

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

IN THE MATTER OF THE INVESTIGATION
ON THE COMMISSION'S OWN BEHALF INTO
THE REASONABLENESS OF THE RATES OF
THE SOUTHERN SIERRAS POWER COMPANY
AFFECTING CONSUMERS ON ITS SCHEDULE
NO. P-2 IN THE ZONE NORTH OF THE
COMPANY'S SAN BERNARDINO STEAM PLANT)

CASE NO. 1704

Le Roy M. Edwards for Southwestern Portland
Cement Company, Golden State Portland
Cement Company, American Trona Corporation,

Hugh H. Craig, and E.B. Criddle for Southern
Sierras Power Company,

A.L. Black, for Blue Diamond Materials Company.

BY THE COMMISSION:

O P I N I O N

On November 22nd, 1921, Le Roy M. Edwards, for Southwestern Portland Cement Company, Golden State Portland Cement Company, American Trona Corporation, filed an application with this Commission requesting relief in the form of lower rates for power service received from and delivered by the Southern Sierras Power Company under its Schedule P-2.

It appeared to this Commission that the consumers named herein were the only consumers receiving service under this rate within the zone specified and that they were practically precluded from filing a formal complaint under the provisions of Section 60 of the Public Utilities Act of the State of California and for this reason this Commission on its own motion instituted an investigation into the reasonableness of the rate, toll or charge of the Southern Sierras Power Company designated as Schedule P-2 as applied to its consumers in the zone North of its San Bernardino Steam Plant and of the reasonableness of

the classification, rules, regulations, contracts or practices of the Southern Sierras Power Company in respect to the rates under Schedule P-2 and to these consumers mentioned above.

Such an Order was instituted and hearings were held in this matter before Examiner Gordon in Los Angeles on February 7th, 24th and April 24th at which evidence was introduced and on April 24th the matter was submitted subject to the filing of briefs. Briefs were filed by Le Roy M. Edwards on May 4th and by Hugh H. Craig and E.B. Criddle for Southern Sierras Power Company on May 6th, and the matter is now ready for decision.

In this proceeding Southwestern Portland Cement Company will be referred to as Southwestern Company, the Golden State Portland Cement Company, as the Golden State Company and the American Trona Corporation as the Trona Corporation. The term consumers as herein used refers to the three companies just mentioned. In this proceeding Southern Sierras Power Company will be referred to as the Southern Sierras Company or Power Company.

Prior to the filing of the application by the consumers in this case the Blue Diamond Materials Company, a consumer of the Southern Sierras Power Company receiving service South of the San Bernardino Mountains near Corona had an informal complaint before this Commission requesting that modifications in the form of a reduction be made in the Southern Sierras Power Company Schedule P-1. Due to the fact that the electric service received by the Blue Diamond Materials Company is similar in nature to that received by the consumers in this case and the use to which same is put is quite comparable this Commission requested the Blue Diamond Materials Company if they so desired to appear in this case and if agreeable that they be considered a party to this case. Blue Diamond Materials Company did appear and

it was stipulated by the Attorneys for consumers and also by the Southern Sierras Power Company that this proceeding would be enlarged to include service to it.

Mr. Edwards claims that consumers are entitled to a material reduction in rates on account of the economic competition which they can offer in the way of generating their own electric power; because the present rates are very much in excess of both the value and the cost of service rendered; and because the present rates result in an excessive discrimination between consumers and companies engaged in similar lines of businesses situated South of San Bernardino and supplied by other electric utilities.

Consumers through Mr. J.E. Barker submitted exhibits in which he computed a cost of service to these three consumers segregated from the rest of the system. According to his computations and on the assumption made by him the average cost of service to the three consumers for the year ending August 1921 amounted to 1.1¢ per kilowatt hour. Mr. Barker claimed that the rates to consumers should be based entirely on the cost of service and therefore that it was his opinion that the present demand and energy form of rate under which these consumers are receiving service should be modified to a straight energy rate resulting in an average figure of 1.1¢ per kilowatt hour. Consumers submitted considerable evidence to the effect that sufficient energy for the entire operation of their plants could be generated by the installation of waste heat equipment. The figures submitted by consumers covering the cost of energy so produced amounted to .686¢ per kilowatt hour. However, no substantiating data was submitted showing that this would be the actual cost of electric energy generated by waste heat.

Consumers laid particular stress on the fact that the rates to the two cement plants herein being considered were considerably higher than rates of similar plants located South of San Bernardino and receiving electric service from the Southern California Edison Company. In reference to this particular item it appears that the consumers complaint is not so much regarding the amount of the rate but that the rates which they are required to pay for service from the Southern Sierras Company are considerably in excess of that paid by their competitors from another electric system.

Southern Sierras Power Company also submitted computations showing an average cost of service to consumers of 1.59¢ per kilowatt hour.

The Golden State Portland Cement Company on January 5th, 1914, the American Trona Corporation on November 2nd, 1914 and Southwestern Portland Cement Company on October 5th, 1915 signed contracts effective for a period of twenty years with the Southern Sierras Power Company for electric service. The rates set forth under these contracts were lower than the rates fixed in Decision No. 8119 and under this decision these consumers were placed under the regular schedule of rates then fixed.

Consumers claim that the Power Company should be required by this Commission to continue to furnish electric energy in accordance with these contracts during the term thereof.

The Commission in numerous cases has definitely stated that rates set forth in special contracts could not be recognized and upheld by the Commission without permitting discrimination which the Public Utilities Act prohibits. Con-

sumers have advanced no sound reason why the schedule of rates as set forth in their contracts should be made an exception to this rule.

Consumers have stated a number of times in this proceeding that rates should be based on cost of service.

Although the cost of service is an important factor which this Commission considers in fixing rates it does not appear reasonable and we have so stated on numerous occasions that this should ~~xxx~~ be the only factor used in determining reasonable rates. Although consumers have requested that rates be fixed on the cost of service yet according to their own testimony the value of service is in reality the dominating factor in this case. The "costs" estimated by Mr. Barker and by the Company are of necessity based on much assumption and represent only two resultant figures of several which might reasonably be urged as representing cost.

The rates charged the cement plants by the Southern California Edison Company located South of San Bernardino are considerably lower than the rates for similar service to the consumers. This condition not only exists now but did exist when consumers originally contracted for service with Southern Sierras Power Company and also when the rates in Decision No. 8819 were fixed. This Commission has at all times been well aware of these conditions. Although it is true that a difference in rate does exist yet it does not necessarily follow that the higher rates of the Southern Sierras Company should be lowered to those of the Edison Company in order that consumers might operate at the same cost as the cement plants South of San Bernardino. Power costs are only one of the items which go to make up the total cost of producing cement and the consumers have the same competitive conditions to meet in freight rates and in other operating costs as they have in power rates.

The evidence shows that there has always existed a differential in rates between those paid by applicants and cement plants served by Southern California Edison Company of from 20 - 30% and even on the comparative basis this differential should reasonably continue.

Applicants claim that due to their peculiar location that there should be power rates fixed for that territory located North of San Bernardino Mountains and that this territory should be segregated from the rest of the system and special rates fixed for this particular territory. They further claim that due to the fact that this Commission did fix different lighting rates for that territory North of the San Bernardino Mountains than it did in the territory South of the San Bernardino Mountains that a similar difference should be made in the power rates in these two territories.

A similar question regarding various rates in different localities was raised in connection with Application No. 5334 and in this Commission's Decision No. 8119 in this application the Commission stated as follows, referring particularly to the request of the cities of Rialto and Bishop for a special rate applying to the service in each of these cities:

"The cities of Rialto and Bishop have urged that separate rates be fixed for them as compared with other parts of applicants' system, alleging that a very low cost of service occurs in those communities as compared with other districts. If the request of these cities was followed out, it would necessarily lead to the fixing of a large number of individual rates, each applicable to a small community or district. This would stifle development, prevent an extension of business, and result ultimately in higher rates in these cities and similar communities than would exist under the basis herein followed.

As systems are extended or consolidated and a large territory becomes dependent upon a given utility's system for service the general result is that the average cost of rendering the service required is reduced and one district is benefited by the inter-connection with another. Under these conditions it is practically impossible to directly allocate and determine what the actual cost of service in a given community is. It is practically impossible to so design schedules of rates that in each individual instance, or even possibly in cases of small communities, the rate of return on the investment so allocated will not be greater or less than in some other district based upon an arbitrary division of certain costs."

From the evidence in this case it appears that the consumers are entitled, particularly on account of the value of service, to some modification of charges in rates under which they are receiving service. Conditions appear to warrant the fixing of a new rate applicable to wholesale power service for industrial use, effective not only in the territory North of the San Bernardino Mountains, but to the entire territory served by the Southern Sierras Power Company outside of its Blythe and Yuma Districts.

The Southwestern Company, Golden State Company and Trona Corporation are the three largest consumers on the Company's system and any change in the rates affecting these three consumers should also be enjoyed by any other consumer who might operate under similar conditions.

O R D E R

The Railroad Commission having instituted a proceeding on its own motion for investigation into the reasonableness of

the rates of the Southern Sierras Power Company affecting consumers on its rate schedule No. P-2 in the zone North of the San Bernardino Mountains, hearings having been held, briefs filed and the matter being submitted and now ready for decision.

The Railroad Commission hereby finds as a fact that the rate set forth as Schedule P-24 herein is a just and reasonable rate to wholesale power service for industrial purposes as an optional schedule to the present schedule P-2.

Basing its Order on the foregoing finding of fact and other findings of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Southern Sierras Power Company file the following Schedule P-24 on or before July 1st, 1922, effective for meter readings taken on and after July 1st.

SCHEDULE P-24

WHOLESALE POWER SERVICE:

Applicable to wholesale power service for industrial and agricultural purposes.

TERRITORY:

Applicable to entire territory served except in Territory "B", Blythe and Yuma Districts.

Demand Charge

First	300 H.P. or less of maximum demand	\$440.00 per month
Next	700 H.P. of maximum demand	\$1.00 per H.P. " "
All Over	1000 H.P. " " "	.90 " " " "

Energy Charge

First	75000 kilowatt hours per month	1.0¢ per KWH
All Over	75000 " " "	0.9 " "

SCHEDULE P-24 (CONT'D.)

SPECIAL CONDITIONS:

(a) The demand charge is based on the horsepower of measured maximum demand occurring during that month, but in no case less than 75% of the maximum demand occurring during the eleven preceding months.

(b) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the Company upon the consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the Company, the maximum demand may be determined by test.

(c) For installations of 500 H.P. or over the maximum demand occurring between the hours of 11:00 P.M. and 6:00 A.M. of the next succeeding day will not be considered in determining the maximum demand for billing purposes.

The effective date of this Order shall be July 1st, 1922.

Dated at San Francisco, California, this

14th day of June, 1922.

H. B. Brundage
President
Charles H. Kinnear

W. J. Pennington
Commissioners.