of power and energy supplied by Pacific in excess of that supplied by Reclamation as determined under subsection (a)(1) of this section.

(d) Following the acceptance for filing of this agreement by the Federal Power Commission, Pacific shall have the right, from time to time, to make additional filings to place in effect increases or decreases in said rates and/or charges and this agreement shall constitute consent to such unilateral filings by Pacific, provided, however, that City may, at its discretion, protest the reasonableness of any such proposed increased rates and/or charges.

4. Except as otherwise specifically provided herein, all electric power furnished hereunder shall be supplied in accordance with Pacific's applicable electric rules as may be duly and regularly established from time to time and authorized by the California Public Utilities Commission.

5. All of City's electric capacity and energy requirements whether supplied by Reclamation or by Pacific, shall be delivered at what is commonly designated as three phase, alternating current with a nominal frequency of sixty (60) cycles per second, slight variations in frequency to be allowed. All such deliveries shall be made by Pacific over Pacific's facilities to and received by City at the point where the electrical conductors of Pacific connect to those of City at City's proposed 115/60 kv substation. City shall maintain a power factor for its total load of not less than that required in its electric contract with Reclamation. Up to June 1, 1971, all deliveries up to and including 105 MW shall be delivered and metered at a nominal voltage of 60 kv. Subsequent to June 1, 1971, all of City's requirements shall be delivered and metered at a nominal voltage of 115 kv. It is anticipated that in order to provide the 115 kv service to City, Pacific will be required to promptly make certain changes and

additions to its electric system at a presently estimated cost of \$1,476,000 which will include the conversion of three 60 kv transmission lines between Pacific's Cooley Landing Substation and Palo Alto, the installation of a 115 kv bus with associated switching equipment, and other related line and substation work, all of which is generally described as follows:

- (1) Rebuild and re-conductor the Sierra No. 1 and No. 2 - 115 kv lines between Ravenswood and Palo Alto Junction.
- (2) Construct two 115 kv OCB positions at Ravenswood.
- (3) Reinsulate three 60 kv lines between Cooley Landing and Palo Alto for 115 kv operation.
- (4) Connect one of the lines in (3) to the Cooley Landing 115 kv bus through a new 115 kv OCB position, and connect two of the lines in (3) to the Sierra No. 1 and 2 lines in the vicinity of Cooley Landing.
- (5) Construct a 115 kv bus with associated switching equipment at City's proposed 115/60 kv substation.

The Completion of the foregoing changes and additions to Pacific's electric system together with anticipated further changes and additions which Pacific hereby agrees to make at its expense will provide firm capability in Pacific's electric system to serve City's electric requirements up to approximately 500 mw at 115 kv.

In the event that City notifies Pacific prior to August 1, 1970, that City does not intend to have its proposed 115/60 kv substation in operation by

June 1, 1971, then Pacific agrees to make certain temporary reinforcements to its existing 60 kv facilities serving City which would permit the conversion to 115 kv delivery voltage to be deferred as long as June 1, 1973, all in accordance with and subject to the terms and conditions set forth in Exhibit "A" attached hereto and made a part hereof.

In the event that City requests Pacific to make all deliveries at a location and a voltage other than as provided for in the foregoing provisions of this section, Pacific will endeavor to comply with such request upon terms and conditions to be mutually agreed upon.

6. This agreement shall be effective on the date it is accepted for filing by the Federal Power Commission and shall thereupon cancel and supersede the agreement between City and Pacific dated July 20, 1966. This agreement shall remain in effect until terminated by either party on twenty-four (24) months advance written notice, provided that in the event Pacific and Northern California Power Agency, hereinafter called Agency, enter into an agreement for the sale of power and energy by Pacific to Agency for delivery to City, either alone or in conjunction with deliveries to any of Agency's other members, this agreement will automatically terminate on the date of initial delivery of power and energy by or for Agency to City except that City shall not be relieved of any obligation accrued hereunder prior to such termination or of any cancellation charge that may be applicable upon such termination. For any new electric transmission or substation facilities or portion thereof installed by Pacific (or which Pacific has commenced to install) from time to time after the date hereof at its expense, including those specified in Section 5, to provide the electric service to City

540 253

hereunder which are rendered idle by virtue of the termination of this agreement, City shall pay to Pacific with respect thereto, when billed, cancellation charges consisting of the installation cost of said facilities or portion thereof which are not necessary or useful in serving other customers of Pacific, plus the removal cost less the salvage value of such facilities that are actually removed. If any of such facilities or portion thereof to which the cancellation charge would be applicable are used to serve City's electric requirements hereunder for a period of thirty-six (36) months from and after the respective dates on which Pacific's electric power and energy is delivered to City from each such facility or portion thereof, City's obligation to pay such cancellation charges with respect to the facility or portion thereof shall be reduced by 1-2/3% for each month of use in excess of the first twelve (12) months, provided, further that no cancellation charges will be required for a facility (which shall mean a total integrated project that may consist of several separate installations) having an initial installed capital cost to Pacific of \$100,000 or less. Such cancellation charges will be determined in accordance with Pacific's standard practice under the applicable Federal Power Commission Uniform System of Accounts for electric utilities and shall be due whether or not the facilities or portion thereof are actually removed.

If, after the date of termination, the facilities or portion thereof for which City has paid Pacific termination charges hereunder become useful, in whole or in part, in serving other customers of Pacific, the termination charge paid by City will be subject to refund, without interest, in the amount, if any, that the cancellation charge attributable to the facilities or portion thereof which may be

540 254

POOR ORIGINAL

utilized to serve other customers of Pacific exceeds 1-1/4% of the installed capital cost of the facilities or portion thereof to which the cancellation charge was applicable times the number of months, computed to the nearest whole month, between the date of termination and the date that the service to such other customers is commenced.

The provisions with respect to cancellation charges shall be applicable only when this agreement is terminated by City (except when such termination by City results from Pacific's failure to comply with the provisions of this agreement), or by Pacific for failure of City to comply with the provisions of this agreement, or by virtue of the automatic termination provision of this section.

Except for the 115 kv facilities listed in clauses (1) through (5) in Section 5, Pacific shall not install any new transmission or substation facilities for the use and benefit of City to which the cancellation charges would be applicable without prior consent of City to such installation, provided, however, that if City withholds its consent, Pacific will be relieved of any obligation to provide service to City under this agreement for which such facilities would have been required, except as Pacific may be required to provide service by any court or commission having jurisdiction.

The term "portion" as used in this section with respect to facilities shall be understood to relate to electrical capacity. In the event of a disagreement with respect to the cancellation charges which Pacific and City are unable to resolve, Pacific and City agree to submit the disagreement to the Federal Power Commission for decision and to accept its decision as conclusive and binding.

540 255

7. Any notice, demand, or request required or authorized by this agreement shall be deemed properly given if mailed, postage prepaid, to Pacific directed to its Manager, Commercial Department, at 245 Market Street, San Francisco, California, 94106, and to City directed to _____ at Palo Alto, City of Palo Alto, California. The designation of the person to be notified or the address to which the notice is to be mailed may be changed at any time by similar notice.

IN WITNESS WHEREOF, the parties hereto have executed these presents this 16th day of July, 1970.

Approved as to Form:

E. L. Harrick 6/12/70
Attorney

PACIFIC GAS AND ELECTRIC COMPANY,

By [Signature]
Senior Vice President

and by [Signature]
Assistant Secretary

ATTEST:

Nathaniel Furick
City Clerk

CITY OF PALO ALTO,
By [Signature]
Mayor

APPROVED AS TO CONTENT
[Signature]
City Manager

APPROVED AS TO FORM:

[Signature]
City Attorney

Dated: June 29, 1970

POOR ORIGINAL
540 256

EXHIBIT "A"

City's anticipated total maximum electric power requirements for the calendar years 1970-1973 are estimated as follows:

1970	113,000 kilowatts
1971	125,000 "
1972	137,000 "
1973	148,000 "

On the basis of these estimates by City, Pacific has determined that it could make certain temporary reinforcements to its existing 60 kv facilities serving City which would permit the conversion to 115 kv delivery voltage to be deferred until June 1, 1973. These temporary reinforcements would generally consist of the installation and subsequent removal of an additional 46,500 kva, 115/60 kv transformer bank with related switching and transmission line work at Pacific's Cooley Landing Substation and the replacement of four disconnect air switches for the oil circuit breakers at Pacific's existing 60 kv Palo Alto metering station. Pacific has further determined that its net additional cost of making these temporary reinforcements and deferring the conversion to 115 kv delivery voltage until June 1, 1973, will be \$89,270.

Pacific is willing to make these temporary reinforcements to its existing 60 kv facilities serving City under the following terms and conditions:

1. City shall pay Pacific on demand and in advance of construction, the nonrefundable sum of \$89,270 as the agreed net additional cost to Pacific of providing these temporary reinforcements and deferring the conversion to 115 kv delivery voltage until June 1, 1973.

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2. Promptly after receipt of the payment by City to Pacific as provided in Paragraph 1 foregoing, Pacific shall commence installation of these temporary reinforcements and have them operable not later than June 1, 1971, unless prevented from doing so by unforeseen circumstances beyond its control.

3. Except as provided in Paragraph 4 below, City and Pacific shall not be required to complete the changes and additions to their respective electric systems contemplated by Section 5 until June 1, 1973.

4. In the event that City decides to receive deliveries of capacity and energy at 115 kv on and after June 1, 1972, then City and Pacific shall complete the changes and additions to their respective electric systems contemplated by Section 5 by June 1, 1972, if City (a) by February 1, 1971 gives Pacific a written request to do so and (b) by March 1, 1971, unless the parties otherwise agree, pays Pacific the additional sum of \$40,000 to cover its net additional costs of making said changes and additions by June 1, 1972. If, and only if, City's maximum electric power requirements exceed 148,000 kilowatts at any time during the July, August, and September 1972 billing periods, Pacific shall refund said \$40,000 to City.

PACIFIC GAS AND ELECTRIC COMPANY

77 BEALE STREET • SAN FRANCISCO, CALIFORNIA 94106 • (415) 781-4211 • TWX 910-372-6507

J. M. STEARNS
MANAGER
COMMERCIAL DEPARTMENT

December 9, 1976

Mr. Walter Nyland
Secretary
Public Utilities Board
City of Alameda
2000 Grand Street
Alameda, California 94501

Dear Sir:

The City of Alameda has not paid its bill for the electric service PGandE provided in October 1976. Furthermore, its representatives have stated it has refused to pay the bill.

This bill was rendered in accordance with the tariff made effective by order of the Federal Power Commission. We have reviewed the bill and determined to our satisfaction that it is correct and in complete conformance with the tariff.

Your refusal to pay is wholly unjustified, as it arises solely from your disagreement with orders of the Federal Power Commission ("FPC") concerning tariff provisions. Instead of complying with the FPC orders you have chosen to make your own rules and follow an unlawful course of conduct. As the United States Supreme Court has stated in Montana-Dakota Utilities Co. v. Northwestern Public Service Co., 341 U.S. 246, 251 (1951), under the Federal Power Act a customer "can claim no rate as a legal right other than the filed rate, whether filed or merely accepted by the Commission and not even a court can authorize commerce in the commodity on other terms." A legitimate bill dispute does not exist here and consequently we demand immediate payment in accordance with the October billing.

Accordingly, unless Alameda pays the Company as billed, the Company will pursue the remedies available to it to enforce your obligation to pay for services rendered, including an action for breach of contract to recover both the amounts due under the FPC tariff and the 7% per annum interest allowed by law for such a breach of contract. In this connection, the Company's legal counsel is filing separately a claim for payment of the amounts withheld by the City of Alameda plus interest at 7% per annum.

If you wish to avoid the 7% interest, we would be willing to waive this interest if Alameda pays the Company as billed, subject to the Company's refunding to Alameda any portion of the payment not actually found to be due under any modification of the tariff finally made by the FPC. Such a refund would be made with interest at 9% per annum under present FPC rules, or such other interest rate as the FPC may apply.

If you wish us to waive the 7% interest for non-payment in accordance with the preceding paragraph, your payment of our bill within 15 days after the date on which this letter is received and your timely payment of subsequent bills will be interpreted by us as a request for the waiver. We will then waive the interest and accept the payments subject to refund as above described.

In our opinion, the grounds of your refusal to pay our bill do not place the refusal within the "Disputed Bills" section of PGandE's FPC Electric Tariff (Original Volume No. Two, Original Sheet No. 26, copy attached). That section covers only disputes as to the "correctness of a bill". If, however, you believe this section applies, we hereby give you notice of its provisions by the attached copy of it. We wish to remind you, however, that we will not waive our entitlement to 7% interest for non-payment of any portion of the bill which is paid into escrow under that section in lieu of making payment directly to the Company. You also should be aware that such payment into escrow would forfeit your right to receive the 9% or other interest payment on any amounts ordered refunded by the FPC which were not actually paid to the Company but paid into escrow instead.

I am sure you realize that the Company does not serve customers who refuse to pay for the service, because the cost of doing so places an unfair burden on the Company's other customers. Therefore, if you persist in your refusal to pay for the service we are rendering we will consider ourselves free to institute proceedings before the FPC for termination of the service.

We would appreciate your prompt reply.

Very truly yours,

/s/ J. M. STEARNS

Attachment

cc: Mayor, City of Alameda
City Councilman, City of Alameda
City Manager, City of Alameda

540 260

POOR ORIGINAL

BUREAU OF ELECTRICITY
DEPARTMENT OF PUBLIC UTILITIES

ATTACHMENT 41

G-5
42

CUSTOMER SERVICE
116 Santa Clara Avenue

CITY OF ALAMEDA, CALIFORNIA

EXECUTIVE OFFICES
2000 Grand Street

P.O. DRAWER H
Alameda, CA 94501
Telephone (415) 522-7411

RECEIVED
JOHN F. BONNER

DEC 10 1976

JCM

December 10, 1976

J. F. Bonner, President
Pacific Gas & Electric Company
77 Beale Street
San Francisco, CA 94106

Dear Mr. Bonner:

This is in regard to letter dated December 9, 1976, to the Bureau of Electricity, City of Alameda, copies of which were hand-delivered on December 9 after working hours to our offices. We are referring these letters to our attorneys, Spiegel and McDiarmid, for appropriate response and advice since they have, for many years, been retained by the City to represent the City in its dealing with PG&E Company in the subject matter of such letters.

We request that, in the future, PG&E communicate directly with our Washington law firm in such matters although we are pleased to receive copies of such correspondence as PG&E is willing to furnish directly to the City.

We also request that PG&E communicate with the Cities through normal channels and during working hours except in the case of emergency. We do not consider that the subject matter of the letter of

540 261
POOR ORIGINAL

J. F. Bonner

- 2 -

December 10, 1976

December 9, 1976, presents such an emergency that it could not have been delivered on the opening of business on Friday, December 10, 1976.

Moreover, because PG&E released the contents of the letter to the press at so late an hour, it was impossible for the morning newspapers to obtain the City's views as to the matters involved so that the newspapers could provide balanced reports. Indeed, because PG&E did not send copies to our Washington attorneys of this and of similar letters sent to other California Cities, we have not been able to receive the advice we need in order to respond to the newspaper queries today.

We have understood that these matters were involved in privileged discussions between the Cities and PG&E's Washington attorney and therefore we not want to engage in public discussions which might be detrimental to the negotiation of a fair settlement, or allude to the disclosure of the substance^{of} the privileged discussions. We had assumed that PG&E adhered to the same practice.

As you should know, there has never been any question of the City paying its bill for electric service, and the only question raised was the legality of expending public funds for that portion of the bill represented by the approximately 6 mills per KWH which PG&E has billed the City in excess of that billed to its retail

540 262

customers for its fuel cost adder. Since the same fuel is used to generate retail electricity as wholesale electricity, we cannot understand why PG&E should bill the City for so high a difference. It is the duty of public officials to take all appropriate steps to protect all legal and equitable rights of their citizens in the payment of public funds, and for this reason this City has retained Washington counsel. As we understand it, there can be legal questions involved in the pricing of an electric Company's wholesale service irrespective of the procedural determinations made by the Federal Power Commission under the Federal Power Act. But for the continuing discussions between counsel and Washington, the undisputed portion of the bill would have been paid some time ago. Acting on the advice of Washington counsel, the City temporarily deferred the payment so that a single agreed upon sum could be paid.

We are now awaiting the advice of Washington counsel and will take payment action shortly. He, however, wishes to review PG&E's communications first, so that the matter will best be expedited if you will provide him copies of all PG&E's communications.

We have been hopeful that this matter would have been resolved by now.

Your letter indicates some possibility of termination of service by PG&E to the City. The City, its inhabitants, and businesses

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J. F. Bonner

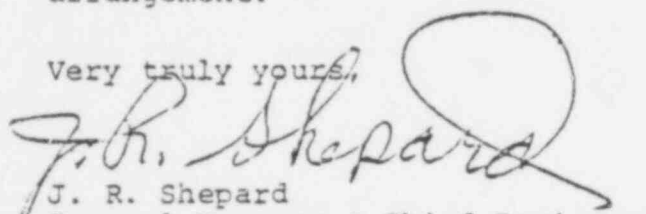
- 4 -

December 10, 1976

are completely dependent upon a continued supply of electricity by PG&E in accordance with its obligations under law. This is an extremely serious matter which we would assume your attorneys would want to take up directly with our Washington attorneys in order to protect PG&E's interest.

We will, of course, be pleased to discuss this matter with you or other PG&E officials. It would be appreciated if you would give us sufficient advance notice so that we can make proper arrangement.

Very truly yours,



J. R. Shepard
General Manager & Chief Engineer

JRS:pc

540 264

COPY

RECEIVED

32.9

B. W. SHACKELFORD

MAY 17 1977

ATTACHMENT 42

Commercial Department
 A 438.2
 Georgia-Pacific Corp. formerly
 Union Lumber Company, Fort Bragg
 Book II (Includes Proposed NCPA
 Wheeling)

May 17, 1977

Mr. Frank C. Holmes
 General Manager
 Northern California Division
 Georgia-Pacific Corporation
 99 West Redwood Avenue
 Fort Bragg, California 95437

Dear Mr. Holmes:

At our meeting on May 3, 1977 we indicated to you that considerable studies would be required by our personnel before a long-term agreement could be negotiated concerning our purchase of surplus firm electric capacity and energy from your Fort Bragg electric generating plant. We further indicated that the interests of both parties would perhaps best be served if our existing surplus energy purchase arrangements were modified to reflect current conditions.

Accordingly, we now propose that the following conditions will constitute a mutually acceptable interim agreement:

1. PGandE agrees to purchase such surplus energy as Georgia-Pacific Corporation (G-P) shall make available from its Fort Bragg plant at the rate of 20 mills per kilowatt-hour.
2. The amount of energy purchased each month shall be determined from PGandE-owned electric meters installed at the G-P power plant and is limited by the capacity of the low side conductors and the 12/2.4 kv transformers at PGandE's substation. The transformers and/or cable capacity may be modified, as mutually agreed to, during the term of this agreement. Supplier shall bear the ownership cost of any necessary new facilities installed by PGandE for receiving energy from supplier into PGandE's system by paying to PGandE a monthly charge. This charge, presently 1-3/4% monthly of the installed cost of facilities, is a rate reflected in PGandE's tariffs authorized by the California Public Utilities Commission (CPUC) for facilities not supported by electric sales and would be subject to change by the CPUC.

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 POOR ORIGINAL

COPY

Mr. Fred C. Holmes

-2-

May 17, 1977

3. This arrangement shall commence on May 1, 1977 and remain in effect until December 1, 1977, provided, however, that either party hereto shall have the right to terminate this agreement by giving the other written notice to that effect at least ninety (90) days prior to such termination date.
4. G-P agrees that it will comply with any laws and regulations which are applicable to its performance under this agreement.
5. PGandE shall have the right immediately to sever or disconnect the interconnection with G-P's generating facilities if, in PGandE's sole judgment, such action is necessary to protect PGandE's facilities, system or customers.
6. Each party shall indemnify the other against cost or liabilities which may be suffered by one as a result of the other's performance under the agreement, to the extent permissible by law.

If the foregoing meets with your approval, please so indicate your acceptance on the duplicate copy in the space provided below and thereafter return the duplicate copy to this office.

Sincerely,

J.M. STEARNS

Accepted: _____, 1977

Georgia-Pacific Corporation

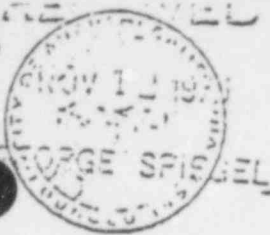
By _____
Its

JKCannon(1591):ad

bcc: BWS Shackelford
 JY De Young
 EBLangley, Jr.
 WNGallavan
 HPBraun
 NHDaines
 EFKaprielian
 EEHall
 JGMeyer
 GWest, Jr.
 DJThomason
 JGFoster
 THRandall

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540 266



CITY OF ANAHEIM, CALIFORNIA
OFFICE OF UTILITIES DIRECTOR

October 5, 1973.

Mr. Shermer L. Sibley, President
Pacific Gas and Electric Company
77 Beale Street
San Francisco, California 94106

Dear Mr. Sibley:

I have recently reviewed the Seven Party Agreement dated January 14, 1969 and filed by Pacific Power and Light Company with the Federal Power Commission July 3, 1972 as Schedule No. 105.

As you know, the Seven Party Agreement provides for the sale and purchase of electric energy between the Northwest Companies (Pacific Power and Light Company, Portland General Electric Company, Puget Sound Power and Light Company and the Washington Water Power Company) and the California Companies (Pacific Gas and Electric Company, San Diego Gas and Electric Company and Southern California Edison Company) which is surplus to the needs of the selling companies.

Would Pacific Gas and Electric Company object to a modification of the Seven Party Agreement which would provide that Anaheim could be a party to the Seven Party Agreement? It is contemplated that the modification would provide benefits for Anaheim and the other utilities from the purchase and sale of capacity and energy between Anaheim and the Northwest Companies and the California Companies in order to provide more dependable, economic and efficient service to the public in the Pacific Northwest, in California and in particular, the area served by Anaheim.

It appears that some surplus Northwest power may be preference power to which Anaheim, as a public agency, would have preference. If in fact such power is available, Anaheim is interested in exploring means of obtaining such power for the benefit of its citizen consumers.

I hope Pacific Gas and Electric Company will not object to a modification of the Seven Party Agreement as generally described above.

Very truly yours,

Gordon W. Hoyt
Utilities Director

cc: Mr. George Spiegel

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PACIFIC GAS AND ELECTRIC COMPANY

PG&E + 77 BEALE STREET • SAN FRANCISCO, CALIFORNIA 94108 • (415) 781-4211

WILLIAM B. KUOER
ASSISTANT GENERAL COUNSEL

FILE COPY

October 12, 1973

Mr. Gordon W. Hoyt
Utilities Director
City of Anaheim
P.O. Box 3222
Anaheim, California 92803

Dear Mr. Hoyt:

This is in reply to your letter of October 5, 1973, in which you ask whether Pacific Gas and Electric Company would object to a modification of the Seven Party Agreement which would provide that Anaheim could be a party to the agreement.

As you know, the Seven Party Agreement does not provide for sales of capacity or transmission of energy. I explained the situation with respect to transmission to Anaheim in my letters of August 28 and September 11, 1973, to you.

The Seven Party Agreement is currently under review by the Federal Power Commission. PG&E's position is that publicly owned utilities such as the City of Anaheim should not become parties to the Seven Party Agreement.

PG&E views the Seven Party Agreement as a necessary counterbalance to the statutory preferences applicable to power marketed by the Bonneville Power Administration under which public agencies in California now have a preference to more than two-thirds of Northwest surplus energy available for export to California, whereas the California Companies have a priority to less than one-third of such energy under the Seven Party Agreement.

I hope you will agree that our position is reasonable under these circumstances.

Very truly yours,

William B. Kuoer

WEK:mg

cc: George Spiegel, Esq.

*Xerox - Alan-Watts
Er Ross
Sent 10/13/73*

CITY OF ANAHEIM
UTILITIES DIRECTOR

CGH
JW
GWH
GHE
LMS
Action

OCT 18 1973

Recommendation
Info. Comments

RWE
KLR
DLA
HCA
EST

File

POOR ORIGINAL

CALIFORNIA COMPANIES PACIFIC INTERTIE AGREEMENTCOORDINATION COMMITTEERULING NO. 40

EFFECTIVE DATE: June 1, 1977
SUBJECT: Procedures for Allocation of Pacific Intertie Transmission Capacity at the Oregon Border During Curtailments
AUTHORITY: Paragraphs 1.26 and 8.02
SUPERSEDES: Attachment for Ruling No. 35

I. DEFINITIONS

As used herein, the following terms shall have meanings as follows:

- A. Curtailed AC Lines Capacity: The transmission capacity available in the AC Lines during a Curtailment.
- B. Curtailed Intertie Capacity: The transmission capacity available in the Pacific Intertie during Curtailment on the AC Lines, on the IC Line or on both the AC Lines and the DC Line.
- C. Companies: PGandE, SDG&E and SCE.
- D. AC Lines Users: Bureau, SMUD, State, PGandE, SDG&E and SCE.
- E. Scheduled Firm Power: Power and/or spinning reserve previously scheduled under firm Pacific Northwest power commitments. Included are scheduled deliveries of energy which have been assured by the seller as firm for seven days or more, or which have been scheduled as Peaking Energy under agreements for sale or exchange of Peaking Capacity.
- F. Scheduled Interruptible Energy: Pacific Northwest interruptible energy previously scheduled for delivery.

- G. Excess Transmission: The amount by which transmission capacity allocated to a Company under Section III-C hereof exceeds that Company's total contract demand for purchase or exchange of firm Northwest Power.
- H. Excess Power: The amount by which a Company's total contract demand for purchase or exchange of firm Northwest Power exceeds that Company's transmission capacity allocated under Section III-C hereof, provided that such amount shall not exceed the amount of that Company's transmission capacity curtailment.
- I. Emergency: A condition on the system of a Company that results in or is likely to result in a Spinning Reserve Deficiency under the California Power Pool Agreement.
- J. Curtailment: A temporary reduction in transmission capacity occurring when a Pacific Intertie scheduling limit is established at a level lower than Rated Intertie Capacity or when a AC scheduling limit is established at a level lower than the Firm AC Rating.
- K. Firm AC Rating: The rating established by a Coordination Committee ruling for the purpose of allocating AC Line capacity during a curtailment.

II. ALLOCATIONS DURING THE FIRST 24 HOURS OF AN UNSCHEDULED CURTAILMENT

During each of the first 24 hours of any Curtailment which has not been scheduled more than 24 hours previously, transmission capacity available at the southern border of Oregon will be allocated under the provisions of Paragraph 8.02(a) as follows:

- A. First Step Allocation When Curtailed AC Lines Capacity is Less Than the Firm AC Rating (to determine Bureau, SMUD and State allocations).

1. For the purpose of making this first step allocation
 - (a) Scheduled Firm Power for any AC Lines User shall not exceed its allocation of Firm AC Rating and,
 - (b) Scheduled Interruptible Energy for any AC Lines user shall not exceed the difference between its allocation of Firm AC Rating and its Scheduled Firm Power.
2. If during any hour the Curtailed AC Lines Capacity is equal to or less than the sum of the amounts of Scheduled Firm Power for the AC Lines Users, such capacity shall be allocated among them in proportion to such amounts of Scheduled Firm Power.
3. If during any hour the Curtailed AC Lines Capacity exceeds the sum referred to in II-A-2 hereof but is equal to or less than the sum of the amounts of Scheduled Firm Power and Scheduled Interruptible Energy for the AC Lines Users, each AC Lines User shall be entitled to AC Lines transmission capacity in an amount equal to its Scheduled Firm Power, and, in addition, the amount of Curtailed AC Lines Capacity in excess thereof shall be allocated among the AC Lines Users in proportion to such amounts of Scheduled Interruptible Energy.
4. If during any hour the Curtailed AC Lines Capacity exceeds the larger sum referred to in II-A-3 hereof, each AC Lines User shall be entitled to transmission capacity in an amount at least equal to that required

for its Scheduled Firm Power and Scheduled Interruptible Energy. For the purpose of determining each User's entitlement to Curtailed AC Lines Capacity during such conditions the following procedure shall apply. Such Curtailed AC Lines Capacity shall first be allocated among the AC Lines Users in proportion to their allocation of Firm AC Rating. If the transmission capacity so allocated to any AC Lines User is less than that required for its Scheduled Firm Power and Scheduled Interruptible Energy, it shall be entitled to receive additional capacity in the amount of such deficiency. Such additional capacity shall be supplied by the other AC Lines Users in proportion to their allocation of Firm AC Rating; provided, however, that no User shall be required to supply transmission capacity in an amount greater than the amount by which the transmission capacity first allocated to such User exceeds that required for its Scheduled Firm Power and Scheduled Interruptible Energy.

B. First Step Allocation When Curtailed AC Lines Capacity is Equal to or Greater Than the Firm AC Rating.

When curtailed AC Lines capacity is equal to or greater than the Firm AC Rating, the first step allocation shall be accomplished by allocating AC Lines transmission capacity to Bureau, SMUD and State in amounts equal to their respective allocation of Firm AC Rating.

C. Second Step Allocation (to determine Companies' entitlements).

The allocations made under II-A and II-B hereof are specifically for the purpose of determining the AC Lines transmission capacity entitlement of the Bureau, SMUD, and

State during a Curtailment. The remaining portion of Curtailed Intertie Capacity which is available to the Companies (Remaining Capacity) shall then be allocated among the Companies as follows:

1. If any Company's Scheduled Firm Power exceeds the sum of its allocation of Firm AC Rating and its uncurtailed DC Line capacity entitlement, its Scheduled Firm Power shall be decreased by the amount of such excess and its Scheduled Interruptible Energy shall be increased by the amount of such excess.
2. If during any hour the Remaining Capacity is equal to or less than the sum of the amounts of Scheduled Firm Power for the Companies, such capacity shall be allocated among them in proportion to such amounts of Scheduled Firm Power.
3. If during any hour the Remaining Capacity exceeds the sum referred to in II-C-2 hereof but is equal to or less than the sum of the amounts of Scheduled Firm Power and Scheduled Interruptible Energy for the Companies, each Company shall be entitled to Remaining Capacity in an amount equal to its Scheduled Firm Power, and, in addition, the amount of Remaining Capacity in excess thereof shall be allocated among the Companies in proportion to such amounts of Scheduled Interruptible Energy.
4. If during any hour the Remaining Capacity exceeds the larger sum referred to in II-C-3 hereof, such Company shall be entitled to transmission capacity in an amount at least equal to that required for its Scheduled Firm

Power and Scheduled Interruptible Energy. For the purpose of determining each Company's entitlement to Remaining Capacity during such conditions, the following procedure shall apply. The AC Lines portion of such Remaining Capacity shall first be allocated among the Companies in proportion to that part of their Company Assured Intertie Capacity existing in the AC Lines, and the DC Line portion of such Remaining Capacity shall be allocated among the Companies in proportion to their Relative Size Percentages. If the transmission capacity so allocated to any Company is less than that required for its Scheduled Firm Power and Scheduled Interruptible Energy, it shall be entitled to receive additional capacity in the amount of such deficiency. Such additional capacity shall be supplied by other Companies in proportion to their Company Assured Intertie Capacity; provided, however, that no Company shall be required to supply transmission capacity in an amount greater than the amount by which the transmission capacity first allocated to such Company exceeds that required for its Scheduled Firm Power and Scheduled Interruptible Energy.

III. ALLOCATIONS AFTER THE FIRST 24 HOURS OF A CURTAILMENT

After the first 24 hours of any Curtailment, or during Curtailments which have been scheduled more than 24 hours previously, the procedure for allocating transmission capacity at the southern border of Oregon referred to in Paragraph 8.02 (b) shall be as follows:

A. First Step Allocation When Curtailed AC Lines Capacity is Less Than The Firm AC Rating (to determine Bureau, SMUD and State entitlements).

The Curtailed AC Lines Capacity shall first be allocated among the AC Lines Users in proportion to their allocation of Firm AC Rating. If the transmission capacity so allocated to one or more of the AC Lines Users is greater than the amount of its total contract demand for purchase or exchange of firm Northwest Power, those Users having an excess shall, to the extent required, make such excess transmission capacity available to those Users having a deficiency; provided, however, no User shall be required to make available transmission capacity in an amount greater than its excess and no User shall be entitled to receive transmission capacity in an amount greater than its deficiency or the amount of its transmission capacity curtailment. Subject to the foregoing, those Users having an excess shall make transmission capacity available in proportion to their allocation of Firm AC Rating, and those Users having a deficiency shall be entitled to receive capacity made available in proportion to their allocation of Firm AC Rating.

B. First Step Allocation When Curtailed AC Lines Capacity is Equal to or Greater Than the Firm AC Rating.

When Curtailed AC Lines Capacity is equal to or greater than the Firm AC Rating, the first step allocation shall be accomplished by allocating AC Lines transmission capacity to Bureau, SMUD and State in amounts equal to their respective allocation of the Firm AC Rating.

C. Second Step Allocation (to determine Companies' entitlement).

The allocations made under III-A and III-B hereof are specifically for the purpose of determining the AC Lines

transmission capacity entitlement of the Bureau, SMUD, and State during a Curtailment. Subject to emergency transfers as provided hereafter, the remaining portion of Curtailed AC Lines Capacity which is available to the Companies shall then be allocated among the Companies in proportion to that part of their Companies Assured Intertie Capacity existing in the AC Lines, and the DC Line capacity available to the Companies shall be allocated among the Companies in proportion to their Relative Size Percentages.

IV. TRANSFERS OF POWER AND TRANSMISSION AFTER THE FIRST 24 HOURS OF UNSCHEDULED CURTAILMENT

To the extent permitted by scheduling arrangements, a Company with Excess Transmission shall, in lieu of scheduling interruptible energy during a curtailment, purchase and schedule firm energy offered for sale by a Company with Excess Power, but will not be obligated to pay a price higher than would have been paid for interruptible energy.

If after the first 24 hours of any Curtailment, or during Curtailments which have been scheduled more than 24 hours previously, any company has an Emergency, such Company, after exercising due diligence to prevent or remedy such Emergency through utilization of its then-existing available resources, shall be entitled to Pacific Intertie transmission capacity or firm Northwest Power from the other Companies and the other Company or Companies shall make available Pacific Intertie transmission capacity or firm Northwest Power as follows:

1. For any given Emergency, a Company shall be entitled to Pacific Intertie Capacity or firm Northwest Power only

during the first seven days of such Emergency and within such seven day period, only during those hours of the day that a Spinning Reserve Deficiency exists or is reasonably expected to exist.

2. A Company having an Emergency and which has Excess Power shall be entitled to receive from the Company or Companies having Excess Transmission an amount of transmission capacity not to exceed the amount of its Excess Power. A Company not having an Emergency which has Excess Transmission shall make available to the Company or Companies having an Emergency, transmission capacity in an amount not to exceed its Excess Transmission. If two Companies not having an Emergency have Excess Transmission, they shall make available to the Company having an Emergency, transmission capacity in an amount proportional to their respective Excess Transmission. If two Companies simultaneously have an Emergency and both of them have Excess Power, they shall divide in proportion to their respective Excess Power, whatever transmission capacity the other Company is obligated to make available hereunder. A Company which receives a transfer of transmission capacity from another Company hereunder shall reimburse the transferring Company for any out-of-pocket loss incurred by such transferring Company as a result of such transfer, including any loss incurred because it was thereby unable to purchase low cost energy.
3. A Company having an Emergency and which has Excess Transmission shall be entitled to receive from the Company or Companies having Excess Power an amount of firm Northwest Power not to exceed the amount of its Excess Transmission

A Company not having an Emergency which has Excess Power shall make available to the Company or Companies having an Emergency, firm Northwest Power in an amount not to exceed its Excess Power. If two Companies not having an Emergency having Excess Power, they shall make available to the Company having the Emergency, firm Northwest Power in an amount proportional to their respective Excess Power. If two Companies simultaneously have an Emergency and both of them have Excess Transmission, they shall divide in proportion to their respective Excess Transmission whatever firm Northwest Power the other Company is obligated to make available hereunder. A Company which receives a transfer of firm Northwest Power from another Company during an Emergency shall reimburse the transferring Company for the cost of any energy deliveries associated with such transferred firm power. Such reimbursement may, at the option of the transferring Company, be in the form of energy or dollars.

June 2, 1977

PACIFIC GAS AND ELECTRIC COMPANY

By H.P. Braun

June 2, 1977

SAN DIEGO GAS & ELECTRIC COMPANY

By James M. Henderson

6/2/77, 1977

SOUTHERN CALIFORNIA EDISON COMPANY

By J.T. Hendry

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ATTACHMENT 46

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PACIFIC GAS AND ELECTRIC COMPANY
REPORT
TO THE
CALIFORNIA PUBLIC UTILITIES COMMISSION
ON THE
FORECAST OF PLANNED TRANSMISSION FACILITIES
(General Order No. 131, Section 3)

March 1, 1979

540 279

PLANNED TRANSMISSION LINES

Terminals	Voltage kV	No. of Circuits	Planned Operating Date	Review and Certification Status (1)	Cities and Counties Involved
Geysers 12 Geysers 9 & 10- Geysers-Fulton T/L	230	2(2)	3/79	Dec. #81276	Sonoma County
Geysers 14 Geysers 9 & 10- Geysers-Fulton T/L	230	1	4/80	Dec. #85720	Sonoma County
New Melones Wameville	230	2	5/79	Dec. #08759	Calaveras, Tuolumne, Stanislaus Counties
Geysers 13 Geysers 9 & 10- Geysers-Fulton T/L	230	2(2)	4/79	Dec. #85720	Lake and Sonoma Counties
Lockeford Rio Oso-Bellota T/L	230	2	6/79	Dec. #88864	San Joaquin County
Vineyard Contra Costa-Newark T/L	230	2	5/85	B	Alameda County
Metcalf-Moss Landing T/L	230	2	6/84	B	Santa Cruz County
Gates Gregg	500	1(3)	5/80	Dec. #89651	Madera, Fresno Counties
Shepherd Helms-Gregg T/L	230	2	5/83	Applic. #56604	Fresno County
Brantwood Contra Costa-Tesla T/L	230	2	6/80	Dec. #88863	Contra Costa County
Kern Bakersfield	230	2	5/81	Dec. #87743	Kern County
Abody Vacca Dixon-Contra Costa T/L	230	2	5/80	Applic. #58183	Solano County
Helms Project Gregg	230	2	10/80	Dec. #89007	Fresno, Madera Counties
Toledo Fit-Vacca Dixon T/L	230	2	5/84	Applic. #56127 (Withdrawn)	Toledo County
Northeast Stockton Rio Oso-Tesla T/L	230	2	5/83	Dec. #89539	San Joaquin County
Table Mountain Hurley	230	2	6/86	Not Started	Butte, Yuba, Sacramento, Placer Counties
Lakeville Ignacio Jct.	230	2	6/84	Not Started	Sonoma County
American Canyon Jct. Sobreville Jct.	230	2	6/84	Not Started	Napa, Solano, Contra Costa Counties
Pittsburg San Ramon	230	2	7/84	C	Contra Costa
San Ramon Tesla	230	2	7/84	C	Alameda, Contra Costa Counties
San Ramon Newark	230	2	7/84	C	Alameda, Contra Costa Counties

- Notes (1) Explanation of review and certification:
 A. Being reviewed by governmental agencies.
 B. Application for certificate being prepared.
 C. CEC claims jurisdiction of this line, PGandE is appealing.
- (2) One circuit strung initially.
- (3) Initially operated as 2-230 kV circuits.

540 280

POOR ORIGINAL

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL POWER COMMISSION

Pacific Power & Light Company)
Portland General Electric Company)
Puget Sound Power & Light Company)
The Washington Water Power Company)
Pacific Gas and Electric Company)
San Diego Gas and Electric Company)
Southern California Edison Company)

Docket No. E-7796

STATEMENT OF THE SECRETARY OF THE INTERIOR

Rogers C. B. Morton
Secretary of the Interior
By DONALD PAUL HOBEL
Bonneville Power Administrator

RAYMOND C. COULTER
Deputy Solicitor of the
Department of the Interior

RICHARD PELZ
Assistant Solicitor, Power

ROBERT E. PATCLIFFE
Regional Solicitor

Counsel for the
Secretary of the Interior

Washington, D.C.

March 12, 1973

POOR ORIGINAL

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The use of the \$300,000 provided is to be controlled by the Secretary and restricted to additional preliminary engineering, reconnaissance surveys, economic analysis, and negotiations with both public and private utilities interested in a coordinated plan for power interchange between the two regions. No actual ground survey is to be undertaken.

"In taking this action the Committee is recognizing the need for comprehensive legislation concerning regional preference on available Federal power before moving into preconstruction or construction work. Such legislation is pending.

"It is apparent from testimony to date that more specific negotiations and planning between the Federal Government and private and public utilities in the area affected must be accomplished if the Congress is to be assured that it is being presented with the most feasible and economical plan for construction and use of intertie facilities.

"The amount provided should be adequate to permit the Department to participate in the development of a comprehensive plan in both Oregon and California which can be supported by all parties." H.R. Rep. No. 2220, 87th Cong., 2d Sess., pp. 57-58 (1962).

The Senate Appropriations Committee concurred. S. Rep. No. 2178, 87th Cong., 2d Sess., p. 41 (1962).

On November 6 and 7, 1962, Mr. Charles F. Luce, Bonneville Power Administrator, mailed letters to some 27 entities inviting "proposals for a coordinated plan for power interchange between the Pacific Northwest and Pacific Southwest which, in the Committee's language, will assure 'the most feasible and economical plan for construction and use of intertie facilities.'" These letters (Exhibit 1) were sent to all entities who had expressed an interest in the construction or use of a Pacific Northwest-Pacific Southwest intertie. A detailed list of the addressees is attached to the exhibit. They include

eleven California entities but not the City of Santa Clara as it had never expressed any interest in the construction or use of such an intertie.

Sixteen offers to construct or use intertie facilities were received from entities in the western part of the United States, including, from California, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (Edison), San Diego Gas & Electric Company (San Diego) (collectively the California Pool Companies, hereinafter referred to as the California Companies), the Cities of Los Angeles, Glendale and Pasadena, and the Sacramento Municipal Utility District.

Congress considered the matter further in connection with the Public Works Appropriation Act, 1964 (Public Law 88-257). The Senate Appropriations Committee recommended the appropriation of additional funds for limited purposes under the following restrictions:

"Pacific Northwest-Pacific Southwest interconnection.
\$6,500,000.--The committee recommends an appropriation of \$5 million (for acquisition of land and acquisition and installation of equipment) and \$1,500,000 (for preliminary engineering) to initiate construction of two extra-high voltage transmission lines for the interconnection of the Bonneville Power Administration's system on the Columbia River, the Central Valley project power system at Tracy, Calif., and the Federal Colorado River power system (Hoover, Parker, and Davis Dams powerplants, Colorado River storage project, and future Bridge and Marble Canyon powerplants), at least one of which may be for transmission of direct current. One of them may connect with a non-Federal power system at the northern California border and be terminated at that point. If it is determined that only one line

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shall be constructed at this time it shall be a direct current line to accomplish the interconnection of the Bonneville system, the Central Valley of California, and the Hoover Dam powerplant, the sale and exchange of Bonneville surplus power and energy and the sale and exchange of surplus power and energy between these areas. If it is determined that the direct current line be built entirely by the Federal Government, the portion inside the Bonneville primary service area shall be self-liquidating, as shall be the portion of the line outside the Bonneville Power Administration area.

"The committee directs that construction of these lines not begin until there has been enacted into law S. 1007, or similar legislation guaranteeing electric consumers in the Pacific Northwest first call on electric energy generated at Federal hydroelectric plants in that region and to guarantee electric consumers in other regions reciprocal priority. In addition, construction shall not begin unless the Secretary of the Interior finds, after good faith negotiations with utilities and other entities interested in constructing any portion of the lines involved, that their proposals will not result in benefits to the national interest at least equal to those to be derived from Federal construction, including revenues which will accrue to the Federal Government after amortization of the line or lines, has submitted findings to the committee, and the committee has had an opportunity to review them." S. Rep. No. 746, 88th Cong., 1st Sess., pp. 29-40 (1963).

The Conference Committee adopted the foregoing language of the report of the Senate Committee, H.R. Rep. No. 1027, 88th Cong., 1st Sess., p. 24 (1963).

The steps taken to implement the Congressional instructions are set forth in the following excerpt from the Intertie Report of the Secretary of the Interior which was transmitted to Congress on June 24, 1964 (hereinafter referred to as the Secretary's Intertie Report):

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"To implement that part of Congress instructions which required the Secretary to conduct good faith negotiations with utilities interested in constructing any portion of the lines, the Secretary did two things. First, he promulgated criteria for the evaluation of non-Federal proposals. The criteria included a 'Federal yardstick transmission system' that would, in the Secretary's belief, accomplish the purposes for which Congress had directed the two extra-high voltage lines be constructed. Second, the [sic] appointed a three-man departmental team to negotiate with those utilities or other entities that submitted proposals to build portions of the intertie lines, and, after the negotiations, to evaluate the various proposals. Mr. Charles F. Luce, Bonneville Power Administrator, was Chairman of the team. Mr. Emil Lindseth, Associate Chief Engineer of the Bureau of Reclamation, and Mr. Morgan Dubrow, Assistant and Chief Engineering Research Adviser to Assistant Secretary Holum, completed the team. The Secretary directed the departmental team to report to him through Assistant Secretary Holum.

"On March 11, 1964, the criteria for evaluating non-Federal proposals and the Federal yardstick plan were sent to each utility or other entity that had indicated an interest in building any portion of the intertie lines." Secretary's Intertie Report (Committee Print of the Senate Appropriations Committee, 88th Cong., 2d Sess., p. 2 (1964)).

The criteria are summarized in the above report. Excerpts pertinent to this inquiry appear in the next section headed "Commitments of California Companies."

The Department received ten proposals, including, from California, proposals from the California Companies, the City of Los Angeles, and Harvey Aluminum, Inc. These proposals were evaluated, and extensive negotiations were had between the departmental team appointed by the Secretary and the various entities making proposals.

These efforts culminated in the Secretary's Intertie Report, which was supplemented by the Secretary's letters of July 21 and July 27, 1964, to the Chairmen of the House and Senate Appropriations Committees. The Secretary recommended the construction of four extra-high-voltage transmission lines. Two would be 500 kv ac lines from the Columbia River to Los Angeles, one 750 kv dc line from the Columbia River to Los Angeles, and one 750 kv dc line from the Columbia River to Hoover Dam, plus two 345 kv ac lines from Hoover Dam to Phoenix. Construction and ownership of the line, was to be a joint undertaking, part by the Federal Government and part by various publicly and privately owned utilities.

The plan recommended by the Secretary contemplated the equitable sharing of the benefits from the intertie by the various regions involved:

"The recommended plan will produce benefits estimated to be \$2.6 billion over a 50-year payout period. Approximately two-thirds of the benefits would accrue to preference customers. About \$1 billion in benefits would flow to the Pacific Northwest, \$669 million to California, and \$724 million to Arizona, Nevada, and other Colorado Basin States." Letter of June 24, 1964, from Secretary Udall to the Chairmen of the House and Senate Appropriations Committees, Senate Hearings on Public Works Appropriation Bill, 1965, H.R. 11579, vol. 3, part 3, p. 619 (1964).

Congress approved the report and the intertie by appropriating funds therefor in the Public Works Appropriation Act, 1965, Public Law 88-511, 78 Stat. 682 (1964). Its instructions appear in the report of the Senate Appropriations Committee, Report No. 1326, 88th Cong., 2d Sess., pp. 37-38 (1964). The Conference Committee approved

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the provisions of the Senate Report. H.R. Rep. No. 1794, 88th Cong.,
2d Sess., p. 42 (1964). The language of the Senate Report is set
forth in Exhibit 2 hereof.

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COMMITMENTS OF CALIFORNIA COMPANIES RELATING TO
CAPACITY AND ENERGY PURCHASES AND SALES

The criteria adopted by the Department for the evaluation of proposals for the construction or use of the intertie included the following:

"Construction Criteria

"1.

"The estimated quantity of secondary energy and peaking capacity that would be available from the Pacific Northwest is attached. Until about 1974 approximately an average of 25 percent of the secondary energy will be from non-Federal utilities and 75 percent from Bonneville Power Administration (BPA). BPA will sell its energy at its established rates at the Oregon-California or Oregon-Nevada State line. Under BPA's new rate proposal this will be 2 mills a kilowatt-hour. Non-Federal utilities, we believe, expect to sell their surplus secondary energy at the same rate. Bonneville would sell peaking capacity under the proposed rate schedule (\$9 per kilowatt-year or \$5 per kilowatt for peaking power available only from May through September) at the Oregon-California or Oregon-Nevada State lines as non-Federal utilities in the northwest probably will not have capacity for sale. Contracts will be made between the purchaser and BPA for federally generated power in the Pacific Northwest and directly with the non-Federal utilities for non-Federal power.

"

"Operating Criteria

"

"2. Long-term wheeling contracts with the Government should be on terms as nearly equivalent as practicable to Government ownership of the lines. Similar wheeling contracts may, in addition, be made available to other power systems. At all times any unused capacity in the lines should be available to any utility or system desiring to use it for the sale or exchange of 'economy' energy and capacity, and for other purposes

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related to the most efficient and economical use of energy, and of generation and transmission capacity. (No restrictions as to the Government's use of such capacity relating to ownership, kind of power and energy, or recipient will be accepted, other than restrictions consistent with S. 1007.)

"3. The total available transmission capacity in the Pacific Northwest, as well as Pacific Southwest, shall be shared equally as between the Federal power marketing agencies and non-Federal utilities and agencies. The preference granted to public bodies and cooperatives in the marketing of Federal power would not, in the case of these specific facilities, apply to the transmission of power by non-Federal entities, but proposers will be required to give assurances that public bodies and cooperatives have an opportunity to contract for a fair share of intertie capacity. In the Pacific Northwest, transmission capacity in the intertie shall be divided between BPA and non-Federal utilities approximately in proportion to their respective shares of any regional power surpluses in the Pacific Northwest.

"

"Other Considerations

"In making the determination as to whether or not a proposal results in benefits to the national interest at least equal to those to be derived from Federal construction, the following additional factors are pertinent:

"1. The quantities and conditions of sale of peak steam energy that the proposal will make available to firm up secondary energy for the Bureau of Reclamation, BPA and non-Federal utilities in the Pacific Northwest.

"

"3. Such assurances as the proposer can give as to the revenues Bonnaville and the Bureau of Reclamation may reasonably expect to receive from the sale of surplus energy and capacity.

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"4. The availability of surplus transmission capacity for the use of other preference and nonpreference systems, for delivery of non-Federal power." Senate Hearings on Public Works Appropriation Bill, 1963, H.R. 11579, vol. 3, part 3, pp. 432-433 (1964).

PG&E, Edison and San Diego submitted a joint proposal on April 15, 1964, which provided in part:

"Contract Terms.

"The Companies hereby offer to enter into contracts with the United States and others for purchase of power and energy which is surplus to the requirements of Northwest power consumers, and for exchanges of power and energy between the Northwest and California, on the following general terms and conditions:

"

"3. The Companies will purchase as much surplus Northwest power as can be used economically in their markets, consistent with their other obligations.

"The markets in California for the several types of Northwest surplus power are interrelated. As an example, the amount of Canadian Treaty Power which a company purchases may affect the amounts of surplus peaking capacity, interruptible energy, and all other sales and exchanges which the company can accept.

"It is estimated that the Companies will be able to purchase and use in their systems at Bonneville Power Administration (BPA) rates, but not to exceed 2 mills per kilowatt hour, the following maximum quantities of Northwest interruptible energy:

<u>Year</u>	<u>Billion kWh</u>
1967	4.4
1968	4.4
1969	5.2
1970	5.2
1971	5.7

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1972	5.8
1973	6.0
1974	6.0
1975	6.0

"4. The Companies will make available off-peak steam-generated energy (in excess of their own system requirements) to the Northwest in exchange for surplus Northwest energy or for capacity and associated energy, on a firm, long-term basis. It is estimated that approximately 4 billion kilowatt-hours per year of such off-peak energy could be delivered to the Northwest by the Companies.

On May 9, 1964, the California Companies submitted a supplement to their proposal which provided in part:

"2. Purchases from Pacific Northwest

"As nearly as practical and recognizing the different resources and load requirements of each of the Companies, purchases from the Pacific Northwest by the Companies will be made on a pro rata basis from among BPA and other Pacific Northwest agencies in such a manner as to give each such Northwest agency a fair share of the sale or exchanges to the Companies.

"

"11. Sale of Off-Peak Steam Energy

"With respect to the sale of off-peak steam energy to the Bonneville Power Administration, the Companies offer the following terms and provisions:

"Such energy would be delivered in amounts and at times requested by the Administrator subject to the availability of transmission capacity and generating capacity on the Companies' systems surplus to that required to (1) meet the requirements of the Companies, and (2) supply exchange energy and returnable energy to BPA.

"The price for such energy would be the sum of the following:

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"(1) the incremental cost to the Companies of generating such energy, including a component for transmission losses (but not including any allocation of transmission costs); plus

"(2) One-half the difference between (1) above and the value of the benefits created by such energy for EPA.

"This concept of an equal sharing of benefits is in accord with common practices in the sale and purchase of economy energy between utilities."

RIGHTS OF WAY PERMITS

The negotiation of the contracts to implement the various proposals and the Secretary's Intertie Report and the actual construction of the line proceeded concurrently. The latter involved the issuance of right of way permits over public lands which would be crossed by the various intertie lines. These right of way permits were conditioned upon the California Companies entering into contracts to implement their intertie proposal and the Secretary's recommendations in his Intertie Report to the Congress.

Final agreement on the intertie and congressional action came so rapidly that some of the commitments which the parties made were oral. To reduce them to writing and complete the record Mr. Charles F. Luce, Administrator of the Bonneville Power Administration, in a letter dated October 27, 1964, requested the companies to confirm their verbal understanding with respect to a number of points in Secretary Udall's letter of July 27, 1964, to the Chairmen of the House and Senate Appropriations Committees. The points in Mr. Luce's letter are not relevant to this inquiry. The California Companies, in a joint letter dated October 28, 1964, to Mr. Luce (Exhibit 3) confirmed the understanding referred to in Mr. Luce's letter of October 27 and in turn requested confirmation of a verbal understanding with respect to the rights of way:

"To complete the record, we would appreciate a letter from you confirming our verbal understanding of July 28, 1964, that, in lieu of the stipulation required

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by current regulations for rights-of-way across federal lands, the Department will accept performance by the Companies of their obligations to enter into agreements in accordance with their intertie proposal dated April 15, 1964 (as supplemented and amended on May 9, May 25, June 24, and July 15, 1964, and in this letter) for the nonfederal lines in California recommended by the Secretary of the Interior in his intertie report transmitted to the Congress June 24, 1964 (as supplemented and amended by his letters of July 21 and July 27, 1964) and the lines specified on the attached table. The acceptance would apply to the right-of-way applications referred to the Department of the Interior by the Department of Agriculture pursuant to the Memorandum of Understanding between the two Departments dated March 5, 1964 (29 F.R. 5016) as well as to applications filed directly with the Department of the Interior."

Assistant Secretary Holum, in a letter dated November 24, 1964, to the presidents of the California Companies (Exhibit 4) replied to their letter of October 23, 1964, in part as follows:

"In response to your request, this will acknowledge the further verbal understanding reached July 23, 1964, that for right-of-way purposes the Department will accept, for the lines referred to in your letter, (other than the two Edison Co. 500 kv Lugo-Hoover lines concerning which we are writing a separate letter of even date to Mr. Howard Allen), performance by the companies of their obligations to enter into agreements to implement the Department's recommendations in the intertie report transmitted to the Congress on June 24, 1964, as supplemented and amended by letters of July 21 and July 27, 1964. If Southern California Edison Co., separately or jointly with the City of Los Angeles or other non-Federal entity, hereafter submits an offer to build the dc line between Hoover Dam and Los Angeles for the purposes recommended in the intertie report, and such offer is accepted, the Department will likewise accept for right-of-way purposes for that line performance of said obligations.

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"Accordingly, the rights-of-way will be made conditional upon the companies performing their joint or individual obligations to enter into agreements in accordance with their letter of October 23, 1964, and their intertie proposals dated April 15, 1964 as supplemented and amended on May 9, May 25, June 24, and July 15, 1964. Since the terms of such agreements are substantially more advantageous to the United States than the terms provided in the wheeling stipulation, the agreements are acceptable in lieu of the stipulation, in accordance with past Departmental practices in these cases. Upon application therefor, preliminary construction permits, and, if the detailed agreements implementing the companies' letter and proposals and the Department's recommendations have not been executed or become effective by the time the right-of-way applications are ready to be granted, the right-of-way permits themselves would be issued subject to the foregoing conditions."

Approximately a year and a half later Mr. Horton, president of Edison, in a letter of March 31, 1966 (Exhibit 5), referred to the foregoing exchange of correspondence and requested advice as to the agreements which remained to be executed by the California Companies to satisfy the conditions in their right-of-way permits. Assistant Secretary Holum's reply of May 17, 1966, to Mr. Horton (Exhibit 6) listed 13 agreements the execution of which would satisfy the conditions. Among them was the following:

"5. Agreements between the California Power Pool companies, BPA and PPSL, Portland General Electric Company, Puget Sound Power and Light Company and Washington Water Power Company, or offers satisfactory to the Secretary of the Interior by the California Power Pool companies to enter into agreements with each of such non-Federal Pacific Northwest utilities for the purchase of surplus

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energy of such non-Federal Pacific Northwest utilities pursuant to the California Power Pool companies - [sic] proposal to make purchases as nearly as practicable on a prorata basis from among BPA and other Pacific Northwest agencies in such a manner as to give each such Northwest agency a fair share of the sales to the California Power Pool companies."

A copy of the foregoing letter was sent by separate letters, also dated May 17, 1966, to the presidents of PG&E and San Diego (Exhibit 7).

Mr. Gerdes, in a letter dated November 27, 1968, to Secretary Udall (Exhibit 8) pointed out that all of the agreements referred to in Mr. Holum's letter of May 17, 1966, had been executed with the exception of number 5. Mr. Gerdes forwarded a copy of the Seven Party Agreement and indicated that the California Companies had executed it. He therefore requested that if the Secretary approved the Seven Party Agreement, the conditions in the right-of-way permits be removed. A similar letter dated December 6, 1968 (Exhibit 9), was sent by Mr. Horton to Secretary Udall. In letters dated December 13, 1968, to Messrs. Gerdes and Horton, Assistant Secretary Holum acknowledged receipt of the foregoing letters but deferred a reply until the results of a forthcoming meeting among the seven parties in Portland, Oregon, on December 19, 1968, were known.

The Seven Party Agreement in the form in which it had been executed by the California Companies was not then satisfactory

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to the Department of the Interior. But the California Companies were anxious to have the conditions removed from their right of way permits. An alternative method of implementing the commitments of the California Companies would have been an amendment to their contracts with EPA so as to include a direct contractual obligation to make their purchases of surplus energy from the Pacific Northwest and their sales of excess energy to the Pacific Northwest on a fair and equitable basis. By wires dated January 7, 1969 PG&E (Exhibit 10), Edison (Exhibit 11), and San Diego (Exhibit 10) agreed to modify their power sales contracts, at the request of the Bonneville Power Administrator, if the Seven Party Agreement was not executed by all parties by July 1, 1969.

In a letter dated January 17, 1969, to the presidents of the three California Companies (Exhibit 12) Secretary Udall responded to the foregoing letters and wires in part as follows:

"This letter will inform each of you that all of the agreements referred to in Assistant Secretary Holm's May 17, 1966, letter have now been executed except for the agreement identified as No. 5 in that letter. The purpose of that item No. 5 will be accomplished by the execution of one of the following three items:

"1. The 'seven party agreement,' identified as item No. 5 in the May 17, 1966, letter, for the sale and purchase of electric energy in a form satisfactory to the Department of the Interior, or

"2. (A) An agreement between Bonneville Power Administration, Puget Sound Power and Light Company, Portland General Electric Company, and Washington Water Power Company providing for the priority of use for excess energy imported to the Pacific

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Northwest from California (Contract No. 14-03-83066),
and

"(B) An agreement between Bonneville Power Administration and the generating utilities, public and private, of the Pacific Northwest providing for the transmission and sale of exportable energy from the Pacific Northwest to California (Contract No. 14-03-73155); or

"3. Amendments to the respective power sales contracts between Bonneville Power Administration and Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company by adding in each a new section containing the commitments made in the telegrams from each of you of January 7, 1969.

"The commitments of each of the California power pool companies as evidenced by your telegrams of January 7, 1969, to amend its contract with Bonneville Power Administration, upon the latter's request is acceptable in satisfaction of Item 5 as specified in Mr. Holum's letter of May 17, 1966, in the event that neither item (1) nor item (2) above is consummated by July 1, 1969.

"Accordingly, we consider that all of the conditions set forth in the May 17, 1966, letter have now been fulfilled."

The commitment of the California Companies to amend their contracts with BPA, on the latter's request, was sufficient to satisfy item 5 of Assistant Secretary Holum's letter of May 17, 1966. The right of way permits were then freed of the condition that the California Companies enter into agreements to implement their intertie proposals and the recommendations in the Secretary's Intertie Report to the Congress.

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SEVEN PARTY AGREEMENT AND PACIFIC NORTHWEST AGREEMENTS

BPA executed a power sales contract and an exchange agreement with each of the Cities of Los Angeles, Glendale, Burbank and Pasadena and with each of the California Companies. These provided for sales and exchanges of surplus energy and peaking capacity from the Pacific Northwest to California and for the sale of excess energy from California to the Pacific Northwest. In some instances the transactions were firm, in others the agreements merely established the machinery under which future transactions would operate. The firm transactions involved the exchange of up to approximately one million kilowatts of capacity from BPA for offpeak energy from the California utilities.

In all the intertie negotiations BPA insisted on the principle that all Pacific Northwest utilities were entitled to a fair share of the market in California for nonfirm energy. BPA's contracts with the California utilities above mentioned were the first to be negotiated and executed, but BPA did not want that historical fact to result in its having "locked up" the California market and thereby its making a disproportionate share of the sales. At the same time, BPA did not want any utility or group of utilities to monopolize the import of power into the region to the detriment of the other utilities in the region. It was therefore necessary to negotiate contractual arrangements which addressed themselves to these matters.

The operation of the "preference clause" of the Bonneville Project Act, granting preference and priority to public bodies and cooperatives to power marketed by BPA, was also a factor to be considered in achieving an equitable distribution of benefits and liabilities associated with the construction and operation of the intertie lines. By virtue of P.L. 88-552 (Regional Preference Law), all entities in the Pacific Northwest have a prior claim on the power marketed by BPA over both preference and non-preference customers outside the region. While the Regional Preference Law refers only to generation from Federal hydroelectric plants, the power added to the Federal system by way of exchange, purchase or otherwise loses identity with its source and is treated as BPA power, subject to all of the preference rights associated with power from the Federal hydroelectric plants. This means that the order of priorities for all power marketed by BPA is, with a limited exception not relevant here, as follows:

- First priority: Public agencies and cooperatives in the Pacific Northwest, i.e., City of Seattle, Clark County PUD, Big Bend Electric Cooperative, etc.
- Second priority: Other entities in the Pacific Northwest, i.e., Pacific Power & Light Company, Kaiser Aluminum Company, etc.
- Third priority: Public agencies and cooperatives outside the Pacific Northwest, i.e., City of

Glendale, City of Santa Clara, State
of California, etc.

Fourth priority: Other entities outside the Pacific
Northwest, i.e., Pacific Gas & Electric
Company, Southern California Edison
Company, San Diego Gas & Electric Company,
etc.

The application of these priorities to the utility industry in
California means that so long as BPA is marketing the energy, the
non-preference customers in California would only have access to
such energy after all requirements of the preference customers had
been satisfied. This result would obtain even though the application
of the Exportable Energy Agreement, hereafter explained, might result
in the non-preference utilities of the region having supplied all or
a major portion of such energy.

To resolve the problem of affording all utilities of the
Pacific Northwest access to the interstate lines for the purpose of
disposing of exportable non-firm energy, BPA executed an agreement
known as the Exportable Energy Agreement, Contract No. 14-03-73155
(Exhibit 13), with all the nonfederal Pacific Northwest generating
utilities, including the four Northwest investor-owned utilities
who are parties to the Seven Party Agreement. The Exportable Energy
Agreement establishes a procedure for allocating exportage energy

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among the generating utilities in the Pacific Northwest, in general on the basis of hourly availability within the limitations of transmission capacity in the intertie lines available for the transmission of nonfirm energy. It then apportions to each party the quantity of exportable energy each party may schedule to California in each hour. Except for the priorities hereinafter mentioned, such apportionment is directly proportional to the hourly allocations first determined.

PP&L constructed and owns a portion of one of the 500 kv ac lines, being the portion from the California-Oregon border to Indian Springs, a point in northern California. For reasons not relevant to this inquiry, the Department of the Interior insisted that PP&L lease its portion of the line for a long term to PG&E. That lease agreement provides for a rental payment of \$475,000 a year. Since the California Companies' intertie proposal provided for making capacity available to the Government south of the Oregon-California border at the costs of an equivalent federal line, PG&E's lease payments to PP&L, to the extent of the one-half of the capacity of the line which the PP&L intertie proposal offered to the Government, are on the same basis. The \$475,000 annual payment thus represents federal costs for one-half of the PP&L portion of the line and PP&L's actual costs for the other half. PP&L's actual

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costs for the entire line are in excess of that sum. Fairness demanded that PP&L be given an opportunity to recover its actual costs and be made whole. It is for this reason that a separate contract between BPA and PP&L, Contract No. 14-03-56379, gives the latter a priority for the sale of 270 million kilowatt hours annually in California. The revenues from the sale of that amount of energy is the estimated difference between the lease payments from PC&E and PP&L's actual costs. Once PP&L has sold that amount of energy its priority for that year is filled, and for the remainder of the year it will be on the same footing as the other generating utilities in the Pacific Northwest. Each will share equitably in supplying any further demand in California.

A somewhat similar situation exists in the case of Portland General which owns the portion of one 500 kv ac line between its Grizzly Substation in northern Oregon and the California-Oregon border. A separate agreement between Portland General and BPA, Contract No. 14-03-55063, gives Portland General a priority for the sale of 1,100,000,000 kilowatt-hours annually in California.

The Exportable Energy Agreement recognizes these priorities and provides that PP&L and Portland General may schedule in each hour, on a proportional basis specified in the above numbered contracts with BPA, all of their exportable energy before any other Northwest generating entity, including BPA, may schedule any. If the two companies do not have sufficient exportable energy,

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satisfy the California demand for such energy, BPA may schedule up to the amount of its allocation for such hour. If such amounts do not satisfy the California demand, the remaining generating utilities in the Pacific Northwest may schedule exportable energy for such hour in the ratio of their hourly allocations to the total of the hourly allocations of all such remaining generating utilities. As soon in each year as the priorities of both PP&L and Portland General are satisfied, all priorities cease, and for the remainder of the year all generating entities, including PP&L, Portland General and BPA, may schedule exportable energy in proportion to their respective hourly allocations.

The Exportable Energy Agreement also enables the utilities of the region to share with EPA in the disposition of surplus energy pursuant to the BPA power sales contracts and exchange agreements above mentioned with the various California utilities, both public and investor-owned. The surplus energy to be delivered from the Pacific Northwest under those agreements may actually be supplied from exportable energy of a nonfederal utility, public or investor-owned, made available to EPA under the Exportable Energy Agreement.

As a result the origin of exportable energy which any particular California utility receives is dependent upon a number of variables, including the total demand in California, the relative size of that utility's purchase to such total demand, that utility's status under the preference clause, the total quantity available

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in the Pacific Northwest, the status of the priorities of PP&L, Portland General and BPA in the Pacific Northwest, and the applicability of the preference clause to the generator of the exportable energy in the Pacific Northwest. For example, surplus energy delivered from the Northwest to the City of Los Angeles under its contracts with BPA could be generated (1) entirely by investor-owned utilities, (2) partly by such utilities and partly by BPA, (3) partly by such utilities, partly by BPA and partly by nonfederal public utilities, (4) entirely by BPA, or (5) partly by BPA and partly by nonfederal public utilities.

In the Pacific Northwest BPA normally has available on an annual basis approximately 50 percent of the nonfirm energy available for export to California the for investor-owned utilities who are parties to the Seven Party Agreement approximately 33 percent, and the nonfederal publicly owned utilities approximately 17 percent. Any Pacific Northwest entity now or hereafter having an exchange agreement with BPA may become a party to the Exportable Energy Agreement.

A second Pacific Northwest agreement, known as the Priority of Use Agreement, Contract No. 14-03-80066 (Exhibit 14), was executed by BPA and the four Pacific Northwest investor-owned utilities who are parties to the Seven Party Agreement. It relates to the equitable sharing of imports of nonfirm energy (designated excess energy) from the California Companies. Any party to the Priority of Use

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Agreement who imports excess energy from the California Companies agrees to make that energy available on a proportional basis to all Pacific Northwest entities (not just the parties to the agreement) in accordance with a specified order of priority among four types of uses, e.g., meeting firm load, refilling reservoirs to energy content curve, steam displacement and other uses. For example, all Pacific Northwest entities needing the excess energy for the highest priority use would share the available energy proportionately for that use before any entity could obtain excess energy for a lower priority use.

Similarly section 8 of the Exportable Energy Agreement provides that subject to the priority of uses established by the Priority of Use Agreement, excess energy available from California entities (not just the California Companies) which is insufficient to serve all the amounts reasonably requested by Pacific Northwest entities shall be prorated among such entities in accordance with such requests.

The two Pacific Northwest agreements provide for the equitable sharing of deliveries of exportable energy to California and the equitable sharing of imports of excess energy from California. There remains the relationship of the Seven Party Agreement to this concept.

As previously noted, Secretary Udall in his letter of January 17, 1969 (Exhibit 12), to the California Companies indicated that one of

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the procedures which would satisfy the purpose of item 5 in the list of contracts in Mr. Holum's letter of May 17, 1966, was the execution of the "Seven Party Agreement in a form satisfactory to the Department of the Interior." Another was the amendment of the California Companies' contracts with BPA to provide for their making purchases of Pacific Northwest nonfirm energy on an equitable basis. The California Companies' telegraphic commitments to so amend their contracts on request by BPA formed the basis for the release of their right of way permits from the conditions previously described.

However, by the time of Secretary Udall's letter of January 17, 1969, the Exportable Energy Agreement and Priority of Use Agreement had been negotiated, drafted, and, as will subsequently appear, were submitted to the Department of Justice for a review of any antitrust aspects. To give time for that review was the reason for the July 1, 1969, date in the California Companies' wires of January 7, 1969. BPA preferred to go the route of having those agreements and the Seven Party Agreement executed rather than have the California Companies amend their contracts with BPA. For that reason BPA never requested the California Companies to amend their contracts with BPA.

A key factor in that procedure was the execution of the Seven Party Agreement in a form satisfactory to BPA. BPA reviewed a number of drafts of the Seven Party Agreement and participated in several negotiating sessions with the parties. In EPA's view the Seven Party Agreement was the result of a fear by the California

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Companies that due to BPA's application of the preference clause in its disposition of exportable energy, the public agencies in California would obtain a disproportionate share of the exportable energy sold over the interstate. The agreement was intended to give the California Companies as much protection as possible against an inequitable sharing of interstate benefits which might otherwise occur by reason of the operation of the preference clause.

BPA took the position that the provisions of the Seven Party Agreement purporting to grant the California Companies a priority for the exportable energy of the Northwest investor-owned utilities and purporting to grant the latter a priority for the excess energy of the California Companies was inconsistent with the commitments of the California Companies under their proposal for the construction of the interstate. BPA insisted that the Seven Party Agreement with respect to both the sale of exportable energy south and of excess energy north be subordinate to the two Pacific Northwest agreements (Exportable Energy Agreement and Priority of Use Agreement). The matter ultimately was resolved by the execution of the Seven Party Agreement in its present form (the same form as the draft transmitted in Mr. Gerdes' letter of November 27, 1968, to Secretary Udall (Exhibit 8)) and the subordination of that agreement to the Pacific Northwest agreements. That subordination was accomplished by a letter dated January 14, 1969 (Exhibit 15) to the Bonneville Power Administrator, executed by Mr. Hugh Smith, of counsel for Pacific

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Power & Light Company, on behalf of all the parties to the Seven Party Agreement.

The letter makes the following statement with respect to the Seven Party Agreement:

"It is the understanding of the parties to this agreement that the exercise by the Northwest companies of their rights to purchase excess energy will be in accordance with the provisions of the agreement to be entered into among the Northwest companies and EPA providing that thermal-generated power available from the Southwest shall be distributed in accordance with a priority scale of uses as set forth in that agreement. (Contract No. 14-03-83066) It is the further understanding of the parties to this agreement that the offer by the Northwest companies of surplus energy for sale to the California companies shall be in accordance with the agreement to be entered into among the Northwest companies, EPA and other Northwest entities, providing for marketing arrangements for surplus hydro-energy by generating entities in the Northwest. (Contract No. 14-03-73155)"

The provisions in the two Pacific Northwest agreements are explicit regarding equitable sharing. Section 5(a) of the Exportable Energy Agreement provides that "No party shall schedule during any hour Exportable Energy pursuant to this agreement and for sale to California entities under any other contract a total quantity in excess of such party's Apportionment for such hour" Section 2(a) of the Priority of Use Agreement provides "Excess Energy made available for sale or purchase by the parties pursuant to any agreement with the California Companies shall be made available to all Northwest entities on a proportionate basis"

If the Seven Party Agreement establishes any priority between the parties, that priority is subordinate to the two Pacific Northwest agreements and can operate only within the terms of those agreements.

Since (1) the largest share of Pacific Northwest nonfirm energy is generated by EPA, (2) such energy, together with that received by EPA from both the investor and publicly owned utilities under exchange agreements, is subject to the preference clause, and (3) a substantial portion of the exportable energy delivered annually by PF&L and Portland General under their priority will go to the systems of Los Angeles, Glendale, Burbank and Pasadena and any other public agency in California which contracts with EPA, preference customers in California will have access to by far the largest share of exportable energy available in the Pacific Northwest. The California Companies will have access only to a portion of the exportable energy available from the Pacific Northwest investor-owned utilities. The California Companies will have access to the remainder of the Pacific Northwest exportable energy only after the demands of the California preference customers have been satisfied in full.

The two Pacific Northwest agreements were executed as of January 13, 1969, and the Seven Party Agreement was executed as of January 14, 1969. These were the approximate dates that the agreements were submitted to the Department of Justice. The two

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Pacific Northwest agreements (Exportable Energy and Priority of Use) actually were signed late in the summer of 1972, after the Seven Party Agreement had been executed and delivered to the parties thereto late in the spring of 1972.

Following the execution and delivery of the Seven Party Agreement, the Bonneville Power Administrator, in a letter dated June 12, 1972 (Exhibit 16), to the California Companies, advised the latter that such execution, in the light of the understandings set forth in Mr. Smith's letter of January 14, 1969 (Exhibit 15), to the Administrator, was accepted by BPA in lieu of the amendments to their power sales contracts with BPA as committed by their wires of January 7, 1969 (Exhibits 10 and 11).

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DEPARTMENT OF JUSTICE AND APPROPRIATION COMMITTEES' REVIEW

The Secretary's Intertie Report, after making recommendations for the four intertie lines and the acceptance of the proposals of various utilities including that of the California Companies, proceeds:

"We do not believe that the acceptance of these proposals, and their incorporation in a total plan of service, can be said to violate Federal antitrust laws in any way. On the contrary, they provide for wide participation in intertie benefits by several regions and many publicly and privately owned utilities. But to eliminate any question of doubt on the subject, we recommend that the contracts needed to implement the proposals be reviewed with the Antitrust Division of the Department of Justice before their execution." Secretary's Intertie Report (Committee Print of the Senate Appropriations Committee, 68th Cong., 2d Sess., p. 31 (1964)).

Pursuant to that commitment the Department of the Interior submitted more than 25 contracts to the Department of Justice for antitrust review. The last documents to be so submitted are those involved in this inquiry. Assistant Secretary Holum's letter of January 17, 1969 (Exhibit 17), to Mr. Zimmerman, Head of the Antitrust Division of the Department of Justice, forwarded the Exportable Energy Agreement, the Priority of Use Agreement, the Seven Party Agreement, and Mr. Smith's letter of January 14, 1969, to Mr. Richmond, subordinating the Seven Party Agreement to the two Pacific Northwest agreements.

Mr. McLaren's letter of February 2, 1970 (Exhibit 18), to Assistant Secretary James R. Smith was received in reply. 540 513

The same four documents were forwarded to the Chairmen of the House and Senate Appropriations committees and to the Chairman of the Public Works Subcommittee of each Appropriations Committee at the same time the documents were submitted to the Department of Justice (Exhibit 19--the other three letters were identical). No objection or other comment was received from any of them.

LIST OF EXHIBITS

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PNW Interim

Exhibit 1

NOV 7 1962

Mr. D. H. Hoelung, President
Pacific Power and Light Company
Public Service Building
500 S. 4th Avenue
Portland 4, Oregon

P-637.27

Dear Mr. Hoelung:

Since the Department of the Interior Task Force Report of last October on the Pacific Northwest-Pacific Northwest Interconnection, we have discussed with utilities in both areas the implementation of this report.

The Task Force report suggested the need for approximately 1,000 mile-
watts of transmission line capacity between the two areas. This capacity could be provided by two 110,000-volt three-phase lines, two 500,000-volt alternating-current lines, or one line each of d-c and a-c.

A planning program for implementing the report was presented to Congress this past spring. Congress responded by appropriating \$100,000,000 for the Pacific Northwest and in California, subject to the following (Report No. 3023, House Appropriations Committee, 87-1):

"The Committee has made a further allocation of \$100,000 in the report of \$100,000 for a study of a Pacific Northwest-California high-voltage interconnection. The use of the \$100,000 provided is to be controlled by the Secretary and restricted to additional field survey engineering, reconnaissance surveys, technical studies, and negotiations with both public and private utilities interested in a coordinated plan for power transmission between the regions. An initial ground survey is to be undertaken.

"In addition, this action has provided for recognizing the need for comprehensive technical studies and preliminary studies on the Pacific Northwest-California high-voltage interconnection or construction work. Such a relation is hereby.

"It is the policy of the Department of the Interior to facilitate the relations and planning between the Federal Government and private utilities in the Northwest. It is the policy of the Department of the Interior to be established in the following:

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"coordinated with the most desirable and economical plan for construction and use of interstate facilities.

"The amount provided should be adequate to permit the Department to proceed with the development of a comprehensive plan in both Oregon and California which can be supported by all parties."

The report of the Senate Appropriations Committee contained a similar direction.

Consistent with the intent of the Committee, we would like to give proposals for construction of an interstate. These proposals could include Federal construction, non-Federal construction, or a combination of the two. Our studies showed that the most economical interconnection would consist of two 750,000-volt a-c circuits to Tracy, and one such circuit from Tracy to Los Angeles. We are nevertheless willing to consider a plan of interconnection consisting of one 750,000 a-c circuit and one 500,000 a-c circuit. Our study of December 15, 1951 showed a routing of the circuit to Los Angeles through the Central Valley of California. We will, however, consider other routes that may be suggested.

It is important to our office, we believe, that it move ahead in the field of direct-current transmission of electricity. The first and best opportunity to improve long-distance direct-current transmission in the United States is an interconnection between the Pacific Northwest and the Pacific Southwest.

Regardless of who constructs the facilities, we believe that capacity excess to the owner's needs should be offered on a firm basis for use by other utilities and agencies in both areas at a low annual cost in order to assure maximum use of such an interconnection. You may recall that the Mackay River Report indicated a cost, exclusive of losses, of about \$2.50 a kilowatt-year for transmission within the Pacific Northwest and about \$4.00 a kilowatt-year for transmission within the State of California. It would be our policy on any project constructed by the United States to offer all excess capacity to other utilities on a non-discriminatory basis at our average costs.

Legislation to define the primary Bonneville marketing area as the Pacific Northwest was introduced in the last session of Congress. It passed the Senate but was not reported out of the Interior Committee of the House. It is our understanding that this legislation will be reintroduced in the next session of Congress. Its enactment is important in laying down the ground rules for interregional power shipments whether or not the interconnecting lines are built as Federal lines or as non-Federal lines.

We invite your proposals for a coordinated plan for power interchange between the Pacific Northwest and Pacific Southwest which, in the Committee's language, will serve the best possible economic interests

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for construction and use of inertial facilities. We would like to discuss with you in detail any questions you might have at our mutual convenience. If you decide to make a proposal, please do so by January 1, 1963.

We are sending similar letters inviting proposals from others who have expressed an interest in the construction or use of a Pacific North-western ballistic missile facility.

Sincerely yours,

Administrator

cc:
H. P. Dugan - B.R., Sacramento, Calif.
Geo. Town (Wash. DC)
B. P. Walters - Field. AO (WP) *discuss with + dist. to you.* (3)
Administrator's file copy 4-3

ADRS
(WP)

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Similar letter mailed to:

Mr. E. J. McClung, President
Pacific Power & Light Co.
Public Service Bldg.
920 SW 3rd Avenue
Portland 4, Oregon

Mr. Frank M. Hansen, Jr., President
Portland General Electric Company
Electric Building
621 SW Alder Street
Portland, 5, Oregon

Mr. Norman R. Sutherland, President
Pacific Gas and Electric Company
245 Market Street
San Francisco 5, Calif.

Mr. Geo. W. Driscoll, President
The Washington Water Power Company
P.O. Drawer 1445
Spokane 10, Wash.

Mr. L. W. Kanner, Vice President
Puget Sound Power & Light Co.
1970 Washington Bldg.
Seattle 1, Wash.

Dr. Paul J. Raver
Supt. of Lighting
Seattle City Light
1015 Third Avenue
Seattle 4, Wash.

Mr. C. A. Erdahl
Director of Utilities
Tacoma City Light
P.O. Box 1659
Tacoma 1, Wash.

Mr. Byron L. Price
Supt.-Secretary
Eugene Water & Electric Board
P.O. Box 1112
Eugene, Oregon

Mr. B. B. Gibbons, Manager
FED No. 2 of Grant County
Box 673
The Dalles, Washington

Mr. T. H. Goodrich, Genl. Mgr. & Chief Eng.
Municipal Power & Light Dept.
City of Redding, Re. 502 City Hall
Redding, Calif.

Mr. Kirby Billingsley, Manager
Chelan County FUD, No. 1
P.O. Box 1251
Wenatchee, Wash.

Mr. Paul Shoad
Genl. Mgr. & Chief Engineer
Sacramento Municipal Utility District
P.O. Box 2591
Sacramento 11, Calif.

Mr. J. K. Horton, President
Southern Calif. Edison Company
601 W. Fifth St.
Los Angeles 33, Calif.

Mr. J. D. Shorada, President
San Diego Gas & Electric Co.
961 Sixth Avenue
San Diego 12, Calif.

Mr. Fred Oldenburger, Jr., President
California Electric Power Co.
P.O. Box 1039
San Bernardino, Calif.

Mr. E. K. Albert, President
California-Pacific Utilities Co.
405 Montgomery St.
San Francisco 4, Calif.

Mr. Samuel Nelson, General Mgr.
Los Angeles Dept. of Water & Power
P.O. Box 3669 Terminal Annex
Los Angeles 34, Calif.

Mr. William Wams, Director
St. of Calif. Dept. of Water Resources
P.O. Box 588
Sacramento 2, Calif.

Mr. Ralph Day, General Mgr.
Public Service Department
City of Burbank
164 W. Magnolia Blvd.
Burbank, Calif.

Mr. L. V. Simpson, Genl. Mgr. & Chief Eng.
Public Service Dept.
City of Glendale
117 W. Glendale Ave.
Glendale 1, Calif.

540 321

Northwest Electric, Inc.

Portland, Oregon
P.O. Box 1751
Portland, Oregon
cc: Mr. Ray Kell, Portland, Ore.

Mr. Roger M. Callison
Lewis & Clark Generation & Transmission
P.O. Box 497
Bilwalle, Washington

Mr. Owen Rued, Managing Director
Washington Public Power Supply System
P.O. Box 672
Kannawick, Wash.

Mr. Howard Butcher, III, President
International Utilities, Inc.
1900 Walnut St.
Philadelphia 2, Pa.
cc: Mr. Ralph Brady
Westland Equip. Division
P.O. Box 4035
Fresno, Calif.

Mr. Harvey P. McKell, Assoc. Director
Colorado River Basin Consumers Power, Inc.
Rm. 202, 345 S. State Street,
Salt Lake City 11, Utah

Louie M. Alexander
Associate General Mgr.
Power District
Salt River Project
P.O. Box 1900
Phoenix 1, Ariz.

Mr. Howard H. MacCowan
Corporate Services, Inc.
Exchange Building
Second & Marion
Seattle 4, Wash.

cc: also sent to: *(Thru Rep. Jones)*
W. C. ...
House Appropriations Committee
Senate Appropriations Committee

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Senate Report

Pacific Northwest-Pacific Southwest Intertie, \$42,200,000--The committee recommends an appropriation of \$42,200,000 to initiate construction of three of the four transmission lines between the power system of the Bonneville Power Administration and the Pacific Southwest recommended in the report of the Secretary of the Interior on June 24, 1964, as amended on July 21 and July 27, 1964. The committee's recommendation is based upon acceptance by the Secretary of the Interior of those proposals for participation in the construction of the intertie transmission facilities submitted by non-Federal agencies, which the Secretary indicates in his report, as amended, he will utilize in effectuating the intertie.

Of this amount \$1 million is for the Oregon portion of the 750-kilovolt direct-current line between The Dalles Dam and Hoover Dam; \$29,300,000 for the Oregon portion of the 750-kilovolt direct-current line from The Dalles Dam via Nevada to the Sylmar substation, Los Angeles; and \$11,900,000 for the Oregon portion of the 500-kilovolt alternating-current line between the John Day Dam via the Central Valley of California to the Vincent substation, Los Angeles.

The committee directs that before construction of The Dalles Dam-Hoover Dam line begins, the Secretary shall review load potentials on the line and find that it will be financially feasible and self-liquidating over its service life. In this review, he will consider the importance of this line to, and its economic effect on, the entire intertie system which he has recommended, and shall take cognizance of the economic value of the line for diversity exchanges between the Pacific Northwest and the Pacific Southwest, as well as the advantages to the Federal Government of an interconnection between two major federally owned power systems. Before energy generated in the upper division of the Colorado River Basin may be displaced by energy transmitted on The Dalles Dam-Hoover Dam line, the Secretary shall insure that said displaced energy is marketable in such quantities and at such rates as to assure that the repayment schedule of the Upper Colorado River Basin fund will not be delayed or otherwise adversely affected; and will not displace energy supplied to consumers (excepting cooperatives and public bodies as defined in the Bonneville Project Act) from any other source.

With respect to the intertie lines, the committee approves the existing policy of the Department to the effect that it will

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not enter into contracts which call for wheeling charges greater than Federal costs for such service, or which do not provide to the Department wheeling capacity in the lines to meet its full requirements. It is the desire of the committee that all such contracts be made public and be transmitted to the Senate not less than 60 days before their effective dates.

The committee directs that none of these funds shall be expended until there has been enacted into law S. 1007, or similar legislation, guaranteeing electric consumers in the Pacific Northwest first call on electric energy generated at Federal hydroelectric plants in that region and to guarantee electric consumers in other regions reciprocal priority.

The committee also directs that no contracts between the Secretary and non-Federal agencies for construction of portions of these transmission lines shall be effective until funds appropriated in this act become available after requirements set forth in this report have been met; and until the Secretary has directed the Bonneville Power Administration and the Bureau of Reclamation to proceed with construction of all these portions of the transmission lines for which appropriations are provided in this bill. It is the desire of the committee that construction of the 750-kilovolt direct-current line between The Dalles Dam and Hoover Dam shall commence not later than construction of other lines of the intertie is initiated. S. Rep. No. 1326, 88th Cong., 2d Sess., pp. 37-38 (1964).

Conference Report

The conferees on the part of both Houses are in agreement with the provisions in connection with use of the funds for the Pacific Northwest-Pacific Southwest intertie as set out in the Senate report. H. Rep. No. 1794, 88th Cong., 2d Sess., p. 42.

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Pacific Gas and Electric Company

Exhibit 3

245 Market Street

San Francisco 9, California

Robert H. Goetz
President

October 28, 1964

Mr. Charles F. Luce
Bonneville Power Administrator
Department of the Interior
Portland, Oregon 97203

Dear Mr. Luce:

In reply to your letter of October 27, 1964 this will confirm our verbal understanding that the respective companies will enter into the agreements referred to in points 1, 2, 3 and 5 of Secretary Udall's letter of July 27 to Senator Hayden and Mr. Mahon on the Pacific Northwest - Pacific Southwest intertie, as follows:

- "1. Pacific Gas & Electric's agreement would be needed to interconnect the Bureau's 500- and 230-kilovolt lines at Pacific Gas & Electric's Round Mountain Station, and the Bureau's 230-kilovolt line at its Cottonwood Station.
- "2. A long-term agreement with Pacific Gas & Electric whereby the Bureau's 500-kilovolt and 230-kilovolt lines would be operated in parallel with the company's 500-kilovolt lines and system and capacities on the Bureau and company lines between the Oregon boundary and Tracy would be pooled. The capacity of the 500-kilovolt transmission line to be constructed by the Bureau from the Oregon border to Round Mountain shall be made available, first, for the Bureau's own uses up to 400 megawatts and the balance of the capacity in said line shall be made available to carry out the proposal of the companies including the fulfillment of obligations of the companies thereunder.
- "3. Agreement between the Bureau and the California companies for equitably sharing the wheeling revenues payable by the State and SUD, and for reducing the companies' wheeling charges to the Bureau for service to Tracy. It may be necessary to adjust the charge to the State and SUD, depending upon the result of further negotiations.

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Mr. Luce

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October 28, 1964

- "5. Agreement by the California companies not to withdraw the other features of their proposal, including support for The Dalles-Los Angeles 750-kilovolt direct current line, and service to SMUD and the State of California."

We understand that the amount of capacity in the Companies' 500 kv lines between Round Mountain and Tracy used by the Bureau of Reclamation will be the same as that used by the Bureau in its line north of Round Mountain. We further understand that transmission service will be furnished to the State and SMUD by the Companies as set forth in their proposals, and that the Companies will compensate the Bureau for use of all capacity in excess of 400 megawatts in the Bureau's line from the Oregon border to Round Mountain.

The Bureau of Reclamation and Pacific Gas and Electric Company propose to agree on an equitable division of ownership and cost of the facilities at the Round Mountain and Cottonwood substations.

Southern California Edison Company is willing to discuss with you and your representatives the proposed construction of a direct current tie between the Hoover and Sylmar direct current terminals mentioned in the note to the last paragraph of the Secretary's letter of July 27. Edison has, however, made preliminary studies which indicate that a 500 kv ac line from Lugo Substation to the Bureau of Reclamation's proposed switch-rack south of Hoover Dam, when paralleled with the existing 287 kv lines of the City of Los Angeles, might more effectively accomplish the purposes of the proposed line. We suggest that this matter be jointly studied by your representatives and those of Edison and other interested parties.

You may regard our intertie proposal as having been amended accordingly.

To complete the record, we would appreciate a letter from you confirming our verbal understanding of July 28, 1964, that, in lieu of the stipulation required by current regulations for rights-of-way across Federal lands, the Department will accept performance by the Companies of their obligations to enter into agreements in accordance with their intertie proposal dated April 15, 1964 (as supplemented and amended on May 9, May 25, June 24, and July 15, 1964, and in this letter) for the nonfederal lines in California recommended by the Secretary of the Interior

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Mr. Luce

October 28, 1964

in his intertie report transmitted to the Congress June 24, 1964 (as supplemented and amended by his letters of July 21 and July 27, 1964) and the lines specified on the attached table. The acceptance would apply to right-of-way applications referred to the Department of the Interior by the Department of Agriculture pursuant to the Memorandum of Understanding between the two Departments dated March 5, 1964 (29 F.R. 5016), as well as to applications filed directly with the Department of the Interior.

Very truly yours,

PACIFIC GAS AND ELECTRIC COMPANY

By *Robert H. Gerdes*
Robert H. Gerdes, President

SOUTHERN CALIFORNIA EDISON COMPANY

By *J. R. Horton*
J. R. Horton, President

SAN DIEGO GAS & ELECTRIC COMPANY

By *J. F. Simcoe*
J. F. Simcoe, President

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TRANSMISSION LINES CROSSING FEDERAL LANDS REQUIRED
TO IMPLEMENT OR SUPPORT THE PACIFIC INTERCONNECTED PLAN

Pacific Gas and Electric Company

1. Round Mountain-Indian Springs, 1 circuit 500 kv
2. Gates-Nipomo-Midway, 2 circuits 500 kv
3. Pitt Powerhouse No. 1-Cottonwood, 2 circuits 230 kv
4. Feather River Power Plants-Big Bend Junction, 3 circuits 230 kv
5. North Yuba Project-Palermo and Smartville substations, 1 circuit 230 kv and 1 circuit 60 kv
6. Middle Fork American River Project-Gold Hill and Forest Hill substations, 1 circuit 230 kv and 1 circuit 60 kv
7. Contra Costa Power Plant-San Ramon, 2 double circuits 230 kv

Southern California Edison Company

1. Midway-Vincent, 2 circuits 500 kv
2. Vincent-Mesa, 1 circuit 220 kv
3. No. 1 Saugus-Mesa and Eagle Rock-Mesa, 2 circuits 220 kv
4. No. 2 Saugus-Mesa, 1 circuit 220 kv (Future Saugus-Vincent, Vincent-Mesa, 2 circuits 220 kv)
5. No. 3 Saugus-Mesa, 1 circuit 220 kv (Future Saugus-Vincent, Vincent-Rio Honda, 2 circuits 220 kv)
6. Magunden-Saugus, 2 circuits 220 kv
7. Vista-Devers, Devers-Mayfield, and Mayfield-Eagle Mountain, 1 circuit each 220 kv
8. Lugo-Victor, 2 circuits 220 kv

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 UNITED STATES
 DEPARTMENT OF THE INTERIOR
 OFFICE OF THE SECRETARY
 WASHINGTON 25, D. C.

*Runney
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Exhibit 4

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Gentlemen:

Thank you for your letter of October 23, 1964, to Administrator Luen, in which you confirmed the verbal understanding as to the general terms upon which the California companies would enter into the four agreements referred to in points 1, 2, 3 and 5 of our letter of July 27 to Senator Hayden and Mr. Hohen on the Pacific Northwest-Pacific Southwest Interiole.

We do not intend to foreclose the question of the amount the State and SMOB are to pay for wheeling from the Oregon border to the producers' respective points of delivery. In addition to services furnished by the companies at the rates set forth in their proposals, provision must be made by the Bureau of Reclamation, the State and SMOB to amortize the Bureau's 200 kv line from Round Mountain to Cottonwood.

With regard to the 750 kv dc line connecting Hoover Dam with Los Angeles, as included in the Interiole plan approved by the Congress, we are, of course, willing to discuss any revised engineering plan that the Southern California Edison Company may believe will better accomplish the purposes and functions of the proposed Hoover-Los Angeles dc line. However, until such joint studies are completed and the evaluations made by the Department, no change in the approved plan can be secured.

In response to your request, this will acknowledge the further verbal understanding reached July 23, 1964, that for right-of-way purposes the Department will accept, for the lines referred to in your letter, (other than the San Edison Co. 500 kv Lugo-Hoover line concerning which we are writing a separate letter of even date to Mr. Howard Allen), performance by the companies of their obligations to enter into agreements to implement the Department's recommendations in the Interiole report transmitted to the Congress on June 24, 1964, as supplemented and amended by letters of July 21 and July 27, 1964. If Southern California Edison Co., for itself or jointly with the City of Los Angeles or other non-federal entity, hereafter submits an offer to build the dc line between Hoover Dam and Los Angeles for the purposes recommended in the Interiole report, and such offer is accepted, the Department will liberally accept for right-of-way purposes for that line performance of said obligations.

Accordingly, the right-of-way will be made conditional upon the companies performing their joint or individual obligations to enter into agreements in accordance with their letter of October 23, 1964, and their Interiole proposals dated April 15, 1964 as supplemented and amended on May 9, May 25, June 24 and July 19, 1964. Since the terms of such agreements are substantially more advantageous to the United States than the terms

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provided in the preceding stipulation, the agreements are acceptable in lieu of the stipulation, in accordance with past Departmental practice in these cases. Upon application therefor, preliminary construction permits, and, if the detailed agreements including the companies' letter and proposals and the Department's recommendations have not been discussed or become effective by the time the right-of-way applications are ready to be granted, the right-of-way permits themselves would be issued subject to the foregoing conditions.

We will do everything we can to expedite the issuance of the requisite preliminary construction permits and right-of-way permits by the lead management agencies both of the Department of Interior and Agriculture. This assumes, of course, completion of necessary surveys and compliance with the other requirements of the Government Land Management Agencies relating to right-of-way permits.

We will also recommend that Federal Power Commission licenses for such of the lines as may require them be conditioned in the manner above outlined in those cases where license applications for the subject lines are referred to the Department of the Interior for review.

Sincerely yours,

(sgd) Kenneth Holum

Secretary of the Interior

Assisted
Messrs. Cordes, Horton and Hinnett
Pacific Gas and Electric Company
245 Market Street
San Francisco 3, California

cc:
Secretary's reading file

WER

Assoc. Sol - WCP

WP

BRM DC

AO

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MGE

CF:ucshgt 11-17-64

Ruricut EM:ainburg:ja 11-17-64

Ruricut EM:ainburg:htg 11-18-64

JACK K. HORTON
PRESIDENT

P. O. BOX 351
LOS ANGELES, CALIFORNIA 90033

March 31, 1966

Exhibit 5

The Honorable Stewart L. Udall
Secretary of Interior
Interior Building
Washington 25, D.C.

Dear Secretary Udall:

On November 24, 1964, Assistant Secretary Holm wrote to our company concerning rights-of-way for the intertie and supporting lines. In that letter he stated:

"In response to your request, this will acknowledge the further verbal understanding reached July 28, 1964, that for right-of-way purposes the Department will accept, for the lines referred to in your letter, (other than the two Edison Co. 500 kv Lugo-Hoover lines concerning which we are writing a separate letter of even date to Mr. Howard Allen), performance by the companies of their obligations to enter into agreements to implement the Department's recommendations in the intertie report transmitted to the Congress on June 24, 1964, as supplemented and amended by letters of July 21 and July 27, 1964."

It was further stated in that letter:

"Accordingly, the rights-of-way will be made conditional upon the companies performing their joint or individual obligations to enter into agreements in accordance with their letter of October 28, 1964, and their intertie proposals dated April 15, 1964, as supplemented and amended on May 9, May 25, June 24 and July 15, 1964. Since the terms of such agreements are substantially more advantageous to the United States than the terms provided in the wheeling stipulation, the agreements are acceptable in lieu of the stipulation, in accordance with past Departmental practice in

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MAY 17 1966

ASSISTANT SECRETARY
WATER AND POWER

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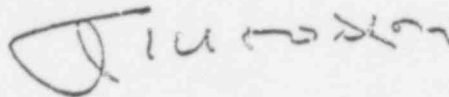
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The Hon. Stewart L. Udall
March 31, 1966
Page 2

"these cases. Upon application therefor, preliminary construction permits, and, if the detailed agreements implementing the companies' letter and proposals and the Department's recommendations have not been executed or become effective by the time the right-of-way applications are ready to be granted, the right-of-way permits themselves would be issued subject to the foregoing conditions."

Would you please advise what agreements, in your view, remain to be executed by the California Power Pool companies to satisfy such conditions and thereby receive rights-of-way for their portions of the interstate system upon the basis described in the quoted letter.

Very truly yours,



JKH:rb



107335

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON 25, D. C.

Exhibit 5

Dear Mr. Horton:

MAY 17 1966

We have your letter of March 31, 1966, inquiring what contracts remained to be executed to fulfill the Pacific Northwest-Pacific Southwest Intertie proposals of the California Power Pool companies.

In our opinion, the execution of the following agreements will satisfy all the conditions upon which, as stated in my letter of November 24, 1964, we were willing to waive the standard wheeling stipulation:

1. Power sales contract between BPA and each California Power Pool Company.
2. Exchange agreement between BPA and each California Power Pool Company.
3. Agreement between 41 Pacific Northwest participants, 7 California assignees, including the 3 California Power Pool companies and the BPA for the assignment of the Canadian Entitlement. The Department of the Interior should also be provided with copies of any agreement or agreements between the California Power Pool companies and other California utilities allocating between them the Canadian Entitlement and the Northwest surplus energy and capacity which they purchase.
4. Agreement between the California Power Pool companies and the State of California for transmission service of up to 300,000 kilowatts of Canadian Entitlement power, for banking portions thereof, and for mutual assistance arrangements.
5. Agreements between the California Power Pool companies, BPA and PPA, Portland General Electric Company, Puget Sound Power and Light Company and Washington Water Power Company, or offers satisfactory to the Secretary of the Interior by the California Power Pool companies to enter into agreements with each of such non-Federal Pacific Northwest utilities for the purchase of surplus energy of such non-Federal Pacific Northwest utilities pursuant to the California Power Pool companies' proposal to make purchases as nearly as practicable on a pro-rata basis from among BPA and other Pacific Northwest agencies in such a manner as to give each such Northwest agency a fair share of the sales to the California Power Pool companies.

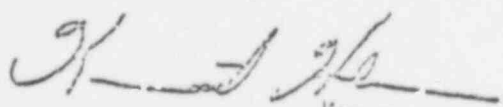
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6. Agreement between the three California Power Pool companies and PSL concerning the leasing and operation of Pacific Power and Light Company's 500 kv ac line from Malin Substation to Indian Spring.
7. An agreement between Southern California Edison Company and the City of Los Angeles allocating the capacity and costs of the 750 kv dc line from the Oregon-Nevada border to the Sylmar switching station.
8. An agreement between Southern California Edison Company and the City of Los Angeles providing for the interconnection of their respective systems and the intertie facilities and for the operation thereof.
9. Agreement between Southern California Edison Company and the Bureau of Reclamation for the interconnection of the Mead Substation and SCE's lines from Hoover Dam to the Los Angeles area.
10. Agreement between the California Power Pool companies and SAUD for transmission service on the intertie facilities and for the reassignment of part of the District's share of the Canadian Entitlement.
11. Agreement between Pacific Gas and Electric Company and the Bureau of Reclamation extending and expanding the existing sales, exchange and transmission service contracts for the Central Valley Project between those parties.
12. Agreement between the Bureau of Reclamation and the California Power Pool companies for intertie transmission and exchange service.
13. Agreement between Pacific Gas and Electric Company and the Bureau of Reclamation for installation, operation and maintenance of their respective facilities at the Round Mountain and Cottonwood Substation.

Sincerely yours,



ASSISTANT Secretary of the Interior
Kenneth Helms

Mr. Jack K. Horton, President
Southern California Edison Company
Box 351
Los Angeles, California

52

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UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20247

Exhibit 7

MAY 17 1966

Dear Mr. Cardes:

The Southern California Edison Company by letter dated March 31, 1966, from Mr. Jack E. Horton requested that we advise what arrangements in our view remain to be consummated by the California power pool companies to satisfy the conditions of the power pool companies' proposal and thereby receive rights-of-way for their portions of the interstate system.

We have advised Mr. Horton of 12 agreements that must be reached between various entities to fulfill the power pool companies' proposal. Copies of Mr. Horton's letter and of our reply are enclosed for your information.

Sincerely yours,

[Signature]

ASSISTANT Secretary of the Interior

Mr. E. H. Cardes, President
Pacific Gas and Electric Company
245 Market Street
San Francisco, California 94106

Identical letter to: Mr. J. F. Sinnott, President
San Diego Gas & Electric Company
861 Sixth Avenue
San Diego, California

Enclosures

cc: Mr. Herman Kruse
Pacific Gas and Electric Company
245 Market Street
San Francisco, California

cc: Secretary's reading file
Mr. Luce, EPA, Portland Ore
Regional Solicitor, EPA, Portland, Ore.
Comm. of Reclamation

WIK:atg:msk 5/17/66

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PACIFIC GAS AND ELECTRIC COMPANY

245 MARKET STREET - SAN FRANCISCO, CALIFORNIA 94102

ROBERT H. GRADY
Chairman of the Board

November 27, 1968

The Honorable Stewart L. Udall
Secretary of the Interior
Washington, D. C. 20240

Dear Secretary Udall:

By letter dated May 17, 1968, Assistant Secretary Holm sent me a copy of his letter to Mr. J. N. Houston, Chairman, Southern California Edison Company, stating that execution of certain agreements relating to the Pacific Northwest-Pacific Southwest Inter tie would enable Pacific Gas and Electric Company and Edison to obtain rights of way across Federal lands for their portions of the Pacific System without the attendant wheeling stipulation.

All the agreements involving Pacific Gas and Electric Company have been entered into except an agreement, referred to in paragraph 5 of Mr. Holm's letter, between the California Power Pool Companies and the four Northwest Companies for sales of surplus energy. Such an agreement has been executed by the California Companies. A copy is enclosed herewith. It would enable the Northwest Company to have a share of the sales of Northwest surplus energy to the California Companies in amounts determined by an agreement which may be entered into by some future over-all agreement and other Northwest agreements.

This completes the contractual arrangements required by Mr. Holm as a condition for grants of easements without the wheeling stipulation or reference to execution of the Interstate contract.

In this connection I note that regulations of Interior (42 CFR 2.204.1(a)(15)) and (16) and (17) of 9. 5320) require that a right of way easement be subject to the expenses incurred in the right of way easement or placed on by the receiving owner to the extent of the value of the land thereon required, unless otherwise provided in the contract.

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The Honorable Stewart L. Udall

-2-

November 27, 1968

This covenant is not required under the Act of March 4, 1911, pursuant to which the regulations were issued. The legislative history of that Act and its 1932 amendment make it clear that the 1911 Act was intended to provide greater security of tenure in rights of way across public lands for power purposes.

Such a covenant would make the easement revocable in part. I am quite sure that this was not the intention of the parties when you agreed in 1964 to waive the wheeling stipulation in return for execution of the Intertie contracts. The requirement of the covenant in Agriculture easements was not adopted until April, 1967.

To meet your 1964 "federal yardstick" criterion, the California Companies have entered into long-term contracts which are "as nearly equivalent as practicable to government ownership of the lines." The government Intertie lines are not subject to relocation or discontinuance.

This Company has constructed its segment of the Intertie at a cost of \$165 million. In addition, the first phase of the transmission lines for the Diablo Canyon project will cost us an estimated \$39 million. Disruption in the operation of any of these lines necessitated by relocation or termination of rights of way across federal lands would prevent the Companies from providing the firm service required by the federal yardstick and cause a substantial adverse impact on the entire Intertie System.

Final routes of the AGEE lines now constructed and those proposed have been agreed upon by Interior, Agriculture and WCEB, and were selected to preclude conflicts with future use of federal lands. In some cases the terrain and the nature of the facilities will not permit a relocation or adjustment without a substantial change in route.

In view of the foregoing, I request that, if you approve the enclosed seven party agreement, you and the Secretary of Agriculture instruct your administrative officers that non-revocable fifty-year easements, without the wheeling stipulation or reference to execution of Intertie contracts, shall be granted to Pacific Gas and Electric Company for

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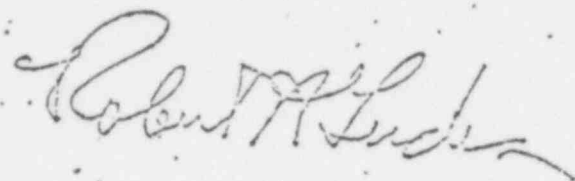
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The Honorable Stewart L. Udall

-3-

November 27, 1966

rights of way for transmission lines in accordance with
Mr. Holm's letters of November 24, 1964, and September 14,
1966, to me.

Very truly yours,



REC:ar

cc: J. K. Horton w/enc.
J. M. Sinnott w/enc.
H. B. Richmond w/enc.

bcc: Bernard Goldhammer
Howard Allen
C. K. Laffoon
C. H. Ames
H. T. Arman
Har W. Georges, Jr.
J. Drake
Ru Lell Mitchell
W. M. Kirk
Hugh Smith
A. G. Porter
D. E. Knight
M. B. Hatch

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Exhibit 3

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X CD 5-1
X Tom 10-1

Southern California Edison Company

P. O. BOX 351

LOS ANGELES, CALIFORNIA 90063

JACK K. HORTON
CHAIRMAN OF THE BOARD

December 6, 1968

TELEPHONE	NR 219-624-7111
Class	12-1-1
Referred To	
Admin. Action	<input checked="" type="checkbox"/> NO REPLY
By	12-1-1

The Honorable Stewart L. Udall
Secretary of the Interior
Washington, D. C. 20240

Dear Mr. Secretary:

Assistant Secretary Holum, in response to my letter to you of March 31, 1966, advised by his letter dated May 17, 1966, of the particular contracts relating to the Pacific Northwest-Pacific Southwest Intertie, of which the execution or offer to execute by the California Companies would satisfy the conditions stated in his letter of November 24, 1964, pursuant to which rights of way across federal lands for portions of the intertie system would be granted without inclusion of wheeling stipulations.

Southern California Edison Company has entered into each of the contracts referred to in Mr. Holum's letter to which it was to be a party, except for the contract referred to in paragraph 5 of his letter with regard to a contract between the California Companies and the four Northwest Companies for the purchase of surplus energy from the Northwest. Such a contract, however, has been executed by our Company and by each of the other California Companies. Mr. Robert H. Gerdes, Chairman of the Board of Pacific Gas and Electric Company, with his letter dated November 27, 1968, forwarded a copy of that contract to you. The contract, when executed by the Northwest Companies, will permit them to share in the sales of Northwest surplus energy to the California Companies and the purchase of excess energy from the California Companies in such amounts as will be determined by the agreements which they are in the course of entering into with the Bonneville Power Administration and other Northwest agencies.

The California Companies have now completed all of the contractual arrangements specified by Mr. Holum as a condition for the grant of easements without wheeling stipulations and without references to execution of such intertie contracts. For purposes of our records, it is respectfully requested that you confirm this fact to us. It is further requested that the various grants of easements to our Company which have omitted the wheeling stipulations upon the condition that our Company enter into the aforesaid contracts be reissued without the wheeling stipulations and without reference to such condition.

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The Honorable Stewart L. Udall
Page 2
December 6, 1968

CONFIDENTIAL

Mr. Gerdes, in his letter of November 27, 1968, also referred to the regulations of the Bureau of Land Management contained in 43 CFR, Section 2234.1-3(c)(13), and to the delegation by the Chief, Forest Service, to the Regional Foresters of authority to execute easements granted under the Act of March 4, 1911, which delegation of authority was published in the Federal Register of April 4, 1967, at page 5520. Both these regulations and this delegation of authority direct that a right of way granted pursuant thereto shall be subject to the express covenant that it may be modified, adapted or discontinued by the issuing officer so as not to conflict with a use or occupancy of the land which thereafter may be made under the authority of the United States.

Such a covenant is not required by the Act of March 4, 1911, and is in conflict with the purpose for which such Act was adopted, which was to provide security of tenure in rights of way across lands of the United States for electric power lines. Such a provision, furthermore, is inconsistent with the arrangements made pursuant to the Pacific Intertie proposals and could thwart our ability to transmit power over such intertie lines. It is requested that there be deleted from each of the grants of rights of way for electric lines related to the Pacific Intertie, the covenant referred to in the aforesaid regulations and delegation of authority.

Very truly yours,

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 STEWART L UDALL, SECRETARY OF INTERIOR
 U S DEPT OF INTERIOR BLOC ROOM 1849 WASHDC 20006

IF THE SEVEN PARTY AGREEMENT IS NOT EXECUTED BY THE NORTHWEST COMPANIES BY JULY 1, 1969, SAN DIEGO GAS & ELECTRIC COMPANY WILL, AT THE REQUEST OF THE EDNEYVILLE ADMINISTRATOR, AMEND ITS POWER SALES CONTRACT WITH EPA IN THE FORM SET FORTH IN MY LETTER OF 1/7/69 TO MR. GOLDMANN AND APPROVED BY THE ADMINISTRATOR THIS DATE

TO HILARIOON TP-ELECTRIC FAX SAN DIEGO GAS & ELECTRIC CO
 1969 EPA 1/7/69

RECEIVED
 JAN 8 1969
 ASSISTANT SECRETARY
 WATER & POWER

WESTERN UNION
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 L 50435 PDB FAX SAN FRANCISCO CALIF 7 15T
 STEWART L UDALL, SECRETARY OF THE INTERIOR
 WASHDC

IF THE SEVEN PARTY AGREEMENT IS NOT EXECUTED BY THE NORTHWEST COMPANIES BY JULY 1, 1969, PACIFIC GAS AND ELECTRIC COMPANY WILL, AT THE REQUEST OF THE EDNEYVILLE ADMINISTRATOR, AMEND ITS POWER SALES CONTRACT WITH EPA IN THE FORM APPROVED BY THE ADMINISTRATOR TODAY

ROBERT H CERRIES PACIFIC GAS AND ELECTRIC CO
 (1145)

FAX K
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 JAN 8 1969
 ASSISTANT SECRETARY
 WATER AND POWER

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January 7, 1909

of an article in the form submitted with our letter dated December 31, 1908, was approved by the Administrator today, providing a manner to give the Southern California Edison Company a fair share of the value of non-fuel power generated at non-fuel energy from our Company. Southern California Edison Company has now completed all of the contractual work under a contract by Assistant Secretary Nelson, who is understood that both the Department of the Interior and the Department of Agriculture, in execution with prior agreement, will issue or release the various Executive right of way orders (cont'd)

Send the above message, subject to the terms on back hereof, which are hereby agreed to

PLEASE TYPE OR WRITE PLAINLY WITHIN BORDER—DO NOT FOLD
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January 7, 1909

to eliminate violating and restriction and removal conditions.

SOUTHERN CALIFORNIA EDISON COMPANY

By J. W. HARRIS
Chairman of the Board

Please send punctuations

Send the above message, subject to the terms on back hereof, which are hereby agreed to

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Exhibit 17

BUREAU OF RECLAMATION
OFFICIAL FILE COPY
Rec'd JAN 21 1966

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240



JAN 17 1966

TO	INIT.	DATE
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Gentlemen:

On March 31, 1966, Mr. Horton inquired as to what agreements remained to be executed by the California power pool companies to satisfy the conditions specified in a letter of November 24, 1964, from Assistant Secretary Holm to each of you, the satisfaction of which conditions are precedent to the granting of rights-of-way by the Department of the Interior and the Department of Agriculture without the inclusion of the wheeling stipulations ordinarily included in such grants. The correspondence referred to dealt with the lines to be constructed by the California power pool companies as a part of the Pacific Northwest-Southwest Inter tie arrangements. The specific lines involved are those set out in the attachment to your joint letter of October 28, 1964, addressed to Mr. Charles F. Luce, then the Administrator of the Bonneville Power Administration, as modified by a letter of June 14, 1965, addressed by Mr. Cordes to Mr. Holm, Mr. Holm's acceptance of the modification by his response of September 14, 1965, to Mr. Cordes, and are further specified in the letter dated March 27, 1966, from Mr. J. W. Selinda, Regional Forester, U. S. Forest Service, to S. J. Sibley, President of Pacific Gas and Electric Company.

By letter of May 17, 1966, to Mr. Horton, Assistant Secretary Holm specified thirteen agreements the execution of which would satisfy all of the conditions upon which the Department of the Interior and the Department of Agriculture would waive the standard wheeling stipulation.

This letter will inform each of you that all of the agreements referred to in Assistant Secretary Holm's May 17, 1966, letter have now been executed except for the agreement identified as No. 5 in that letter. The purpose of that item No. 5 will be accomplished by the execution of one of the following three items:

1. The "seven perry agreement", identified as item No. 5 in the May 17, 1966, letter, for the sale and purchase of electric energy in a form satisfactory to the Department of the Interior; or

POOR ORIGINAL

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2. (A) An agreement between Bonneville Power Administration, Puget Sound Power and Light Company, Portland General Electric Company, and Washington Water Power Company providing for the priority of use for excess energy imported to the Pacific Northwest from California (Contract No. 14-03-83066), and

(b) An agreement between Bonneville Power Administration and the generating utilities, public and private, of the Pacific Northwest providing for the transmission and sale of exportable energy from the Pacific Northwest to California (Contract No. 14-03-73155); or
3. Amendments to the respective power sales contracts between Bonneville Power Administration and Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company by adding in each a new section containing the commitment made in the telegrams from each of you of January 7, 1969.

The commitment of each of the California power pool companies as evidenced by your telegrams of January 7, 1969, to amend its contract with Bonneville Power Administration, upon the latter's request is acceptable in satisfaction of Item 5 as specified in Mr. Holm's letter of May 17, 1966, in the event that neither item (1) nor item (2) above is consummated by July 1, 1969.

Accordingly, we consider that all of the conditions set forth in the May 17, 1966, letter have now been fulfilled. Therefore, rights-of-way for the lines referred to above will be issued or reissued by this Department and the Department of Agriculture at the request of the affected company without inclusion of the usualing stipulations. In light of the execution of the agreement referred to as item 5 of Mr. Holm's letter of May 17, 1966, and in view of his letter of April 30, 1965, to Secretary Freeman, the foregoing applies also to the 500 kv ac line from Main Substation to Indian Spring. Mr. Carles letter of November 27, 1968, and Mr. Norton's letter of December 6, 1968, also requested that the rights-of-way be issued or reissued without inclusion of the relocation and removal provision. Were this matter one that this Department could act on independently, we would be prepared to

accede to your request because it was intended when the Intertie arrangements were negotiated back in 1964 that these rights-of-way be firm so that the participants could carry out their obligations to provide long-term benefits to the United States and other public participants. At the time the Intertie agreements were reached it was overlooked that the Interior Department regulations contained removal and relocation provisions, which provisions were adopted by the U. S. Forest Service in 1967. Had we considered the relocation and removal provision at the time, I am quite sure that it would not have been required. However, we are advised by the Department of Agriculture, per the attached letter, that that Department is not prepared at this time to waive the inclusion of the relocation and removal provision for the 220 kv ac Intertie lines, although it is agreeable to a waiver in the case of the 750 kv dc Intertie lines and the 500 kv dc Intertie lines rights-of-way. In view of the position taken by the Department of Agriculture, I must advise you that the relocation and removal provision will be included in the rights-of-way for the 220 kv Intertie lines, but it will be eliminated in the rights-of-way agreements or permits issued or reissued for the 750 and 500 kv lines. We are informed that the Department of Agriculture is prepared to consider elimination of that provision for the 220 kv lines, on a case-by-case basis. This Department will also act on that basis.

Sincerely yours,

(sgd) Stewart L. Udall

Secretary of the Interior

Mr. Jack K. Horton
 Chairman of the Board
 Southern California Edison Company
 P. O. Box 351
 Los Angeles, California 90053

Mr. Robert H. Gerdes
 Chairman of the Board
 Pacific Gas and Electric Company
 245 Market Street
 San Francisco, California 94106

Mr. J. T. Bennett, President
 San Diego Gas & Electric Company
 861 Sixth Avenue
 San Diego, California 92112

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(AUTHENTICATED COPY)

Contract No. 14-73155

1-13-69

Exhibit 13

AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF THE INTERIOR

acting by and through the

BONNEVILLE POWER ADMINISTRATOR

and

UTILITIES IN THE PACIFIC NORTHWEST

Index to Section 1A

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2. Definitions.....	5
3. Notice of Availability and Market for Exportable Energy.....	8
4. Allocation and Apportionment of Exportable Energy.....	10
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This AGREEMENT, executed as of January 13, 1969, by the UNITED STATES OF AMERICA (hereinafter called "the Government"), Department of the Interior, acting by and through the BONNEVILLE POWER ADMINISTRATOR (hereinafter called "the Administrator"), THE CITY OF EUGENE, OREGON (Eugene), a municipal corporation of the State of Oregon; THE CITY OF SEATTLE, WASHINGTON (Seattle), a municipal corporation of the State of Washington; THE CITY OF TACOMA, WASHINGTON (Tacoma), a municipal corporation of the State of Washington; PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON (Grant PUD), a municipal corporation of the State of Washington; PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON (Chelan PUD), a municipal corporation of the State of Washington; PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY, WASHINGTON (Pend Oreille PUD), a municipal corporation of the State of Washington; PUBLIC UTILITY DISTRICT NO. 1 OF DOUGLAS COUNTY, WASHINGTON (Douglas PUD), a municipal corporation of the

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State of Washington; PUBLIC UTILITY DISTRICT NO. 1 OF COWLITZ COUNTY, WASHINGTON (Cowlitz PUD), a municipal corporation of the State of Washington; PUGET SOUND POWER & LIGHT COMPANY (Puget), a corporation; PORTLAND GENERAL ELECTRIC COMPANY (Portland General), a corporation; PACIFIC POWER & LIGHT COMPANY (Pacific), a corporation; THE WASHINGTON WATER POWER COMPANY (Washington Water Power), a corporation; THE MONTANA POWER COMPANY (Montana), a corporation; IDAHO POWER COMPANY (Idaho), a corporation;

W I T N E S S E T H:

WHEREAS the Government and the City of Los Angeles ("the City") are constructing a d-c transmission line with a nominal voltage of 750 kv from the Government's Celilo substation to the City's Sylmar Switching Station, and related terminal facilities, the portion located in Oregon being constructed by the Government and the remaining portion being constructed by the City; and

WHEREAS two 500 kv a-c transmission lines and related facilities from the Government's John Day substation to the Lugo substation near Los Angeles, California, have been constructed by the Government, Portland General, Pacific, and by utilities located in the State of California; and

WHEREAS the 750 kv and 500 kv transmission lines are a part of the Pacific Northwest-Pacific Southwest Intertie program as recommended to Congress by the Secretary of the Interior and approved by the Congress by making appropriations for the construction of the Government portion thereof; and

WHEREAS the Pacific Northwest-Pacific Southwest Intertie program contemplates arrangements to provide transmission ca; city

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between the Government's system and utility systems of the Pacific Northwest and the Government's system and the systems of entities in the Pacific Southwest; and

WHEREAS this agreement is one of a series of agreements relating to the use of a part of the Pacific Northwest-Pacific Southwest Intertie, which agreement implements such program; and

WHEREAS the parties hereto from time to time will have Exportable Energy (hereinafter defined) available on their respective systems for sale to California entities; and

WHEREAS capacity available in the Oregon sections of the two 500 kv a-c transmission lines and the 750 kv d-c transmission line ("Transmission Facilities") will be used, among other purposes, to deliver electric energy to or for each of the parties hereto in the manner set forth in this agreement; and

WHEREAS Pacific and Portland General have heretofore entered into agreements with the Administrator designated as Contract No. 14-03-56379 and Contract No. 14-03-55033, respectively, which provide that use of capacity in the Administrator's intertie facilities, pursuant to such agreements, terminate at the time in each calendar year whenever deliveries (hereinafter referred to herein as "Priority Deliveries"): (1) by Pacific to California entities reach a total of 270,000,000 kilowatt-hours and Pacific has currently a 300,000,000 kilowatt-hour entitlement under the Agreement with Pacific Gas and Electric Company dated September 20, 1967, and (2) by Portland General to California entities reach 1,100,000,000 kilowatt-hours or as such amount is reduced pursuant to Contract No. 14-03-55033; and

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WHEREAS the Administrator, Pacific, Portland General, Puget, and Washington Water Power expect to enter into an Agreement (hereinafter designated as Contract No. 14-03-83066 which provides among other things for the priority of use of Excess Energy scheduled over the Transmission Facilities by such parties from Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company; and

WHEREAS the Administrator and the other parties hereto desire to make arrangements for use of capacity in the Transmission Facilities for the disposition of Exportable Energy to California entities; and

WHEREAS the Administrator is authorized pursuant to law to dispose of electric power and energy generated at various federal hydroelectric projects in the Pacific Northwest and to enter into related agreements;

NOW, THEREFORE, in consideration of the mutual covenants herein set forth, the parties agree as follows:

1. Term of Agreement. This agreement shall be effective for the term commencing at 12 p.m. on December 31, 1968, and ending twenty (20) years from the date of execution hereof.

2. Definitions. As used in this agreement:

(a) "Apportionment" shall mean the amount of Exportable Energy each party hereto is entitled to schedule hereunder for delivery over the Transmission Facilities.

(b) "Coordination Agreement" shall mean the Pacific Northwest Coordination Agreement (designated as Contract No. 14-03-48221) which was executed on August 14, 1964, by the Government and fourteen electric utilities operating in the Pacific Northwest, or

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any agreement designated by the parties hereto as the successor or replacement of such agreement.

(c) "Critical Period" shall mean the multi-month period determined to be a Critical Period in accordance with the Coordination Agreement.

(d) "Energy Content Curves" shall mean the Energy Content Curves developed in accordance with the Coordination Agreement.

(e) "Exchange Agreements" shall mean each of the contracts to which the Administrator is a party which provide for establishment and maintenance of an Exchange Account by the Administrator in which he will record the exchange energy credits to be made to the Administrator.

(f) "Exportable Energy" shall mean (1) with respect to the Administrator, that portion of the electric energy of the federal Columbia River Power System available for delivery to California entities, excluding the electric energy delivered to California entities pursuant to the Assignment and Agreements Relating to Canadian Entitlement Exchange Agreements (Contracts No. 14-03-60376, No. 14-03-67508, No. 14-03-67509, and No. 14-03-67500) which would otherwise be wasted because of the lack of a market therefor in the Pacific Northwest at any established rate, and (2) with respect to each of the other parties hereto, that portion of the electric energy generated in the Pacific Northwest by such party or acquired by such party from electric generating plants in the Pacific Northwest which such party determines is excess to its needs and which such party is willing to sell at applicable rates to California entities on a nonfirm basis; provided, however,

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that Exportable Energy as defined in subsection (1) and (2) shall not include such energy which an entity in the Pacific Northwest has made a bona fide offer to purchase at a rate which is not less than the then prevailing rate for comparable nonfirm energy in the Pacific Northwest.

(g) "Heavy Load Hours" shall mean the hours between 6 a.m. and 10 p.m., PST, on Monday through Saturday, excepting national holidays.

(h) "Joint Schedulers" shall mean the group of schedulers presently located in Portland, Oregon, that the parties hereto have appointed and designated to schedule Exportable Energy over the Transmission Facilities.

(i) "Pacific Northwest" shall mean (1) the region consisting of the states of Oregon and Washington, the State of Montana west of the Continental Divide, and such portions of the states of Nevada, Utah, and Wyoming within the Columbia Drainage Basin and of the State of Idaho as the Secretary of the Interior may determine to be within the marketing area of the Federal Columbia River power system, and (2) any contiguous areas, not in excess of seventy-five airline miles from said region, which are a part of the service area of a distribution cooperative which has (A) no generating facilities, and (B) a distribution system from which it serves both within and without said region, (3) with respect to Pacific the area within the State of California served by Pacific, excluding any portion thereof obtained by merger or acquisition after August 14, 1964; provided that, with respect to electric energy, peaking capacity, or both, which are subject to the geographical preference of power

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users in the State of Montana established by the Hungry Horse Dam Act (Act of June 5, 1944, 58 Stat. 270), as amended, the term "Pacific Northwest" shall also include that portion of the State of Montana east of the Continental Divide.

(j) "Peaking Energy" shall mean electric energy accompanying the delivery of capacity.

(k) "Points of Delivery" shall mean one or more of the points of delivery specified in a party's Exchange Agreement excepting Pacific, whose points of delivery shall be those specified as Main System points of delivery in Contract No. Ibp-7410. In addition Points of Delivery shall include the points of interconnection between the Government and Priest Rapids, Wanapum, Rocky Reach, and Wells power plants if such points are not included as points of delivery under the terms of the Exchange Agreement.

(l) "Surplus Energy" shall mean electric energy generated at federal hydroelectric plants in the Pacific Northwest which would otherwise be wasted because of the lack of a market therefor in the Pacific Northwest at any established rate.

3. Notice of Availability and Market for Exportable Energy.

(a) Each party shall notify the Joint Schedulers by:

- (1) 10 a.m. of each Thursday of the amount of Exportable Energy it will have available during the following calendar week for disposition to California entities, and
- (2) 10 a.m. of each day, Monday through Friday, of generating capability available for generation of Exportable Energy for each hour of the following day or days, the amount of Exportable Energy it can supply during each such day or days, and the amount of Exportable Energy which

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it can supply during Heavy Load Hours of each such day or days. All amounts shall be as of the southern Oregon border. If the Exportable Energy included in a party's notification of weekly amount is not scheduled for delivery to California entities pursuant to this agreement at the time it could have been made available, and as a result thereof the water required to generate such Exportable Energy is spilled or otherwise becomes unavailable, such party shall promptly notify the Joint Schedulers of the amount by which its Exportable Energy for such week has thereby been reduced. The cumulative daily amounts specified by any party pursuant to subparagraph (2) above for any calendar week shall not be less than the amount specified by such party for such calendar week pursuant to subparagraph (1) above as reduced by any notification given pursuant to the preceding sentence.

(b) Each party agrees that the daily amounts of Exportable Energy given in the notification under subsection (a)(2) above will be consistent with supplying on a reasonable basis the energy forecast as being available for such calendar week pursuant to subsection (a)(1) above.

(c) At any time a party may notify the Joint Schedulers of the availability of Exportable Energy which is in excess of the weekly amounts reported pursuant to subsection (a)(1) of this section.

(d) Each party having a contract for delivery of nonfirm electric energy to a California entity shall notify the Joint Schedulers (1) by 10 a.m. of each Thursday of the portion of its anticipated Apportionment for the following calendar week it expects to schedule pursuant to such contract, and (2) by 4:30 p.m. of each

day Monday through Friday of the amounts requested by such California entity for each hour of the following day or days.

(e) Exportable Energy available from the parties hereto during each hour in the term hereof shall be used to supply requests by California entities for such energy pursuant to their contracts with the Administrator for delivery of Surplus Energy and to supply nonfirm energy to California entities pursuant to such entities' contracts with other parties hereto.

(f) The Administrator, in determining the amount of Surplus Energy he has available for disposition to utilities in California during any calendar week, will take into account the quantity of Exportable Energy the other parties hereto have indicated pursuant to this section on the Thursday preceding such week that they will have available and his estimate of the portion of such Exportable Energy that will be scheduled to the Administrator pursuant to subsections (b) and (c) of section 5.

4. Allocation and Apportionment of Exportable Energy.

(a) The Joint Schedulers shall determine the quantity of Exportable Energy to be allocated for each hour (Hourly Allocation) to all parties hereto pursuant to Exhibit A.

(b) Each party's Apportionment for each hour to be scheduled pursuant to section 5 hereof shall be determined as follows:

(1) first to Pacific and/or Portland General, until the applicable Priority Deliveries by each have been fulfilled, in such amounts as each is entitled to make available for delivery to California entities and to the Administrator pursuant to Contract Nos. 14-03-86879 and 14-03-85066, respectively;

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(2) next to the Administrator up to the Administrator's Hourly Allocation for such hour;

(3) last to each of the other parties hereto in an amount determined by multiplying the amount by which the quantity of Exportable Energy to be allocated pursuant to Exhibit A hereof for such hour exceeds the amount to be supplied pursuant to (1) and (2) above by a fraction, the numerator of which is such other party's hourly allocation as determined pursuant to Exhibit A hereof for such hour and the denominator of which is the total of such hourly allocations of all such other parties. A utility whose Priority Deliveries have been fulfilled shall not be included in subsection (1) above but shall be included in this subsection (3) as one of the other parties; if both Pacific and Portland General are included herein, the Administrator shall also be included herein. Each party shall determine its quantity of Exportable Energy available from its system pursuant to this subsection (b)(3) by assuming recession of streamflows at the maximum historical rate from current levels to those historical levels used in determining the Energy Content Curve, draft of storage to but not below the Energy Content Curve by the end of the Critical Period and current forecasts of loads will be adjusted to reflect the then existing conditions.

(c) If the requests for Exportable Energy by California entities from the parties hereto is in excess of the total Exportable Energy available in such hour pursuant to subsection (b) above and such Exportable Energy available in such hour is less than 540 or 557

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capacity available in the Pacific Northwest-Pacific Southwest interstate lines for transmission of Exportable Energy, and if by using criteria other than that specified in subsection (b)(3) above any party hereto determines it can make available in any hour additional Exportable Energy for delivery during such hour, in excess of its Apportionment, such party's Apportionment shall be increased for such hour by the amount determined by allocating to the extent of any deficiency of Exportable Energy as determined in subsection (b) above such additional Exportable Energy in the same manner as designated in Exhibit A hereof, attached hereto. Notice of such additional Exportable Energy shall conform to the provisions of section 3 hereof.

(d) During any hour that the Administrator is delivering Peaking Energy in excess of Surplus Energy pursuant to his contracts with California entities the Administrator, to the extent of any deficiency of Surplus Energy during such hour, may, but is not obligated to, request additional deliveries of Exportable Energy from the other parties hereto during other hours that Exportable Energy is available as determined pursuant to Exhibit A hereof.

5. Scheduling of Exportable Energy.

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(a) All schedules of Exportable Energy shall be made through or with the knowledge of the Joint Schedulers. No party shall schedule during any hour Exportable Energy pursuant to this agreement and for sale to California entities under any other contract a total quantity in excess of such party's Apportionment for such hour; provided, however, that the amounts scheduled to a party hereto pursuant to subsections (b) and (c) below shall not be deemed to be a part of such party's Apportionment pursuant to this subsection.

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(b) During any hour that the Administrator is scheduling Surplus Energy to California entities the Joint Schedulers shall determine the amounts of Exportable Energy to be scheduled to the Administrator during such hour from each of the parties hereto in the amount determined by subtracting amounts scheduled by such party directly to California entities pursuant to subsection (c) below from such party's Apportionment for such hour. In addition the Joint Schedulers shall schedule for any hour any amounts of Exportable Energy requested for delivery by the Administrator pursuant to section 4(d) hereof which another party hereto has agreed to deliver. Each of such parties shall make Exportable Energy so scheduled available to the Administrator at one or more of such party's Points of Delivery, or at the southern Oregon border pursuant to section 6 hereof. Exportable Energy scheduled by a party to the Administrator pursuant to this subsection shall be credited to such party in its Exchange Account pursuant to subsection (d) below.

(c) A party hereto may schedule, in any hour, all or a portion of its Apportionment for transmission to the southern Oregon border and direct delivery to a California entity. Exportable Energy so scheduled shall be made available (1) to the Administrator at one or more of such party's Points of Delivery, and/or (2) pursuant to section 6 hereof to another party hereto as mutually agreed by such parties.

(d) Each party shall be credited in its Exchange Account with the amount of energy determined by multiplying the amount of energy scheduled by such party pursuant to subsection (b) above by a factor of 0.8. Such factor is computed by dividing 2 mills, the rate specified in Donnewille Wholesale Power Rate Schedule S-1, by

2.5 mills, the rate specified in Bonneville Wholesale Energy Rate Schedule H-4. If another rate is substituted in either or both of such rate schedules the factor 0.8 specified above shall thereafter be replaced with a new factor computed by using the substituted rate or rates as appropriate.

(e) Payment for Exportable Energy scheduled by a party hereto for direct deliveries to California entities pursuant to subsection (c) above shall be arranged by such party and entities prior to such schedules.

(f) In addition to Exportable Energy scheduled pursuant to this section each party shall schedule each hour loss to the transmitting party in the amount determined by multiplying the amount of Exportable Energy so scheduled for such hour by the loss factor specified for such party in Exhibit B attached hereto, and hereby made a part hereof.

6. Transmission of Exportable Energy. A party hereto on mutual agreement with another party hereto other than the Administrator may designate such other party to transmit all or a portion of its Apportionment of Exportable Energy to the southern Oregon border during any hour.

7. Credit for Use of Facilities.

(a) The Administrator shall credit to his account in the Exchange Account of each of the parties the product obtained by multiplying the number of kilowatt-hours scheduled to the Administrator from such party pursuant to sections 5(b), 5(c)(1), and 5(f) hereof by the transmission factor specified for such party in Exhibit B attached hereto. The transmission factor or charge shall be subject to equitable adjustment by the Administrator but not more often than once every five (5) years. If such factor or charge

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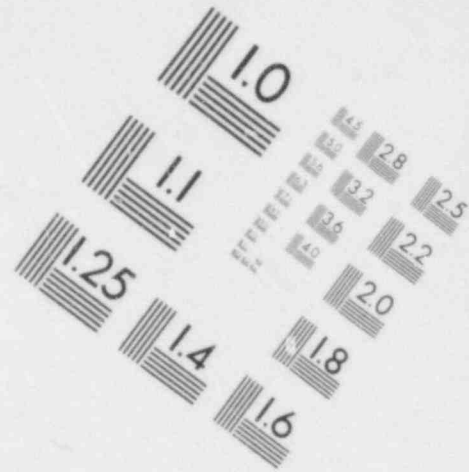
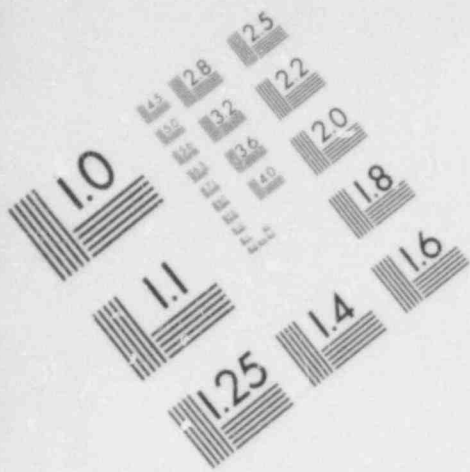
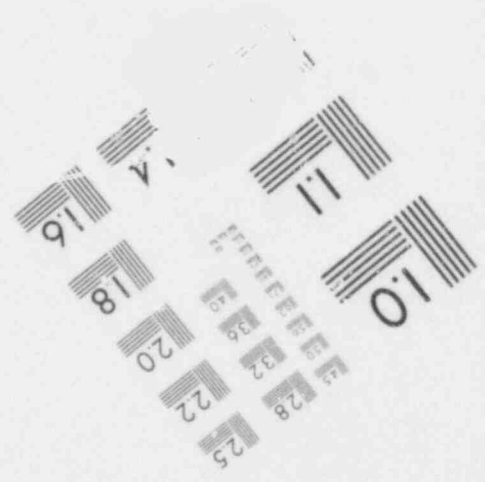
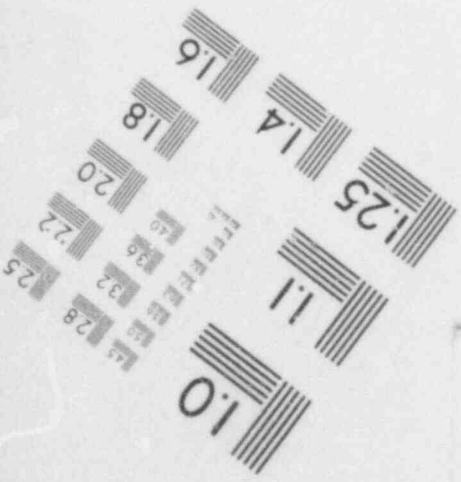
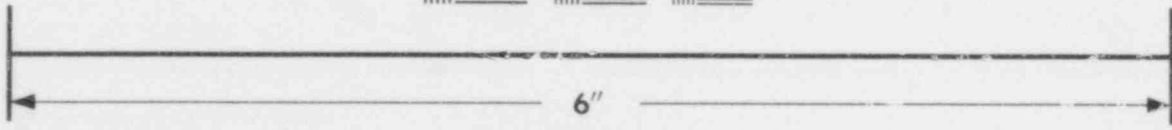


IMAGE EVALUATION
TEST TARGET (MT-3)



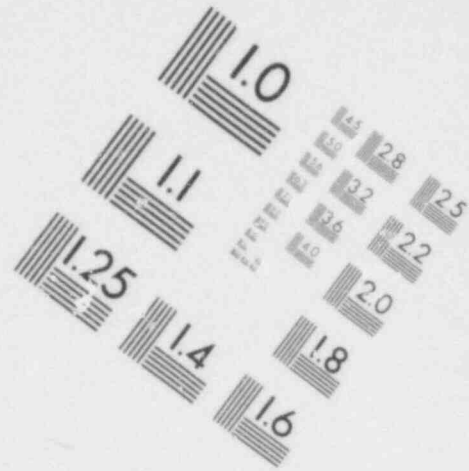
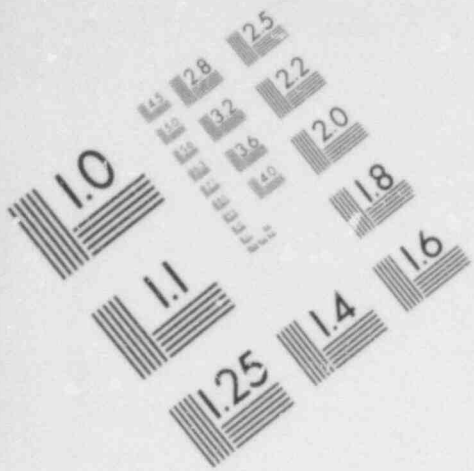
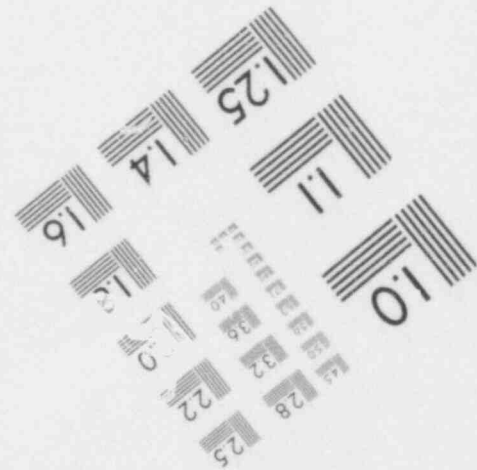
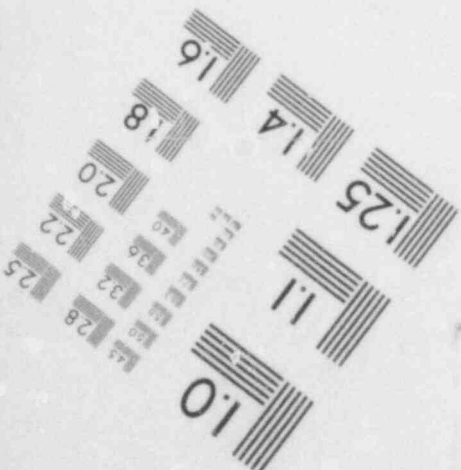
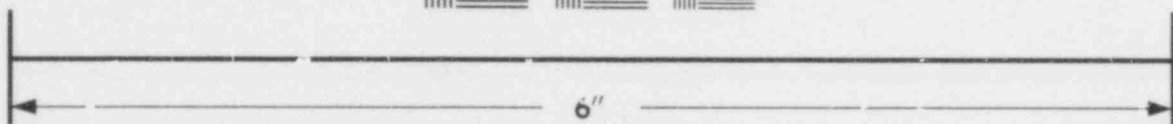


IMAGE EVALUATION
TEST TARGET (MT-3)



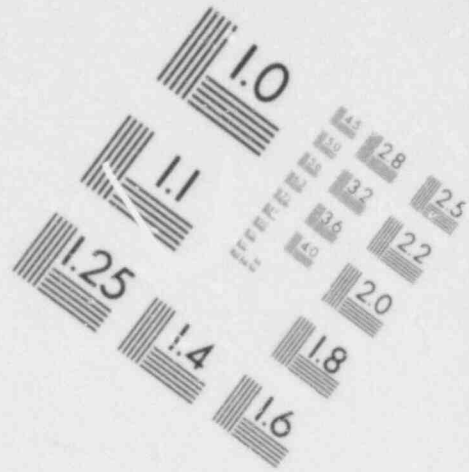
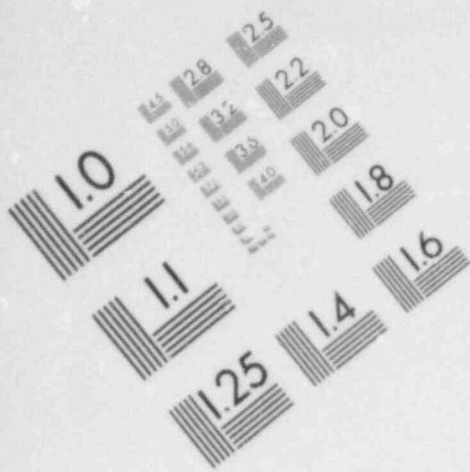
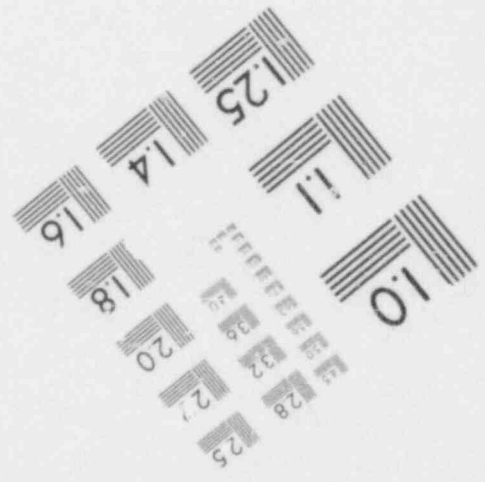
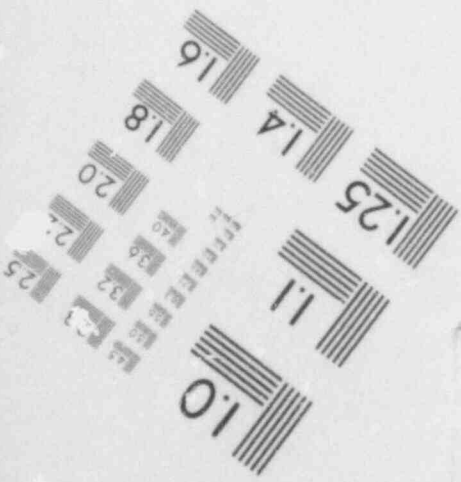
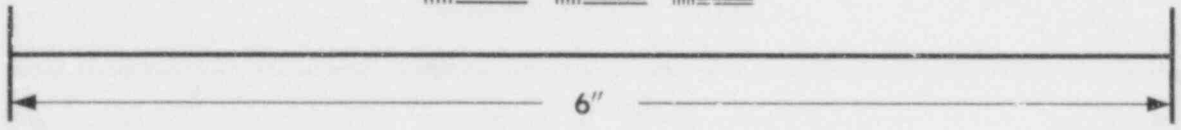


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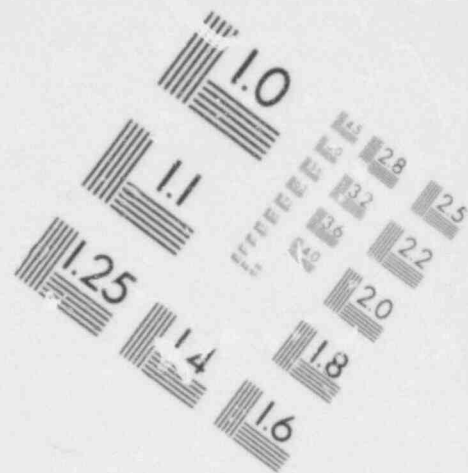
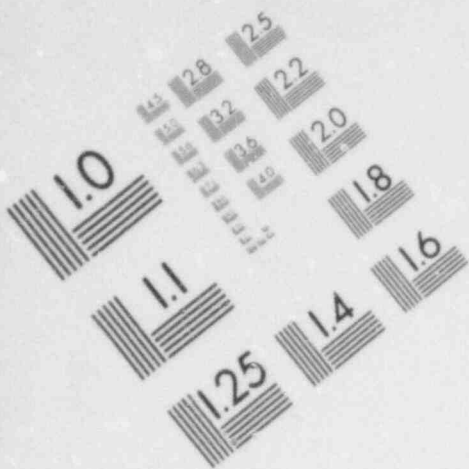
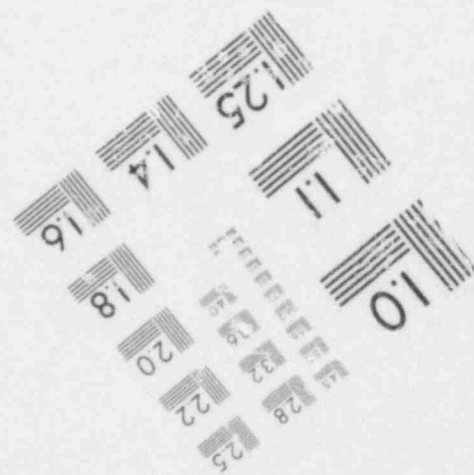
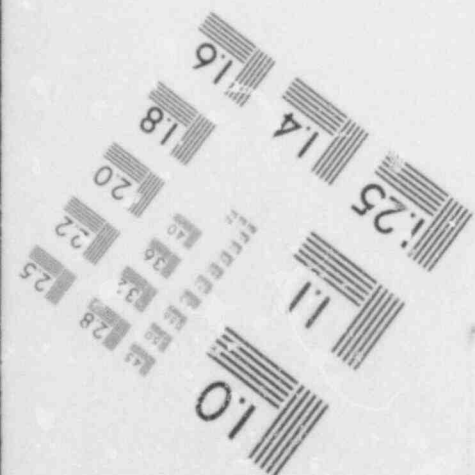
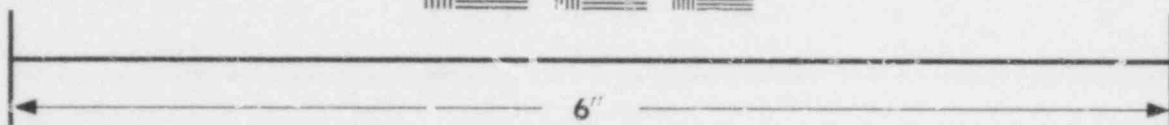


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is adjusted a new Exhibit B shall be substituted for the existing Exhibit B to reflect such adjustment.

(b) A party scheduling Exportable Energy to a party other than the Administrator for delivery to the southern Oregon border pursuant to sections 5(b), 5(c)(2), and 5(f) hereof shall pay the transmitting party each month the amount determined by multiplying the number of kilowatt-hours of electric energy so scheduled pursuant to said sections 5(b), 5(c)(2), and 5(f) during such month by the applicable rate specified for such transmission in Exhibit B. The rate per kilowatt-hour specified in said Exhibit B shall be proportionately adjusted at the time the Administrator's transmission factors are adjusted pursuant to subsection (a) above.

8. Excess Energy Available from California Entities.

(a) Except as provided in said Contract No. 14-03-83066 the parties hereto agree that Excess Energy available at any time from California entities which is insufficient to serve all the amounts reasonably requested by entities in the Pacific Northwest shall be prorated among such Pacific Northwest entities in accordance with such requests.

(b) Schedules of Excess Energy from the California entities shall be made through or with the knowledge of the Joint Schedulers. Payment or credit for transmission of such Excess Energy shall be as provided for Exportable Energy pursuant to section 7 hereof. Losses will be determined and scheduled pursuant to section 5(f) hereof excepting during periods when the scheduled flow of such Excess Energy is in the opposite direction to the actual flow of energy in the Transmission Facilities when losses shall be deemed to be zero.

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9. Additional Parties. Any entity in the Pacific Northwest now or hereafter having an Exchange Agreement with the Administrator may become a party hereto by executing and delivering to all of the other parties a written Addendum binding itself to all of the covenants, terms and conditions of this agreement. Such joinder shall be effective upon the date specified in such Addendum or the date upon which all of the parties hereto have received an executed copy of such Addendum, whichever is later.

10. Adjustment for Change of Conditions. If changes in conditions occur which substantially affect any loss factor or meter compensation, the item affected will be changed in a manner which will conform to such changes in conditions.

11. Assignment of Agreement. This agreement shall inure to the benefit of, and shall be binding upon the respective successors and assigns of the parties to this agreement; ~~provided, however,~~ that neither this agreement nor any interest therein shall be transferred or assigned by any party to any party other than the United States or an agency thereof without the written consent of the other parties.

12. Waiver of Default. Any waiver at any time by any party to this agreement of its rights with respect to any default of any other party thereto, or with respect to any other matter arising in connection with this agreement, shall not be considered a waiver with respect to any subsequent default or matter.

13. Provisions Required by Statute or Executive Order. The provisions required to be inserted by statute or executive order are attached hereto as Exhibit C and are hereby made a part of this

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agreement. The parties hereto other than the Administrator shall individually be "the Contractor" mentioned in said Exhibit C.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in several counterparts.

UNITED STATES OF AMERICA
Department of the Interior

(SEAL)

By S/ H. R. RICHMOND
Bonneville Power Administrator

THE CITY OF EUGENE, OREGON
By and Through Eugene Water
& Electric Board

(SEAL)

By S/ J. A. TIFANY
President of the Board

ATTEST:

S/ BYRON PRICE
General Manager-Secretary

THE CITY OF SEATTLE, WASHINGTON

(SEAL)

By S/ WES UHLMAN
Mayor

ATTEST:

S/ C. G. BERLANDSON
City Comptroller and City Clerk

THE CITY OF TACOMA, WASHINGTON

(SEAL)

By S/ GEORGE N. JOHNSTON
Mayor

ATTEST:

S/ H. B. RICH
City Clerk

541 003

PUBLIC UTILITY DISTRICT NO. 2
OF GRANT COUNTY, WASHINGTON

(SEAL)

By S/ R. W. GILLETTE
Manager

ATTEST:

S/ ERIC D. PETERSON
Secretary

PUBLIC UTILITY DISTRICT NO. 1
OF CHILLAN COUNTY, WASHINGTON

(SEAL)

By S/ ROBERT O. KEISER
President

ATTEST:

S/ KIMBERLY BALLINGSBRY
Secretary

PUBLIC UTILITY DISTRICT NO. 1
OF PEND OREILLE COUNTY, WASHINGTON

(SEAL)

By S/ LLOYD A. CROWN
President

ATTEST:

S/ GLEN EARL
Secretary

PUBLIC UTILITY DISTRICT NO. 1
OF DOUGLAS COUNTY, WASHINGTON

(SEAL)

By S/ HOWARD HUNT
President

ATTEST:

S/ MICHAEL JOHNSON
Secretary

S/ LLOYD McLENN
Vice President 541 004

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PUBLIC UTILITY DISTRICT NO. 1
OF COMLITE COUNTY, WASHINGTON

(SEAL)

By S/ LACY M. PEOPLES
President

ATTEST:

S/ FORREST W. BERRY
Secretary

PUGET SOUND POWER & LIGHT COMPANY

(SEAL)

By S/ D. H. KNIGHT
Vice President

ATTEST:

S/ W. E. WALSON
Secretary

PORTLAND GENERAL ELECTRIC COMPANY

(SEAL)

By S/ A. J. POWER
Vice President

ATTEST:

S/ H. H. PHILLIPS

PACIFIC POWER & LIGHT COMPANY

(SEAL)

By S/ R. E. LISBACH
Vice President

ATTEST:

S/ T. L. SHILLING
Assistant Secretary

541 005

THE WASHINGTON WATER POWER COMPANY

(SEAL)

By S/ M. F. INGH
Vice President

ATTEST:

S/ R. L. STURGE
Assistant Secretary

THE MONTANA POWER COMPANY

(SEAL)

By S/ J. A. McELWAIN
Executive Vice President

ATTEST:

S/ JOHN C. HAUCK
Secretary

IDAHO POWER COMPANY

(SEAL)

By S/ GLENN J. HALL
Vice President

ATTEST:

S/ JAMES H. BUNCH
Secretary

Certificate

I, Donald W. Francis, Head of Contracts, Branch of Customer Service, Division of Power Management, Bonneville Power Administration, do hereby certify that the within and foregoing is a true, complete and conformed composite copy of Contract No. 14-03-73155 and that signed counterpart originals are on file with the Bonneville Power Administration, each signed by one or more of the parties thereto which taken together bear the signatures of all the parties thereto.

541 006

Date January 4, 1972

S/ DONALD W. FRANCIS

82/

Procedure for the Allocation
of Exportable Energy

Step-wise procedure for allocating Exportable Energy among Pacific Northwest suppliers.

1. Daily determination of Southwest Exportable Energy needs. From requests submitted by Southwest entities pursuant to agreements between parties hereto and such entities and submitted to the Joint Schedulers pursuant to section 3(d) of this agreement the Joint Schedulers shall:
 - a. Tabulate the amounts of Exportable Energy desired for each hour of such day limiting such amount for each hour to the amount of capacity in the Transmission Facilities available to transmit Exportable Energy.
 - b. Compute the amount of Exportable Energy desired during Heavy Load Hours of such day limiting such amounts for each hour to the amount of capacity in the Transmission Facilities available for transmitting Exportable Energy.
 - c. Compute the total amount of Exportable Energy desired by Southwest utilities for such day which can be transmitted over available capacity in the Transmission Facilities.
2. Daily determination of amount of Exportable Energy available from each party. Each party shall submit to the Joint Schedulers pursuant to section 3(a)(2) of this agreement each day:
 - a. Its hourly generating capability for Exportable Energy during each hour of such day.
 - b. Total amount of Exportable Energy which the party can supply during the Heavy Load Hours for such day.

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c. Total amount of Exportable Energy which the party can supply during such day.

3. Verification of Exportable Energy submissions of the parties.

Joint Schedulers shall verify that:

- a. The hourly capabilities specified in Step 2a can produce the amount of Exportable Energy during Heavy Load Hours determined in Step 2b.
- b. The hourly capabilities specified in Step 2a can produce the amount of Exportable Energy determined in Step 2c.
- c. If either sum does not check make appropriate reduction in such party's available energy pursuant to Steps 2b and 2c.

4. Daily Summation of Exportable Energy.

The Joint Schedulers shall tabulate the amounts of Exportable Energy available from the parties as follows.

- a. Hourly capabilities.
- b. Heavy Load energy.
- c. 24-hour energy.

5. Daily Allocation of Heavy Load Hour Exportable Energy.

- a. Compute the ratio of desired amount Heavy Load Hour Exportable Energy (Step 1b) to the amount of Heavy Load Hour Exportable Energy available tabulated in Step 4b.
- b. Determine each party's Heavy Load Hour allocation of Exportable Energy by multiplying the ratio determined in subsection a above times each party's Heavy Load Hour Exportable Energy as determined pursuant to Steps 2b and 3.
- c. Distribute each party's Heavy Load Hour allocation determined pursuant to Step 5b by hours in the same shape as the desired Southwest export pursuant to Step 1b.

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- d. Compare each party's hourly allocation pursuant to Step 5c above against the party's hourly capabilities determined pursuant to Steps 2a and 3. If any hourly allocations to such party exceed its correspondingly hourly capability, reduce such party's allocation to its hourly capability.
- e. If any reductions have been made for any hour or hours pursuant to Step 5d, compute the Heavy Load Hour Exportable Energy and hourly capability for each party which has not already been allocated pursuant to this section and repeat the calculations under this section for the hours that a reduction was necessary pursuant to Step 5d above until the desired and allocated energy for Heavy Load Hours are the same.
6. Allocation of Exportable Energy for non-Heavy Load Hours.
- a. Determine the amount of Exportable Energy desired by the Southwest utilities for non-Heavy Load Hours by subtracting the amounts computed under Step 1b from the amounts combined under Step 1c.
- b. Determine the amounts of Exportable Energy available from the parties by reducing the amounts specified by each party under Step 2c by such parties' total allocation of Heavy Load Hour Exportable Energy determined pursuant to Step 5.
- c. Determine each party's non-Heavy Load Hour allocation in the same manner as used in Step 5 substituting the amounts determined in Steps 6a and 6b for the desired and available Heavy Load Hour Exportable Energy sums used in Step 5 calculations.

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EXHIBIT B

Transmission Factors, Charges and Losses

<u>Seller</u>	<u>Transferor</u>	<u>Transmission Factor or Chge.</u>	<u>Losses on amounts scheduled for delivery at Oregon border</u>
Administrator	Portland General	1/	1/
Chelan PUD	Administrator	.3 kwh/kwh	8.0%
	Portland General	\$0.00075/kwh	8.0%
Cowlitz PUD	Administrator	.3 kwh/kwh	8.0%
	Portland General	\$0.00075/kwh	8.0%
Douglas PUD	Administrator	.3 kwh/kwh	8.0%
	Portland General	\$0.00075/kwh	8.0%
Eugene	Administrator	.3 kwh/kwh	8.0%
Grant PUD	Administrator	.3 kwh/kwh	8.0%
	Portland General	\$0.00075/kwh	8.0%
Idaho	Administrator	.3 kwh/kwh	8.0%
Montana	Administrator	.3 kwh/kwh	8.0%
Pacific	Administrator	2/	2/
	Portland General	\$0.00075/kwh	8.0%
		0.0005/kwh 3/	Pro rata 3/
Pend Oreille PUD	Administrator	.3 kwh/kwh	8.0%
Portland General	Administrator	1/	1/
Puget	Administrator	.3 kwh/kwh	8.0%
	Portland General	\$0.00075/kwh	8.0%
Seattle	Administrator	.3 kwh/kwh	8.0%
	Portland General	\$0.00075/kwh	8.0%
Tacoma	Administrator	.3 kwh/kwh	8.0%
	Portland General	\$0.00075/kwh	8.0%
Washington Water Power	Administrator	.3 kwh/kwh 4/	8.0% 4/
	Portland General	\$0.00075/kwh	8.0%

1/ Charges and losses determined pursuant to said Contract No. 14-03-55033.

2/ Charges and losses determined pursuant to said Contract No. 14-03-56375.

3/ For transmission in Oregon only.

4/ For amounts in excess of amounts delivered pursuant to Contract No. 14-03-70101.

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POOR ORIGINAL

(12-3-69)

PROVISIONS REQUIRED BY STATUTE OR EXECUTIVE ORDER1. Contract Work Hours and Safety Standards.

This contract, to the extent that it is of a character specified in the Contract Work Hours and Safety Standards Act (Public Law 87-531, 76 Stat. 357-360, as amended) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. C. 35-45), is subject to the following provisions and to all other provisions and exceptions of said Contract Work Hours and Safety Standards Act.

(a) No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic in any workweek in which he is employed on such work, to work in excess of eight hours in any calendar day or in excess of forty hours in any workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in excess of eight hours in any calendar day or in excess of forty hours in such workweek, whichever is the greater number of overtime hours.

(b) In the event of any violation of the provisions of subsection (a), the Contractor and any subcontractor responsible for such violation shall be liable to any affected employee for his unpaid wages. In addition, such Contractor or subcontractor shall be liable to the United States for liquidated damages. Such liquidated damages shall be computed, with respect to each individual laborer or mechanic employed in violation of the provisions of subsection (a), in the sum of \$10 for each calendar day on which such employee was required or permitted to work in excess of eight hours or in excess of forty hours in a workweek without payment of the required overtime wages.

(c) The Administrator may withhold, or cause to be withheld, from any moneys payable on account of work performed by the Contractor or subcontractor, the full amount of wages required by this contract and such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for liquidated damages as provided in subsection (b).

(d) No contractor or subcontractor contracting for any part of the contract work shall require any laborer or mechanic employed in the performance of the contract to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health or safety, as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation based on proceedings pursuant to section 503 of title 5, United States Code, provided that such proceedings include a hearing of the nature authorized by said section.

(a) The Contractor shall require the foregoing subsections (a), (b), (c), (d) and this subsection (e) to be inserted in all subcontracts.

(f) The Contractor shall keep and maintain for a period of three (3) years from the completion of this contract the information required by 29 CFR § 316.3(a). Such material shall be made available for inspection by authorized representatives of the Government, upon their request, at reasonable times during the normal work day.

2. Convict Labor. The Contractor shall not employ any person undergoing sentence of imprisonment at hard labor.
3. Equal Opportunity. Unless exempted pursuant to the provisions of Executive Order 11246 of September 24, 1965 and the rules, regulations and relevant orders of the Secretary of Labor thereunder, during the performance of this contract, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Administrator setting forth the provisions of this equal opportunity clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, as provided by the Administrator, advising the labor union or worker's representative of the Contractor's commitments under this equal opportunity clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor,

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W. A. T. 10 / 0 / 0 5
or pursuant thereto, and will permit access to his books, records, and accounts by the Administrator and the Secretary of Labor for purposes of investigations to ascertain compliance with such rules, regulations and orders.

(f) In the event of the Contractor's noncompliance with the equal opportunity clause of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the Administrator may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Administrator, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

4. Interest of Member of Congress. No Member of or Delegate to Congress, or Resident Commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom. Nothing, however, herein contained shall be construed to extend to such contract if made with a corporation for its general benefit.

541 013

1-13-69

Exhibit 14

AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF THE INTERIOR

acting by and through the

BONNEVILLE POWER ADMINISTRATOR

and

PACIFIC POWER & LIGHT COMPANY

and

PORTLAND GENERAL ELECTRIC COMPANY

and

PUGET SOUND POWER & LIGHT COMPANY

and

THE WASHINGTON WATER POWER COMPANY

Index to Sections

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1. Term of Agreement.....	3
2. Use of Excess Energy.....	3
3. Transmission of Excess Energy.....	4
4. Provisions Required by Statute or Executive Order.....	4
5. Definition.....	5
Exhibit A (Provisions Required by Statute or Executive Order).....	4

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POOR ORIGINAL

This AGREEMENT, executed as of January 13, 1969, by the UNITED STATES OF AMERICA (hereinafter called "the Government"), Department of the Interior, acting by and through the BONNEVILLE POWER ADMINISTRATOR (hereinafter called "the Administrator"), and PACIFIC POWER & LIGHT COMPANY, a corporation, PORTLAND GENERAL ELECTRIC COMPANY, a corporation, PUGET SOUND POWER & LIGHT COMPANY, a corporation, and THE WASHINGTON WATER POWER COMPANY, a corporation (such companies hereinafter collectively called "the Northwest Companies"),

W I T N E S S E T H:

WHEREAS the Administrator has entered into power sales contracts with Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (the California Companies) (designated as Contract Nos. 14-03-54132, 14-03-55347, and 54125, respectively) which provide among other things for the sale of Excess Energy by such Companies to the Administrator; and

WHEREAS the Northwest Companies expect to enter into the Seven Party Agreement for the Sale and Purchase of Electric Energy with the California Companies which provides among other things for the sale of Excess Energy by the California Companies to the Northwest Companies; and

WHEREAS the parties hereto desire to allocate priority uses for such Excess Energy in the Pacific Northwest and provide for the transmission of such Excess Energy over the Pacific Northwest-Pacific Southwest intertie lines ("Transmission Facilities"); and

WHEREAS the parties hereto along with other utilities in the Pacific Northwest entered into the Pacific Northwest Coordination Agreement (Coordination Agreement) (designated as Contract No. 14-03-48221), on August 14, 1964; and

WHEREAS other interested utilities in the Pacific Northwest and the parties hereto (collectively called "Northwest Utilities" and individually as "Northwest Utility") expect to enter into an agreement (designated as Contract No. 14-03-78135

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Recitals

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POOR ORIGINAL

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which, among other things, provides for transmission of Exportable Energy over the Transmission Facilities; and

WHEREAS the parties hereto have appointed a group of schedulers presently located in Portland, Oregon (Joint Schedulers), to schedule Excess Energy over the Transmission Facilities; and

WHEREAS the Administrator is authorized pursuant to law to dispose of electric power and energy generated at various federal hydroelectric projects in the Pacific Northwest and to enter into related agreements;

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. Term of Agreement. This agreement shall be effective commencing at 12 p.m. on December 31, 1968, and ending twenty (20) years from the date of execution hereof.

2. Use of Excess Energy.

(a) Excess Energy made available for sale to or purchase by the parties pursuant to any agreement with the California Companies shall be made available to all Northwest entities on a proportionate basis in the following order of priority: (1) to meet Firm Load Carrying Capability of a Northwest Utility or to supply Firm Load Carrying Capability of a Northwest Utility which would have otherwise been supplied by a Firm Resource which is unavailable due to a Force Majeure, in each case, after use of such Utility's Firm Resources to the maximum extent permitted under the Coordination Agreement, (2) to restore reservoir levels of a Northwest Utility to Energy Content Curve, (3) to displace thermal generation of any Northwest entity, and (4) to other uses of Northwest entities. Firm Load Carrying Capability, Firm Resource and Energy Content Curve are as defined in the Coordination Agreement.

(b) No party hereto shall schedule for any day Excess Energy from a California Company in excess of such party's proportionate share of Excess Energy within a priority as specified in subsection (a) above or for a lower priority.

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use pursuant to subsection (a) above if such party has been notified by noon of the day such schedule is to be submitted to the Joint Schedulers of the intent of another Northwest entity to schedule Excess Energy from the California Companies for a higher or equal priority use pursuant to said subsection (a) above except to the extent Excess Energy is available in excess of such other Northwest entity's priority use.

(c) Excess Energy available in any scheduled time periods at different prices shall be treated as separate blocks of energy with the lowest cost energy scheduled to the highest priority use, the next higher cost energy to remaining requirements of the highest priority use, if any, and then to lower priority uses, etc. A block of energy inadequate to satisfy requirements shall be prorated within priority uses as provided herein.

3. Transmission of Excess Energy.

(a) The Administrator and Portland General Electric Company shall make available surplus transmission capacity in the Transmission Facilities and interconnecting facilities to any party hereto whose proposed schedule(s) of Excess Energy for any hour from the California Companies is greater than such party's own capacity in intertie and/or interconnecting facilities; provided, however, that if two or more Northwest entities desire Excess Energy for the same priority use, such entities shall be entitled to share such surplus transmission capacity with such party on a proportionate basis for such hour.

(b) Payment for use of transmission capacity used by a party pursuant to subsection (a) above, scheduling arrangements, and transmission losses shall be in accordance with the provisions of said Agreement No. 14-03-73155.

4. Provisions Required by Statute or Executive Order. The provisions required by Statute or Executive Order are hereby attached to and made a part of this agreement as Exhibit A. The Northwest Companies shall be "the Contractor" mentioned therein.

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POOR ORIGINAL

5. Definition. The term Excess Energy shall mean electric energy that a California entity determines in its sole discretion that it will have available for sale in the Pacific Northwest in addition to its then existing firm obligations to deliver electric energy from its own resources to any of the parties. A firm obligation is one which the party may include as a Firm Resource under the Pacific Northwest Coordination Agreement. Electric energy that Pacific Gas and Electric Company delivers to Pacific under the agreement between such companies dated September 20, 1967, FPC Rate Schedule 93, as the same may be extended or renewed, shall be deemed to be a firm obligation for the purposes of this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in several counterparts.

UNITED STATES OF AMERICA
Department of the Interior

(SEAL)

By S/ H. R. RICHMOND
Bonneville Power Administrator

PACIFIC POWER & LIGHT COMPANY

(SEAL)

By S/ R. B. LISRAKKE
Vice President

ATTEST:

S/ T. L. SWILLEN
Assistant Secretary

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Sec. 5

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POOR ORIGINAL

PORTLAND GENERAL ELECTRIC COMPANY

(SEAL)

By S/ A. J. PORTER
Vice President

ATTEST:

S/ H. H. PHILLIPS
Secretary

PUGET SOUND POWER & LIGHT COMPANY

(SEAL)

By S/ D. H. KNIGHT
Vice President

ATTEST:

S/ W. E. WATSON
Secretary

THE WASHINGTON WATER POWER COMPANY

(SEAL)

By S/ M. F. HATCH
Vice President

ATTEST:

S/ R. L. STRENCH
Assistant Secretary

541 019

POOR ORIGINAL

use pursuant to subsection (a) above if such party has been notified by noon of the day such schedule is to be submitted to the Joint Schedulers of the intent of another Northwest entity to schedule Excess Energy from the California Companies for a higher or equal priority use pursuant to said subsection (a) above except to the extent Excess Energy is available in excess of such other Northwest entity's priority use.

(c) Excess Energy available in any scheduled time periods at different prices shall be treated as separate blocks of energy with the lowest cost energy scheduled to the highest priority use, the next higher cost energy to remaining requirements of the highest priority use, if any, and then to lower priority uses, etc. A block of energy inadequate to satisfy requirements shall be prorated within priority uses as provided herein.

3. Transmission of Excess Energy.

(a) The Administrator and Portland General Electric Company shall make available surplus transmission capacity in the Transmission Facilities and interconnecting facilities to any party hereto whose proposed schedule(s) of Excess Energy for any hour from the California Companies is greater than such party's own capacity in intertie and/or interconnecting facilities; provided, however, that if two or more Northwest entities desire Excess Energy for the same priority use, such entities shall be entitled to share such surplus transmission capacity with such party on a proportionate basis for such hour.

(b) Payment for use of transmission capacity used by a party pursuant to subsection (a) above, scheduling arrangements, and transmission losses shall be in accordance with the provisions of said Agreement No. 14-03-73155.

4. Provisions Required by Statute or Executive Order. The provisions required by Statute or Executive Order are hereby attached to and made a part of this agreement as Exhibit A. The Northwest Companies shall be "the Contractor" mentioned therein.

RIVERO & SCHWARTZ

ATTORNEYS AT LAW

PUBLIC SERVICE BUILDING
PORTLAND, OREGON 97208

Exhibit 15

GEORGE D. RIVES
HERBERT H. SCHWAB
LEONARD B. HENRY
EMILE BONHARDT
BRUCE WALKERSON HALL
HUGH SMITH
CLYDE F. DRUMMOND
ROBERT F. HARRINGTON
ROBERT D. STEINMETZ
HAROLD MYERS, JR.
LEONARD A. GIBBARD
RICHARD D. BACH
H. JAY FOLDERS
WILLIAM C. SCOTT, JR.

TELEPHONE 274-3270
AREA CODE 503

January 14, 1969

No.	Date
	1-15-69
Class.	
Referred to:	
Action Taken:	
<input type="checkbox"/> ANSW.	<input type="checkbox"/> NO REPLY
By	Date

ALLAN A. SMITH
DONALD A. SCHAFER
OF COUNSEL

H. R. Richmond - Administrator
Bonneville Power Administration
1002 N. E. Holladay
Portland, Oregon 97232

Dear Mr. Richmond:

There is transmitted herewith a copy of an agreement among four private utilities in the Northwest and three private utilities in California providing for the sale amongst them of "surplus energy" (Northwest generated energy) and "excess energy" (California generated energy). The agreement, known as the Seven-Party Agreement is in final form that either has been or is proposed to be executed in substantially the attached form by the respective parties.

By virtue of the agreement, the Northwest parties determine the amount of surplus energy they have for sale in California and offer such energy to the California companies. The California companies determine the amount (and price) of excess energy they have available for sale in the Northwest and offer such energy to the Northwest companies. The agreement thus provides an effective priority to the California companies on surplus energy available from the Northwest companies, and a similar priority to the Northwest companies on excess energy available for sale in the Northwest from the California companies.

It is the understanding of the parties to this agreement that the exercise by the Northwest companies of their rights to purchase excess energy will be in accordance with the provisions of the agreement to be entered into among the Northwest companies and EPA providing that thermal-generated power available from the Southwest shall be distributed in accordance with a priority scale of uses as set forth in that agreement. (Contract No. 14-03-83066)
It is the further understanding of the parties to this agreement that the offer by the Northwest companies of surplus energy for sale to the California companies shall be in accordance with the agreement to be entered into among the Northwest companies, EPA and other Northwest entities, providing for marketing arrangements for surplus hydro-energy by generating entities in the Northwest. (Contract No. 14-03-75255)

We understand that the Department intends to submit this agreement to the Department of Justice for clearance as part of the submittal of 101-67

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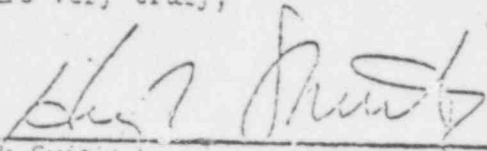
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POOR ORIGINAL

H. R. Richmond
Page 2
January 14, 1969

Intertie Agreements, and as part of the arrangements for the equitable purchase of power agreed to by the California companies. We request that this letter accompany submittal of the Seven-Party Agreement to Congress and to the Department of Justice.

Yours very truly,



Hugh Smith
On behalf of the parties to the
Seven-Party Agreement

cc: Pacific Power & Light Co.

Mull Phillips, Esq.
Portland General Electric Co.

Bill Kuder, Esq.
Pacific Gas & Electric Company

Alan P. O'Kelly, Esq.
The Washington Water Power Co.

John Ellis, Esq.
Puget Sound Power & Light Company

Harry Sturges, Esq.
Southern California Edison Company

C. Hayden Ames, Esq.
San Diego Gas & Electric Co.

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POOR ORIGINAL

JUN 18 1969

P

Mr. Jack K. Horton
Chairman of the Board
Southern California Edison Company
P. O. Box 800
Rosemead, California 91770

Mr. Robert H. Cordes
Chairman, Executive Committee
Pacific Gas and Electric Company
245 Market Street
San Francisco, California 94106

Mr. Walter Zittlau
President
San Diego Gas & Electric Company
651 Sixth Avenue
San Diego, California 92112

Gentlemen:

I understand the parties have completed execution of the seven-party agreement. Such execution, in the light of the understandings of the parties set forth in the letter of January 14, 1969, from Mr. Hugh Smith, on behalf of all such parties, to me, as accepted by Pennaville Power Administration in lieu of the amendments to its power sales contracts with Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company proposed in January 1969.

Sincerely yours,

(SGD) H. R. RICHMOND

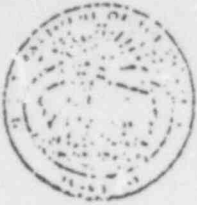
Administrator

cc:
Adm. Chron. File A
Administrator A
Deputy Administrator A
WSP AC
Official File P
JKWischberg KONS
KONS
JKWischbergmb 4/29/72

541 023

POOR ORIGINAL

101



UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

Exhibit 17

JAN 17 1969

Dear Mr. Zimmerman:

We are enclosing for your review the following documents:

1. Agreement (Contract No. 14-03-73153, draft dated 1-13-69) between EPA and 14 Pacific Northwest utilities relating to the use of the Pacific Northwest-Pacific Southwest Intertie for transmission of Exportable Energy from Northwest utilities to California.
2. Agreement (Contract No. 14-03-83066, draft dated 1-13-69) between EPA, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, and The Washington Water Power Company relating to the priorities of use for excess energy to be imported from California Utility Companies over the Intertie.
3. Seven Party Agreement for the Sale and Purchase of Electric Energy (signature draft) between Pacific Gas and Electric Company, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, San Diego Gas & Electric Company, Southern California Edison Company, and The Washington Water Power Company relating to intercompany transactions involved in the sale and purchase of Excess and Surplus Energy over the Intertie.
4. A letter dated 1-14-69, on behalf of the parties to the Seven Party Agreement indicating their understanding that offers to sell Exportable Energy to California and purchases of excess energy from California will be made pursuant to the provisions of the agreements listed as items 1 and 2, respectively.

While the United States is not a party to the Seven Party Agreement, this contract also is forwarded for your review since this Department has conditioned its grant of permits for Intertie right-of-way over Federal lands upon the execution of such an agreement.

The proposed contracts are being sent to you in compliance with our assurance to Congress that the contracts needed to implement the proposals of the various utilities constructing portions of the

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POOR ORIGINAL

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Pacific Northwest-Pacific Southwest Intertie be reviewed with the Antitrust Division of the Department of Justice, and in accordance with our agreement with your Department that you would have each of such contracts for a period of thirty (30) days prior to execution.

In our letter of October 6, 1966, we indicated that in due course, we would forward for your review contracts which enabled generating utilities in the Pacific Northwest to share equitably in supplying the excess energy required by California utilities. The proposals by the participants to the Department of Interior and Bonneville's own presentation to the interested Congressional committees have always stressed a fair share or equitable sharing of excess energy markets. The enclosed agreements have been negotiated with the intent of satisfying these prior commitments contractually.

If you have questions concerning the enclosed agreements, which are the last of the Intertie agreements relating to the California lines, we would be happy to discuss them with you.

Sincerely yours,

(sgd) Kenneth Holm

ASSISTANT Secretary of the Interior

Mr. Edwin M. Zimmerman
Assistant Attorney General
Antitrust Division
Department of Justice
Washington, D.C. 20530

Enclosures

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1970 FEB 5 -P

ASSISTANT SECRETARY FOR WATER & POWER DEVELOPMENT

Department of the Interior
Washington, D.C. 20240

Noted
JWH

FEB 2 1970

Exhibit 13

Honorable James R. Smith
Assistant Secretary for Water
& Power Development
Department of Interior
Washington, D. C. 20240

Dear Mr. Smith:

Pursuant to our arrangement for review of contracts to which the Department of the Interior is a party, relating to the Pacific Northwest-Pacific Southwest Intertie, we have completed our review of the following:

Agreement (Contract No. 14-03-73155, draft dated 1-13-69) between BPA and 14 Pacific Northwest utilities relating to the use of the Pacific Northwest-Pacific Southwest intertie for transmission of Exportable Energy from Northwest utilities to California.

Agreement (Contract No. 14-03-83066, draft 1-13-69) between BPA, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, and The Washington Water Power Company relating to the priorities of use for excess energy to be imported from California Utility Companies over the intertie.

A letter dated 1-14-69, on behalf of the parties to the Seven Party Agreement indicating their understanding that offers to sell Exportable Energy to California and purchases of excess energy from California will be made pursuant to the provisions of the agreements listed as items 1 and 2, respectively.

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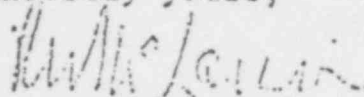
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Upon review of the above contracts, we find that we have no suggestions to offer. We express no opinion concerning the application of the antitrust laws to any program or activity extending beyond the precise contractual arrangements reflected in these documents.

Thank you for your cooperation in the matter. We are keeping the copies of the contracts which you sent us for our own records.

Sincerely yours,



RICHARD W. McLAREN
Assistant Attorney General
Antitrust Division

541 027

105

POOR ORIGINAL



2070721

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

Exhibit 11

JAN 17 1969

Dear Senator Russell:

In accordance with the desires of the Appropriation's Committee of the Senate (Senate Report No. 1326, 88th Congress, 2nd Session) that contracts relating to wheeling in the Pacific Northwest-Pacific Southwest Intertie "be made public and transmitted to the Senate not less than sixty (60) days before their effective dates," we transmit herewith copies of the following proposed agreements:

1. Agreement (Contract No. 14-03-73155, draft dated 1-13-69) between BPA and 14 Pacific Northwest utilities relating to the use of the Pacific Northwest-Pacific Southwest Intertie for transmission of Exportable Energy from Northwest utilities to California.
2. Agreement (Contract No. 14-03-03066, draft dated 1-13-69) between BPA, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, and The Washington Water Power Company relating to the priorities of use for excess energy to be imported from California Utility Companies over the Intertie.
3. Seven Party Agreement for the Sale and Purchase of Electric Energy (signature draft) between Pacific Gas and Electric Company, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, San Diego Gas & Electric Company, Southern California Edison Company, and The Washington Water Power Company relating to intercompany transactions involved in the sale and purchase of Excess and Surplus Energy over the Intertie.
4. A letter dated 1-14-69, on behalf of the parties to the Seven Party Agreement indicating their understanding that offers to sell Exportable Energy to California and purchases of excess energy from California will be made pursuant to the provisions of the agreements listed as items 1 and 2, respectively.

While the United States is not a party to the Seven Party Agreement, this contract also is forwarded for your review since this Department has conditioned its grant of permits for Intertie right-of-way over Federal lands upon the execution of such an agreement.

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POOR ORIGINAL

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The "fair share" or "equitable sharing" of excess energy markets in California and the Northwest by all utilities desiring to use the intertie for sale of excess energy has been stressed in proposals made to the Department of the Interior by the parties who have constructed portions of the intertie. The Department of the Interior in its presentation of the intertie program to Congress also stressed this concept. The enclosed agreements have been negotiated with the intent to satisfy these prior commitments contractually.

Concurrently we are sending copies of the enclosed agreements to the Department of Justice. A copy of our transmittal letter to the Justice Department is enclosed for your information. EPA has advised interested parties in the Pacific Northwest of the progress of negotiations of contracts No. 14-03-73155 and 14-03-83066 and supplied copies thereof to them.

Sincerely yours,

(Sgd) Kenneth Holm

ASSISTANT Secretary of the Interior

Honorable Richard B. Russell
Chairman, Committee on Appropriations
U. S. Senate
Washington, D. C. 20525

Enclosures

541 029

COPY

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RECEIVED
B. W. SHACKELFORD

AUG 30 1977

August 26, 1977

Mr. J. J. Bosza
Chief Electrical Engineer
City of Palo Alto
Palo Alto, CA 94301

Dear Mr. Bosza:

This is in reply to your letter of June 23, 1977, requesting that we develop arrangements with Palo Alto for the transmission of electricity from the proposed Pyro-Sol, Inc., facility to be located at the Port of Redwood City.

As you may know, Pyro-Sol's representatives also approached PGandE concerning the possible purchase of their electric power by PGandE. Our discussions with Pyro-Sol have recently resulted in a letter of understanding between Pyro-Sol and PGandE.

While this development makes it unnecessary for either of us to pursue further your specific request for transmission in this instance, other such instances may arise in which you desire transmission service. We shall be pleased to discuss them with you when they occur. PGandE will provide as a matter of course the transmission services which are required in the commitments it made to the Justice Department in connection with its license application for the Stanislaus Nuclear Project. Requests for transmission services which are not covered by the commitments are handled on a case by case basis in light of then existing circumstances.

Sincerely,

V. H. Lind
Division Manager

VHL:bc

cc: EKaghjayan
bcc: BWS Shackelford / JMStearns/PLSawin
JYDeYoung / JKAHarral
EBLangley, Jr. / WCLester
NHDaines / GWest, Jr.
WLFairchild / TLLindberg, Jr.
AEGarrissere / JGMeyer
EEHall / WCTravis

541 030

POOR ORIGINAL

REPORT OF PUBLIC MEETING

21
6-2
1/276-314

ATTACHMENT 49

Name of Organization Healdsburg City Council Time Convened 7:30 P.M.
 Meeting Date February 2, 1976 Time Adjourned 9:40 P.M.
 Meeting Place Healdsburg City Hall

MEMBERS (* - Insert (P) present, (A) absent, or time if arrived late.)

- | | | |
|------------------------|------------------------|--------------|
| 1. <u>Sauers</u> * (P) | 4. <u>Barbieri</u> (A) | 7. _____ () |
| 2. <u>Giorgi</u> (A) | 5. <u>Lucius</u> (A) | 8. _____ () |
| 3. <u>Badger</u> (A) | 6. _____ () | 9. _____ () |

OTHERS PRESENT (Staff Members) City Manager = Stanfield
City Engineer = Rose
 * City Attorney = Klein * Arrived 7:35 P.M.

SUBJECTS OF INTEREST TO COMPANY (Identify statements or action taken by name (or number). Give concise statement of subject. How did members vote? Attach meeting agenda to report.)

Deferred Business

1. Discussion regarding Fuel Cost Adjustment Fees.
City Manager again reviewed G. Spingola's ltr. dated 1/8/76 and made recommendation to council that future FCA costs be withheld pending action by F.P.C. He stated that monies would be paid to special escrow account agreed to by P.G.E. He stated that the cities of Ukiah, Lodi, Santa Clara, & Palo Alto were going to withhold FCA payments and that Lompoc was expected to do the same. He went on to say that FCA to City of Healdsburg was 58% higher than what P.G.E. is charging their non-resale customers and this was intended to force resale cities out of the electrical business. He wondered why if P.G.E. was charging .938 for

Company Representative 541 031

POOR ORIGINAL

REPORT OF PUBLIC MEETING

#2

Name of Organization _____ Time Convened _____

Meeting Date _____ Time Adjourned _____

Meeting Place _____

MEMBERS (* - Insert (P) present, (A) absent, or time if arrived late.)

- 1. _____ (*) 4. _____ () 7. _____ ()
- 2. _____ () 5. _____ () 8. _____ ()
- 3. _____ () 6. _____ () 9. _____ ()

OTHERS PRESENT (Staff Members)

"Continued"

SUBJECTS OF INTEREST TO COMPANY (Identify statements or action taken by name (or number). Give concise statement of subject. How did members vote? Attach meeting agenda to report.)

cities on January 1976 billing, why they weren't changing the same to their non-resale customers. He further recommended that each councilman write letter to F.P.C. and each of their legislatures protesting present F.C.H.'s to resale cities. Note: City Manager and Mayor will draft letters.

Councilman Badger stated that present F.C.H.'s "touch his nerves" and that he had seen this entire story unfold. He implied that when NEPA starting to negotiate with P.G.E. for "wheeling" rights, that it was then when F.C.H.'s for resale cities went up. He said this was nothing but a "tip off" by a big corporation, P.G.E. He further stated that

541 032

Company Rep. _____ Representative

POOR ORIGINAL

REPORT OF PUBLIC MEETING

Name of Organization _____ Time Convened _____

Meeting Date _____ Time Adjourned _____

Meeting Place _____

MEMBERS (* - Insert (P) present, (A) absent, or time if arrived late.)

- 1. _____ * () 4. _____ () 7. _____ ()
- 2. _____ () 5. _____ () 8. _____ ()
- 3. _____ () 6. _____ () 9. _____ ()

OTHERS PRESENT (Staff Members)

"Continued"

SUBJECTS OF INTEREST TO COMPANY (Identify statements or action taken by name (or number). Give concise statement of subject. How did members vote? Attach meeting agenda to report.)

There are benefits to the citizens of Healdsburg in owning their own electric system and through it they can have lower taxes. He concluded by saying that P.G. & E's action is intended to force the city out of the electric system.

Mayor Sauers stated that P.G. & E is taking an overt position trying to force resale cities out of the electric business and that their position is a great threat to the financial future of Healdsburg.

City Engineer Price stated that he would try to "control his emotions" on F.C.M.s, but that Healdsburg electric

Company Representative 541-033

POOR ORIGINAL

REPORT OF PUBLIC MEETING

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Meeting Place _____

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- 1. _____ * () 4. _____ () 7. _____ ()
- 2. _____ () 5. _____ () 8. _____ ()
- 3. _____ () 6. _____ () 9. _____ ()

OTHERS PRESENT (Staff Members)

"Continued"

SUBJECTS OF INTEREST TO COMPANY (Identify statements or action taken by name (or number). Give concise statement of subject. How did members vote? Attach meeting agenda to report.)

Rates are still 8-13% less than P.G.E.'s in this area.

Sauers came back into the discussion, saying that the city had lost its competitiveness in convincing people to annex due to the city rates going up.

Councilman Giorgi took exception to the statement that P.G.E. are "rip off Artists". He stated that if were loosing money on electrical system, city should raise rates, everything else is going up.

Bader came back with statement that the reason he is running for re-election is to see the N&P projects

Company Representative

REPORT OF PUBLIC MEETING

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- 1. _____ *() 4. _____ () 7. _____ ()
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- 3. _____ () 6. _____ () 9. _____ ()

OTHERS PRESENT (Staff Members)

"Continued"

SUBJECTS OF INTEREST TO COMPANY (Identify statements or action taken by name (or number). Give concise statement of subject. How did members vote? Attach meeting agenda to report.)

carried through.

Councilman Badger made motion, 2nd Barbicki to withhold F&H payments as outlined by Stanfield. Carried 5-0. This was not a resolution.

Council recessed at this point on the agenda. When they returned Mayor Saucers after calling meeting to order stated. "The remarks by the council are not meant to imply that they were against you Fred." I replied that I took the remarks to mean they did. My only remark during entire discussion.

- CC: H. E. Boyett
- W. H. Moore
- R. R. Alves
- John Hattnett
- J. S. Cooper
- H. V. Golub ✓

541 035

Fred Halcy
Company Representative

(Use reverse side, if necessary)

POOR ORIGINAL

62-7030 REV 8/70

PG&E

MEMORANDUM

Date 7-12-76

TO H.E. Bayett Location Santa Rosa Ext. _____

FROM F. Haley Location Healdsburg Ext. 262

SUBJECT City of Healdsburg - Resale Billing File No. 812.5
for Month of June - 1976

This date, I presented Jim Stanfield, City Manager, June billing in the amount of \$85,330.02. \$38,349.12 of this amount was for F&E charge computed at .00929¢ per kWh.

Also shown on this bill was F&E for July 1976, .01017.

Mr. Stanfield was completely upset, asking me what we were trying to do and that this was an example of a real monopoly in action.

He also remarked that the citizens should get up in arms and force the city to withhold payment of June bill.

REPLY

I reminded him of the hearings that are now going on before the F.P.C. and he implied that we had the F.P.C. "wired" and that hearings really mean nothing.

I would expect that at the next City Council meeting 7/19/76, that this will be completely discussed as if was in January of this year.

- cc: R.P. Elves
- W.H. Moore
- J. Strains
- D.J. Thomason
- H.V. Golub ✓

F. Haley

POOR ORIGINAL 541 036

REPLY BY

PG and E EXT. NO.