

Decision No. 610072

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA

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In the matter of the application of:
SOUTHERN CALIFORNIA EDISON COMPANY :
for authority to increase its elec- :
tric rates. :

Application
No. 3955

SECOND SUPPLEMENTAL ORDER

BY THE COMMISSION:

Southern California Edison Company asks for a modification of the order herein dated December 21, 1918 whereby it will be authorized to waive the surcharge authorized by the Commission to be imposed upon consumers of electricity in the City of Pasadena and vicinity.

This request is based upon the competitive condition in this community between electric service rendered by the municipality of the City of Pasadena and that which is rendered by this company. The imposition of the surcharge upon the rates theretofore in effect on the service rendered by the company would at once put the company at the disadvantage of charging more than its competitor.

We have, after very careful consideration, determined that the company's request must be granted. To hold otherwise would mean that the Commission would deny the right of a utility company to maintain its existence by meeting the rates of its competitor.

The Commission would not ordinarily acquiesce in a company's desire to give lower rates to a portion of its consumers as compared with the rest even though the company were willing to absorb a resulting loss, because this would be discrimination not justifiable upon the sole ground that the company wished out of its own earnings to favor certain consumers. But this is a different situation. The company faces a municipal competitor which is charging low rates and it must either meet these rates or retire from the field. Retiring from the field would mean a loss of a very considerable part of the investment and a giving up of a market for power. Merely for the purpose of maintaining all consumers on an exact parity we should not compel a company to charge rates which will annihilate its service in competitive territory.

Of course it is true that if we permit municipal competition to be met in a given community it should at all times be made definite and certain that consumers in non-competitive territory be not burdened with the slightest additional cost or charge for service because of the comparatively lower rates in the competitive territory. If this condition be met we are convinced that no undue discrimination results where the rates in non-

competitive territory are fixed on a basis of reasonableness and are as low as they can be made considering the usual factors of operating expense, depreciation and reasonable return on investment.

The company itself must absorb the lessened return or loss occasioned by the low competitive rates.

It is therefore hereby ordered that Southern California Edison Company is hereby authorized to except from the Order heretofore made on the 21st day of December, 1918 (Decision No. 6000), all consumers of electric service furnished by it in the district embraced in the City of Pasadena and South Pasadena where such service is in competition with that furnished by the municipality of Pasadena.

Provided, however, that said Southern California Edison Company shall within thirty days from the date of this Order submit for the approval of the Commission a plan or method whereby it shall at all times be kept definite and certain that the waiving of the surcharge in the communities involved shall not in any degree whatever result in increased rates to consumers in other territory.

Provided further that Southern California Edison Company shall file within ten days from the date of this Order as a part of its rate schedule a statement setting forth the territory in which the surcharge will not be charged.

Dated at San Francisco, California, this

11th day of February - 1919.

Edwin C. Edgerton
H. S. Shepard
Walter R. Brown
H. A. Brundage
Irving Martin

Commissioners.