

McS

Decision No. 8815

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

-000-

ORIGINAL

In the Matter of the Application of  
SOUTHERN CALIFORNIA EDISON COMPANY,  
a corporation, for an order estab-  
lishing just and reasonable rates  
for the sale of electricity.

)  
: Application No. 5394  
)  
:  
)

- Roy V. Reppy, B. F. Woodard and E. C. Farnsworth,  
for Applicant.
- E. I. Feenster and C. H. Holly, for San Joaquin  
Valley Public Utility Association.
- William C. Ring, Jr., for Madera County Branch of  
San Joaquin Valley Public Utility Ass'n.,  
C. H. Holly and H. J. Evans.
- James F. Marraher and Edson Abel, for Farm Bureau  
of Kern County.
- N. B. Bachtell, for Farmers of Antelope Valley.
- W. L. York, for Farm Bureau of Orange County.
- Warner and Jones, for Imperial Farm Bureau, Chino  
Farm Bureau and San Bernardino Farm Bureau.
- I. A. Engle, for Gardena Valley Chamber of Commerce.
- S. Garband, for Sunnyside Garden Acres.
- L. B. Drake, for Placentia Orange Growers.
- S. E. Samby, for Tustin Farm Center.
- Z. T. Nelson, for Signal Hill Improvement Assn. of  
Long Beach.
- J. P. Easter, for Residents of Strawberry Park.
- H. F. White, for Huntington Park Chamber of Commerce.
- G. A. French and M. Estudillo, for City of Riverside.
- Jeff. G. Wingert, for City of Whittier.
- L. O. Hatch, for City of Eagle Rock.
- M. O. Hert, for City of Colton.
- H. F. Orr, for the City of San Buena Ventura.
- T. C. Gould and Grant M. Lorrain, for the City  
of Alhambra.
- G. H. Scott, for the City of Santa Ana.
- L. W. Blodgett, for the City of Huntington Beach.
- E. J. Marks and Albert Lenner, for Cities of  
Fullerton and La Brea.
- R. V. Orbison and William Hazlett, for City of  
South Pasadena.
- George L. Hoodempyl, for City of Long Beach.
- Charles S. Burnell and Jess E. Stephens, for City  
of Los Angeles.
- Howard Robertson and W. B. Mathews, for Public  
Service Commission of the City of Los Angeles.

H. Z. Osborn, Jr., for Board of Public Utilities of the City of Los Angeles.

Lew H. Wallace, for City of Newport Beach.

H. G. Ames, for City of Anaheim.

William Guthrie, for City of San Bernardino.

Thomas B. Reed, for City of Covina.

Clyde Woodworth, for Cities of Inglewood, El Segundo, Beverly Hills.

Victor McLucas, for City of Santa Monica.

W. W. Phelps, for City of Hermosa Beach.

Walter F. Dunn, for Cities of Arcadia and El Monte, Walnut Grove Mutual Water Company and La Puente Cooperative Water Company.

John F. Imol, for Culver City.

John P. Dunne, for City of Monrovia.

Rolph C. Homan, for City of Chino.

C. Arrasmith, for City of Fillmore.

E. B. Griddle, for The Southern Sierras Power Company.

Earl E. Moss, for Ojai Power Company.

Frank Karr, for Pacific Electric Railway Company.

C. L. McFarland, for Riverside Portland Cement Company.

Glenn D. Smith, for Ontario Power Company.

C. A. Storke, in Propria Persona.

Charles E. Haas, for Vincent Smith.

S. M. Haskins, for Los Angeles Railway Corporation.

Geo. A. Atwood and F. C. Finkle, for Redlands and Yucaipa Land Company, Yucaipa Water Company No. 1, South Mesa Water Company, Western Heights Water Company.

George E. Farrand and Leonard B. Slosson, for  
Riverside Highland Water Company.

F. W. Conrad, for Tract 180 Water Company.

Head and Ruten, for Santa Ana Valley Irriga-  
tion Company and San Diego Orange  
Growers Assn.

Jacob Stovel, for South Side Improvement  
Company.

A. E. Weed, for Potrero Heights Water Company.

J. M. Joyke, for Water Company of Lenkersheim.

G. A. Bastanchury, for Bastanchury Ranch  
Company.

J. H. Barton, for Yorba Linda Water Company.

A. M. Bernhardt, for Glendora Consolidated  
Irrigating Company.

Joseph E. Call and Asa V. Call, for California  
Portland Cement Company.

F. W. Foster, for Artesia Hatchery.

W. W. Coke, for Lucerne Water Company of  
Ontario.

L. F. Stephenson, for Moneta Water Company.

W. J. Irving, for Lindsay Strathmore Irrigation  
District.

M. E. Power, for Visalia Electric Railroad  
Company.

L. L. Demmett, for Terra Bella Irrigation  
District.

BY THE COMMISSION:

O P I N I O N

Southern California Edison Company, hereinafter designated as Edison Company or applicant, applies for an examination and investigation of its electric rates, and an order of the Commission establishing just and reasonable rates. The application as originally filed first sought emergency relief to meet the shortage of water power then imminent, to be followed by a comprehensive investigation of all electric rates. Hearings were held on the emergency phase of the proceeding and on April 15th, 1920, the Commission issued its Decision No. 7424, authorizing Edison Company to increase its rates by the addition of a surcharge of 27%, such surcharge to continue in effect until the 20th day of January, 1921, unless otherwise ordered. This decision was reached from the showing that applicant's costs were materially increased on account of increased cost of oil, labor and a reduction in hydro-electric output due to a pending dry year and was intended to preserve the financial status of the applicant during the interim.

Beginning in September, 1920, extended hearings were held in Los Angeles and Visalia for the taking of evidence on the larger question of the determination of reasonable rates of a more stable character and the matter was finally submitted on December 9th, 1920, and the matter is now ready for decision.

We have before us, therefore, the fixing of rates to be charged for electric service throughout the entire territory supplied by Southern California Edison Company inclusive of the territory formerly supplied by the Mt. Whitney Power & Electric

Company, whose properties and business were acquired on July 1st, 1920. The rates for electric service supplied from that part of the Edison system leased to the City of Los Angeles are not affected by this proceeding by reason of the so-called Operating Agreement. The rate for electricity delivered wholesale by Edison Company to the City for use on the leased system is subject to adjustment herein.

Southern California Edison Company is the second largest electric utility in the state, its service covering parts of the Counties of Fresno, Kings, Tulare, Kern, Los Angeles, Orange, Ventura, San Bernardino and Riverside, and to Santa Barbara County through a subsidiary company.

On January 1st, 1920, the installed capacity of applicant's generating plants was 220,500 kilowatts, consisting of 115,750 kilowatts of hydro-electric equipment and 104,750 kilowatts of steam plants. It operates approximately 1500 miles of high tension transmission line and 16,000 miles of distribution lines. Service is rendered directly to 112,000 consumers, and, in addition, to approximately 30,000 customers who are served from its system in the City of Los Angeles leased to that municipality. Its sales of electricity for lighting purposes approximate 55,000,000 k.w.h. per annum; for agricultural power service, 160,000,000 k.w.h.; for general industrial and commercial power service, 180,000,000 k.w.h.; for railway power service to the Los Angeles Railway and Pacific Electric Railway, 290,000,000 k.w.h.; for cement plant operation, 60,000,000 k.w.h., and to municipalities and smaller electric utilities for redistribution, approximately 65,000,000 k.w.h.

In addition to the power plants already in operation, applicant has under construction hydro plants aggregating 70,000 kilowatts in capacity to be completed before August 1st, 1921,

and extensive additions to its transmission and distribution systems.

The rates now charged by Edison Company on the main portion of its system have not heretofore been subject to formal investigation by the Commission except in connection with slight revisions following the consolidation of the Edison Company and Pacific Light & Power Corporation. They are largely the outgrowth of competitive conditions with different utilities and other forms of power. To meet emergency conditions during the last 2 years surcharges have been authorized by the Commission, first in Decision No. 6000, dated December 21, 1918, and subsequently by Decision No. 7424, dated April 15, 1920.

The rates effective in the Valley Districts, formerly supplied by Mt. Whitney Power & Electric Company's system, were established after an exhaustive investigation by the Commission in 1916, later revised by this Commission by the addition of surcharges in 1918 and 1919, and again modified by Decision No. 7304 in Application No. 5172, dated March 23rd, 1920. The rates under the last decision were to some degree fixed in view of the power shortage which was then in prospect and were intended to continue in effect until April 1st, 1921. The subsequent consolidation of these properties with the Southern California Edison Company now brings the Valley Districts within the scope of this proceeding.

The situation affecting electric utilities in California has been critical for the past three years. Practically all power development ceased during the period of the war altho a large increase in the demands for electric service resulted from the economic conditions existing. Upon the cessation of war, it was essential that the utilities in California commence the development of new power plants, especially hydro-electric,

in order to meet the increasing demand for power and to reduce the consumption of oil, which latter commodity was becoming scarce. Applicant commenced in 1919 an active construction program for the development of hydro-electric plants and is now actively engaged in the completion of hydro-electric plants totaling 70,000 kilowatts. Applicant set forth at considerable length a proposed development program, which contemplates during the next 15 years the construction of power plants to the amount of 750,000 horsepower at a cost of \$200,000,000. Altho the evidence regarding this 15-year program is instructive and the figures spectacular, we are more concerned with the immediate needs of the territory supplied than with the distant future. Applicant is at this time expending money at the rate of approximately \$1,000,000 per month and will have invested during the years 1919, 1920 and 1921 in excess of \$25,000,000 in new developments. The growth of demand for power on its system has been at a rate which, if maintained in the future, will require a continuance of the present program. Applicant's officers are of the opinion that a material benefit will result from carrying on the proposed development program and promise an ultimate reduction in the cost of service as a result thereof.

The intimate connection of this Commission with the recent power shortages in Northern California and the San Joaquin Valley and the frequent appeals by prospective consumers of Edison Company itself for assistance in securing service have made very apparent the growing dependence of the public on reliable and adequate supply of electric power.

Edison Company proposes for the consideration of the Commission that its rates be established so as to provide, in addition to its operating expenses, a return sufficient to pay its interest and dividend requirements, to establish a contin-

gency reserve which will insure the continuity of its dividend rates and will provide for the fluctuation in its operating expenses without corresponding changes in its rates in years of large and small water supply for hydro-electric generation. In addition to these requirements, it proposes a substantial surplus and a plan whereby a portion of this surplus and the savings to be derived through efficiencies in operation may be divided between its consumers, its employees and the company itself as a reward for efficiency.

The Commission fully appreciates the interrelation between the earnings of a utility and its ability to command new capital from investors to provide the facilities required by the growing demands of its business and its obligation to the public. This does not mean, however, that the Commission will permit applicant or any other utility to charge in excess of a reasonable rate in order that additional capital can be secured.

No measure of earnings can be approved by a body, such as this Commission, charged with the protection of the public interest which does not result, for equal benefits, in a rate as low as or lower, than the rate which would be fixed upon the standard accepted basis of a fair return upon the reasonable value of the utility properties. In this, therefore, as in other rate fixing proceedings, the primary consideration is a fair return upon the properties used and useful in the public service.



The first problem to be solved, therefore, is the determination of a proper rate base and what is a fair return to be allowed thereon, the fixing of reasonable depreciation, annuity and operating expenses. Edison Company introduced thru testimony and exhibits a complete valuation of its properties on the historical investment basis made by Mr. Arthur R. Kelley. Mr. Kelley has been connected with the Edison Company at intervals for many years and has made a number of inventories and valuations of parts of their system, covering a total of \$14,000,000 worth of property. He has now combined and checked these valuations, compared the results with the value of the same properties as now carried on the company's books, and, finding the book figures to agree with his investment figures, has accepted the book value of the entire system after carefully eliminating adjustments and intangible items. The valuation of the property of the former Mt. Whitney Company submitted is the value determined by this Commission as of June 30, 1915, (Decision No. 3242, Opinions and Orders of the Railroad Commission of the State of California, Vol. 9, page 629) with the addition of the actual cost of plant constructed since that date.

The Commission had its engineering department make an investigation to determine whether the valuation made by Mr. Kelley and investment reported were reasonable. The report of the Commission's engineers submitted in the proceeding is to the effect that they find the valuation submitted by Mr. Kelley to represent the reasonable investment in physical properties and also to represent closely the historical reproduction cost.

In the investment figure submitted by Mr. Kelley (which for June 30, 1920 was \$70,892,853.41) is included the investment in the San Joaquin & Eastern Railroad, reported as \$1,306,197.05. This road was constructed in connection with the building of the Big Creek power plants of applicant and the evidence shows that it was a necessary part of the construction plant. The road was incorporated separately tho the securities are all owned by applicant and the road is at present controlled entirely by that company. Regular tariff rates are charged but the evidence shows that the railroad practically failed to pay operating expenses during 1919 and 1920 and is expected to operate at a deficit of \$100,000 during 1921.

The road is a necessity in the operation of existing power plants and the construction of new ones, and, as it cannot be abandoned, it is apparent that it is a part of the necessary operative property. Even tho under a separate name, we must conclude that at least a large portion of the investment should be considered in the operative property of applicant. This is especially true when it is further considered that in spite of the corporate name the road was really financed by the Power Company.

An analysis of the railway company's past operations shows that under the tariff rates charged a very large profit was made during the first year of its operation, while the Big Creek developments were being constructed. The records for the year ending June 30, 1913 show a net revenue of \$436,086.91 with an investment of \$1,204,367.15. Deducting reasonable interest and rental charges it would appear that there was a profit in excess of the cost of operation of the road and interest requirements during that year of \$350,000. It must

be concluded that as this was received from the tariff rates, an equal amount in excess of the out-of-pocket cost was included in the cost of the electric development. It appears logical, therefore, in following the proposal that this road be included as part of the operative investment of the Edison Company, that the net capital should be reduced by \$350,000. As to the operations thereafter, it appears that the railway operated on the average at either a very slight net return or an actual loss except for the year 1917, when applicant was again doing a large amount of construction work and an earning slightly in excess of bond interest resulted. We must conclude that an allowance of \$950,000 for the railroad as part of the operative property of applicant is all that reasonably should be included.

To the total investment in physical property as found by Mr. Kelley there have been added amounts for working cash capital, stores and supplies and estimated net additions and betterments to operative capital to June 30, 1921. Applicant claims \$2,573,032 for working cash capital for 1921, which amount is derived from a consideration of its assets and liabilities. We find in this instance that a reasonable allowance for working cash capital will be the sum of \$1,000,000 instead of the amount of \$2,573,032 included by applicant. Applicant's claim for materials and supplies is likewise excessive and a reasonable amount has been included instead. Making the corrections above referred to, we find that the reasonable investment in operative properties as of June 30, 1921 upon which applicant is entitled to a fair return is as set forth in the following table:

REASONABLE OPERATIVE INVESTMENT

SOUTHERN CALIFORNIA EDISON COMPANY

as of June 30, 1921

	<u>June 30, 1920</u>	<u>June 30, 1921</u>
Lands	\$2,188,151.32	
Production Capital including San Joaquin & Eastern RR.	27,680,808.59	
Transmission	10,609,619.28	
Distribution	25,722,945.13	
General	<u>4,335,132.04</u>	
Total Plant June 30, 1920		\$70,536,656.36
Additions & Betterments to 6/30/21		20,837,000.00
Total		<u>\$91,373,656.36</u>
Material & Supplies		1,700,000.00
Working Cash Capital		<u>1,000,000.00</u>
Total Operative Investment . . . . .		\$94,073,656.36

The additions and betterments from June 30, 1920 to June 30, 1921 above listed consist mainly of estimated cost of new power plants and transmission facilities and may be segregated as follows:

Production Capital, including Kern #3, Big Creek #8, third unit in Big Creek #2 and Shaver diversion . . . . .	\$13,820,000
Transmission Capital, including Vestal and Eagle Rock substation additions and Kern #3 to Vestal transmission line . . . . .	2,495,000
General and Distribution less deduction of property in Pasadena sold to City of Pasadena . . . . .	<u>4,522,000</u>
	\$20,837,000

The above amounts represent the average operative capital addition, such part of the estimated total cost being allowed as is proportional to the part of the year 1921 that the plants will be in operation.

An estimate of the reproduction cost new depreciated of applicant's property was also submitted by Mr. A. R. Kelley based upon cost of construction under price conditions existing generally during the past two years. Mr. Kelley shows an estimated cost of reproduction new of \$148,519,624, and reproduction cost depreciated of \$128,731,081. Without question, to construct the plants now in existence under conditions of labor and material costs during the past year would result in a much greater figure than the investment. The Commission, however, does not hesitate to state at this point that reproduction cost new or reproduction cost depreciated based upon price conditions existing during 1919, 1920 and 1921 is not a reasonable basis for rate-fixing purposes except insofar as it applies to those portions of the properties that were, of necessity, constructed during the period of high prices. We find that the sum of \$94,075,000 is a reasonable rate base for the year 1921.

The Commission in fixing rates for utilities, such as applicant, has generally found that 8% was a reasonable return under conditions prior to 1918. Since January 1, 1918 money invested in property of this applicant has cost from 7% to 8%, and if a utility is to continue to meet its obligations and attract capital it must be expected that some profit on its enterprise be allowed in addition to the bare cost of the money invested. . If we consider a return of 8% as reasonable upon money invested prior to January 1918, and 9% on the money invested since that time, we find that the average rate of return upon the present investment in operative property in 1921

would be 8.3%, while if a rate of return of  $9\frac{1}{2}\%$  be considered on money invested in property since 1918, the average return would be 8.45%.

A considerable sum of money on which no interest is paid by the Company has been advanced by consumers for extensions of service which in themselves are not fully remunerative. The Company has been authorized to require advances by applicants for service where the extensions are not entirely remunerative, partly to prevent undue burdening of existing consumers with the resultant extra cost and partly on account of the need of all obtainable money for the making of necessary developments. To allow a return upon the money so advanced would be unfair to the existing consumers, and it would also be unfair to those who advanced money unless the money is immediately returned to them. We believe, therefore, that the amount of money which has been advanced by consumers and on which no interest is paid should <sup>not</sup> be considered in determining the proper rate of return for this applicant.

It may be concluded, therefore, that a fair rate of return to be allowed for the year 1921 will be 8.3% on the rate base heretofore set forth.

Mr. Kelley submitted his estimate of the depreciation annuity to be allowed for the year 1921, using somewhat shorter lives than have heretofore been used by this Commission. A study however leads us to the conclusion that it is fair to allow the annuity estimated, on the condition that applicant will fully account to its depreciation reserve not only for the annuity estimated but for interest on the reserve as well, and that ~~it~~ calculate interest not on the amount now carried in the reserve, but on the amount that would be

in the reserve had such interest been properly accounted for from the establishment of the reserve.

We cannot agree with applicant that the depreciation reserve should be credited with only 5% interest per annum. This reserve is largely reinvested in its properties and is consequently capable of earning a higher rate of interest than 5%. We, therefore, include a depreciation annuity in this instance upon a 6% interest basis.

Applicant reports a balance in depreciation reserve of \$6,886,034.62 for the consolidated properties as of January 1, 1920. It estimates the reserve will have increased to \$7,936,034.62 on January 1, 1921, which is approximately \$800,000 less than the estimated accrued depreciation which Mr. Kelley computed as somewhat less than \$8,750,000 as of June 30, 1920. If to the reserve as of January 1, 1917 there are added the annuities computed by Mr. Kelley together with interest thereon, the amount in reserve on January 1, 1921 should be approximately \$8,200,000. The amounts which have been appropriated to the reserve for depreciation during the past few years have been considerably less than the requirements as estimated by Mr. Kelley. We conclude that the accrued depreciation on the sinking fund basis as of January 1, 1921 should be at least the sum of \$8,250,000.

In view of this fact and the further fact that the accrued depreciation has largely been reinvested in plant applicant must, out of its fair return, set aside to its depreciation reserve 6% upon the accrued depreciation as above computed for the year 1921, or the sum of \$495,000.

Applicant has estimated its operating expenses for 1921 largely upon the basis of 1920 conditions, with the ex-

ception of the amount and cost of fuel oil, which are modified to conform to an average water year and a price of \$2.50 per barrel for oil. No increase in the rate of wages or the price of materials other than fuel oil has been included. From a consideration of the evidence it appears that in general applicant has used a reasonable basis for its operating costs for 1921 considered as a normal year of hydro-electric generation. There has been included, however, in operating expenses the entire amount of the deficit in operations of its subsidiary, the San Joaquin and Eastern Railroad, estimated for the year 1921 at \$100,000. The gross receipts of this road come from its regular tariffs charged for hauling freight and passengers in connection with the operation of the existing plants, the construction of new plants and the handling of general freight and passenger business in operating as a public utility. We cannot conclude that the electric consumers should be burdened with all this deficit. If San Joaquin and Eastern Railroad's tariffs are too low to pay operating expenses they should possibly be increased. In view of the general division of its business we must conclude that not to exceed one-third of the deficit should be charged to electric operation. The balance must be absorbed by applicant unless its tariffs can be reasonably increased to make up the deficit.

In determining the cost of fuel oil and purchased power applicant has ascertained the amount of oil required on the average percentage of steam power estimated for 1921, 1922 and 1923, assuming an output during those years on the basis of average water power conditions. In considering definite rates of a stable character, average conditions should be used,



but it appears that this basis of determining average oil requirements is not entirely correct when consideration is given to the effect of increased business. Applicant has assumed an oil price of \$2.50 per barrel as compared with a present price of \$2.00 f.o.b. Long Beach, an average cost during 1920 of approximately \$1.88 per barrel and a price as of January 1, 1920 of \$1.63 per barrel. An average price of \$2.00 per barrel will be used herein. Applicant estimates only a nominal amount of purchased power during 1921, altho it has negotiated for the purchase of surplus power from San Joaquin Light and Power Corporation at a cost slightly less than the cost of oil produced power. From these considerations a reduction in the Company's estimated cost of fuel oil and purchased power of \$250,000 will be made.

Applicant's estimate of taxes is based on conditions existing in 1920. The rate of taxation by the state has been increased from 5.6% to 7.5% of the annual gross revenue. The result of this is a net increase in operating expenses based on the estimates herein of \$260,000, making the total taxes chargeable to operation \$1,460,000. The total estimate of operating expense for 1921 based on average hydro-electric power supply with other conditions as expected, is found to be \$6,130,000.

The following table sets forth the total cost of service for 1921 on the general basis heretofore followed by this Commission:

SOUTHERN CALIFORNIA EDISON COMPANY

ELECTRIC DEPARTMENT

1 9 2 1

Rate Base . . . . .	\$94,075,000
Return @ 8.3% . . . . .	\$ 7,808,225
Depreciation Annuity . . . . .	1,400,000
Operating Expenses . . . . .	<u>6,130,000</u>
Total Gross Revenue required from Electric operation	\$15,338,225
LESS	
Net from City of Los Angeles . . . . .	\$ 1,175,000
Miscellaneous Electric Revenue . . . . .	<u>60,000</u>
Revenue required from Rates . . . . .	\$14,103,225

Compared with the above requirement of \$15,338,225 gross revenue from electric operations, Southern California Edison Company submitted in its Exhibit No. 31 the gross revenue which it estimated as necessary to meet its financial requirements at \$16,676,000, or \$1,337,775 more than set forth on the above basis. The above amount was built up as follows:

SOUTHERN CALIFORNIA EDISON COMPANY

FINANCIAL REQUIREMENTS

1 9 2 1

Operating Expenses and Rent of Plant . . . . .	\$6,186,000
Depreciation Reserve . . . . .	2,000,000
Equalizing Financial Reserve . . . . .	650,000
Annual Charges for Interest, Dividends and Sinking Fund	7,059,000
Surplus Requirements:	
1/4 to Employees . . . . .	265,000
3/4 to Surplus Account . . . . .	794,000
Total . . . . .	<u>\$16,954,000</u>
Less Net Non-Operating Reserve	<u>278,000</u>
	\$16,676,000

The difference between the findings on the general basis herein set forth and the proposal of Southern California Edison Company needs careful consideration, for if applicant's reasonable financial needs are as great as set forth by it serious results may occur in its development in the future by the allowing of the much smaller amount.

The proposal of applicant as to operating expenses and depreciation have hereinbefore been considered. These two items as allowed herein together with the interest on the accrued depreciation which applicant includes with the annuity in the sum of \$2,000,000 are in total \$161,000 less than applicant's estimates.

In applicant's proposal there is included as annual fixed charges for the year 1921 the sum of \$7,059,000. This covers all bond and note interest, miscellaneous interest, dividends upon second preferred stock of 5% per annum, and dividends at 8% upon the common and first preferred stock. Edison Company's dividend rate on common stock has been 7% per annum since October 15, 1916. It now urges that it cannot carry on its development program without increasing the dividend rate on common stock, and, since the hearings in this proceeding, applicant has so increased it. Mr. A. N. Kemp, applicant's Vice-President in Charge of Finances, testified that it is essential that it sell at least \$10,000,000 of common stock during the current year to continue its developments. He was firmly of the opinion that common stock cannot be sold readily upon a 7% dividend basis. Mr. W. C. Fankhauser, the Commission's expert in charge of finance and accounts, testified that in his opinion it would not be possible for applicant to finance large developments at this time on the basis of 7 per cent dividend; that to carry on its development program it is necessary for Edison Company

to sell large blocks of common stock and that such sales can be effected only if the Company will pay 8% dividends. This testimony relates to the question of finance and not to the reasonableness of the return to meet this requirement.

Applicant proposes that in addition to the fixed charges already noted, it should be allowed to earn a surplus equivalent to 15% of such fixed charges, or \$1,059,000. It proposes, however, that one-quarter of this amount shall be paid as a reward to its employees in the form of a bonus for present efficiency, and also as a stimulant for further efficiency. Without considering that portion which the company proposes to pay its employees, Mr. W. C. Fankhauser testified that the company should be able to finance reasonably on the basis of a surplus of approximately \$350,000 provided, in addition, a contingency financial reserve is allowed.

The second step in the proposal of the Edison Company--the establishment of a contingency reserve--is primarily an attempt to protect against contingencies and to meet the wide fluctuations in operating expenses and in net income that necessarily result from the variation in rainfall and water supply of hydro-electric plants occurring from year to year. This proposal is applicable to the basis of rate fixing generally followed as well as the proposal of applicant and has much in its favor. California utilities that have been dependent in a large measure upon hydro-electric supply have met the low water conditions during the past four years by the generation of steam power with oil fuel and have been compelled to seek relief at the hands of the Commission in the form of increased rates to meet the abnormal expense resulting. It is apparent that during periods of wide variation in the

amount of hydro-electric power available to a utility, a corresponding fluctuation in its rates must take place unless the variation in conditions from year to year can be absorbed in a reserve, which in dry years will be drawn upon to provide the additional operating expense, and which in wet years will be replenished from the larger net revenues resulting.

It has been clearly shown in the evidence in this proceeding that there is such extreme variation in the operating expenses of a utility dependent largely upon hydro-electric sources for its power as to justify some automatic means of preventing these fluctuations from unduly affecting both rates and income, and this is particularly true in the case of applicant. At this time, however, Edison Company has no such reserve and proposes that for a sufficient period in the future it will build up such a reserve out of its earnings so that the reserve will aggregate enough to absorb the fluctuations in rates and earnings that would otherwise result from a succession of wet and dry years. Applicant proposes that this reserve shall be set aside prior to the accounting for surplus and that it be held at all times in cash or government securities, and that the earnings to be added to the reserve in wet years and the deficiencies to be withdrawn in dry years shall be under the direction of the Commission. While the principal purpose of the reserve is that of meeting the conditions of variable hydro-electric supply, it is also suggested that the reserve can be properly used to meet other unusual changes in operating costs, emergencies not considered in normal operation, and as a means of postponing possible increases or hastening reductions in rates by drawing on the reserve. Under the peculiar conditions incident to hydro-electric operation in California

and the unquestioned desirability of electric rates of a stable and uniform character, the proposal relating to the establishment of this reserve should meet with favor by a regulatory body.

It is proposed by applicant that there should be allowed, in addition to all other costs, an item of \$650,000 to be used in building up a contingency reserve to insure the continuity of earnings and the stability of rates, this amount to be set aside for a period of three years, so that a basic reserve of approximately \$2,000,000 will be maintained.

In selecting this amount to be included in annual requirements applicant has in mind guarding against contingencies such as:

- (a) Year 1921 being a year of less than normal rainfall, with the resultant increased costs and operating expenses.
- (b) Increase in the price of oil in excess of that estimated.
- (c) Unforeseen or sudden increase in cost of labor and supplies.
- (d) Unforeseen catastrophies.

At the present time the general tendency of costs is downward and it can hardly be expected that there will be an increase in labor costs or increase in cost of supplies. Any contingency reserve for these items does not appear necessary at this time. There is some possibility that oil may increase in price if the available supply is further decreased. There appears to be little likelihood that the water conditions during 1921 will be below normal. The economic conditions existing in the territory served by applicant are such that the public should not be burdened at this time with any charges in excess of the absolute minimum. Applicant, from its earnings of 1920, which

were largely in excess of those anticipated, should, as herein-  
after set forth, set aside a considerable sum to a contingency  
reserve, and, from its earnings during the first three months  
of this year, additional amounts can be accrued. In view of  
these facts we must conclude that altho the proposal of appli-  
cant to establish a contingency reserve should be followed out,  
no additional amount should be collected from consumers at this  
time. If special contingencies arise necessitating modifica-  
tion of rates they will be given consideration as met. With  
this in view it does not appear that the lack of a contingency  
reserve allowance in the 1921 estimate will in any way serious-  
ly affect applicant's finances.

The third proposal of Edison Company as to rewards  
for efficiency may be divided into two parts. It is first pro-  
posed that one-quarter of the surplus of \$1,059,000 which it  
considers should be allowed, will be paid by the Company to its  
employees as a stimulant to further efficiencies and as a re-  
ward for the efficiency which the Company contends exists at  
the present time. The Public Utilities Act, in the following  
language, clearly authorizes this Commission to approve a plan  
for permitting a utility to share in the savings due to effi-  
ciencies or economies it may effect:

"Nothing in this act shall be taken to prohibit any  
public utility from itself profiting, to the extent  
permitted by the Commission, from any economies,  
efficiencies or improvements which it may make, and  
from distributing by way of dividends, or otherwise  
disposing of, the profits to which it may be so en-  
titled, and the Commission is authorized to make  
or permit such arrangement or arrangements with any  
public utility as it may deem wise for the purpose  
of encouraging economies, efficiencies or improve-  
ments and securing to the public utility making  
the same such portion, if any, of the profits there-  
of as the Commission may determine."

We believe that utilities, which are largely monopoli-  
es and therefore not subject to the same active competition

as most industries, ~~will~~ have less incentive to maintain high efficiency and we, therefore, welcome a sound and logical plan whereby utilities and the public may share in the savings from efficiencies and economies in operation. Such a plan, to be effective, as pointed out by former President Edgerton, must contemplate a reward to employees as well, and should in its application result in improved service and reduced rates to consumers.

Regarding the proposal of applicant that an allowance be made at this time, in addition to the estimated cost of operation, as a reward for present efficiency, it must be pointed out that the estimated costs for 1921 are based largely upon conditions existing in 1920 when, without question, there was a tendency to reduced efficiency in all lines of endeavor. It must be assumed that employees up to the present time have been adequately compensated by the utility for services rendered, and further, the evidence does not show that the Company at this time is any more than reasonably efficient. The testimony of Mr. R. H. Ballard, General Manager of the Company, that great efficiencies could be obtained by the adopting of the plan recognizes that the present efficiency is not perfect. The Commission, therefore, concludes that after allowing operating costs, including the total regular payroll, a sufficient margin exists for the Company to practice and put into effect efficiencies and economies in operation. No bonus should be required at this time to be paid by consumers in order to urge the Company and its employees to effect all possible efficiencies.

The second part of applicant's plan is, as far as we can determine, a proposal that increased profits from any cause



be shared on the basis of 50% to consumers, 25% to the stockholders and 25% to employees. It must be pointed out, however, that the Public Utilities Act does not contemplate a division of increased profits due to reductions in price of labor, materials and supplies, increased earnings due to reductions in the level of economic conditions, possible reductions in the price of oil or reduced cost of development of power resulting from conditions not under the control of the Company.

The Commission is of the opinion that a workable plan for the division of the savings due to efficiencies and economies on the part of the Company or its employees is desirable, and, while approval cannot be given the company's proposal in its present form, we invite a definite and specific plan providing for the determination of the savings properly due to increased efficiency and for their division between the Company, its employees and its consumers. If such a plan is carefully developed, promptly submitted and finally approved there is apparently no reason to prevent its application to any savings effected during the current year.

From the foregoing considerations it appears that Southern California Edison Company can meet its financial needs on a basis of 8.3% on the rate base heretofore set forth as follows:

Net Return at 8.3%	\$7,808,225
Net Non-Operating Revenue	<u>278,000</u>
Total Available to Meet Financial Requirements	\$8,086,225
Interest on Reinvested Depr. Reserve	495,000
Annual Charges for Interest, Dividends and Sinking Fund	<u>7,059,000</u>
Balance for Contingency Reserve and Surplus	\$ 532,225

The Commission, in Decision No. 7424, in the emergency part of this proceeding, authorized applicant to increase its rates upon the then existing Edison system by 27%, by reason of the emergency condition resulting from increased cost of oil and reduced hydro-electric output. The decision in this proceeding was rendered April 15, 1920, and subsequently water power conditions materially improved. The evidence now shows that applicant will have earned in 1920 a net for return and depreciation of approximately \$1,111,000 in excess of that allowed in the emergency decision. Representatives of applicant's consumers urged in the hearings that this money be refunded or that the consumers be given the full benefit thereof.

Presiding Commissioner Edgerton in Decision No. 7424 supra, stated as follows:

"If applicant in a year when its operating expenses, due to water shortage alone, have been temporarily increased \$2,500,000 above the average, is given a return sufficient to pay its fixed charges, including interest and amortization, and reasonable dividends, it is receiving all that its consumers should be required to pay and all it is justly entitled to receive. The return in normal years of rainfall will make up any deficit below a fair return."

He further stated:

"Of course it is not to be understood that the Railroad Commission urges the payment of unreasonable rates to stimulate investment in this public utility, but when it is considered that to place this company in a position where it can successfully finance will not result at this time in even an 8% return on investment it will at once be realized that the burden upon the consumer is not unreasonable."

Had conditions continued as estimated, the net return would have been approximately 7.2%.

It now appears that applicant's gross revenue did not equal that estimated in the decision by approximately \$700,000. However the net was increased approximately \$1,111,000 over that estimated. Applicant deferred a considerable amount of maintenance that had been estimated in order to have funds for construction and also curtailed operating expenses. The deferred maintenance was estimated by Mr. Barre, Executive Engineer for applicant, at \$329,000. The remaining difference is due primarily to a greater supply of water power than was expected. The deferring of maintenance is only borrowing from the future, and this reduced expense is not a permanent saving. Consumers must be protected, however, from having the additional maintenance in the future charged against them, and to this end we will insist that applicant add to its contingency fund the amount of the deferred maintenance, so that hereafter when the outlay to meet this maintenance occurs the additional expense may not be charged to consumers.

Applicant during the year 1918 and 1919 failed to set aside sufficient amount of its reserve for accrued depreciation. In fixing the emergency rates no allowance was made for the interest upon the depreciation reserve although depreciation annuity was fixed upon the sinking fund basis. Applicant is entitled to earn and set aside this interest. It is our opinion that had the conditions been estimated as they later proved to be, at least a part of the interest would have been allowed. Applicant's earnings during 1918-1919 fell considerably below what the Commission has from time to time found reasonable, and if the rates are from now on to be determined upon average conditions it is our conclusion that a part of the earnings in 1920 should be set aside by applicant to build up its depreciation reserve. Applicant proposes in this instance to set aside a total for the year 1920 of \$2,000,000. From the evidence it would appear that this is approximately \$900,000 more than the annuity computed in the previous decision, and \$550,000 in excess of the annuity and interest for that year. It is our conclusion that the net earnings on the Edison system for 1920, exclusive of the former Mt. Whitney Power & Electric Company, in excess of that allowed in Decision No. 7424 should be disposed of as follows:

1. The sum of \$550,000 transferred to the contingency fund.
2. The balance up to \$650,000 to be transferred to the reserve for accrued depreciation.
3. Any net income over and above \$1,200,000. to be added to the contingency fund.

Applicant submits proposed schedules of rates for the entire territory designed to return to the company the gross revenue it requests. The proposal contemplates uniform schedules thruout. The schedules which appear in general to be slight modifications of former Edison rates result in a reduction of 6% to 10% in all general lighting and commercial power service below the present rates including the 27% surcharge on the Edison system south of the Tehachapi Mountains and an increase on the former Mt. Whitney system averaging approximately 17% but as high as 40 or 50 percent in individual instances. It is suggested that the rate for service to the City of Los Angeles be materially increased; the rate for cement plants be maintained at practically the present level; the rates for service to the Los Angeles Railway and Pacific Electric Railway Company be reduced by approximately 4%, and that special and street lighting rates be reduced between 5 and 10 percent.

The determination of rate schedules is of special importance to the various classes of consumers and to individuals. Consideration must be given to the cost of service as far as it can be determined, to the value of the service and the conditions of delivery. The types of rates and any special conditions heretofore existing must also be considered as the size and general character of the consumer's installation depend to a certain extent upon the type of schedule in effect.

The rates in the former Mt. Whitney territory were the subject of extended hearings. Evidence introduced by agricultural consumers is to the general effect that the proposed rates exceed the value of service and would result in undue hardship to consumers and in unreasonable return to

the company. It was shown by applicant that during the year 1920 at the existing rates the return on investment in the Mt. Whitney territory was approximately 7.57%. This was based upon charges to Mt. Whitney district which differ only slightly from those that the evidence indicates will be reasonable for the year 1921. The Mt. Whitney district should earn its portion of the total cost but rates should not be increased as proposed.

Careful analysis has been made of the evidence herein, and special attention given to the service to large irrigation districts, Visalia Electric Railroad Company, as well as to the general service, from which we find that changes should be made in the present schedules resulting in certain increases in lighting and industrial power rates and changes in wholesale service. The agricultural schedules are modified, two schedules being put in effect, one for short seasonal use and one for high load factor conditions, which will result in a reduction of rates to the long period user. The requirement of a minimum charge will be made, the omission of this requirement during 1920 having been due to special emergency conditions.

Careful analysis has also been made of applicant's rates and charges on its system exclusive of the former Mt. Whitney system and such changes and reductions as are found reasonable have been made in the rates as proposed for general lighting and power service. A number of special or class rate schedules have been eliminated and certain standard schedules made effective with the result that all consumers will be placed on the same basis. Certain schedules were suggested for street lighting service which were later withdrawn by applicant. The evidence relative to this class

of service does not cover sufficiently the special conditions/<sup>to</sup> justify a complete revision at this time. We find it reasonable to continue the present basic rates increased by 10% in place of the present 20% surcharge until further order by the Commission. It is, however, understood that applicant must present for approval of this Commission a definite schedule of rates for street lighting service on or before June 30, 1921.

Attention was directed by certain cement companies to the schedule proposed for their service. A special rate has heretofore been applied to this service and has been limited to cement plants of large installation. It does not appear that a special rate is necessary for this service and the industrial and wholesale power schedule herein set forth is found applicable to the service to cement companies as well as other large industries.

Applicant suggests that power and resale contract rates to municipalities be continued subject to a partial reduction of the surcharge, making the minimum rate, however, 1¢ per k. w. hr. A study of applicant's rates for resale power to municipalities and other utilities discloses a marked lack of uniformity in charges, certain cities receiving preferential rates as compared with others. The City of Riverside, partly thru a long term contract and partly thru special rate, receives a lower rate than other cities, for instance from 20 to 30 percent below that of the City of Azusa. We find that the practice of granting preference to resale companies or cities is not justified and only results in discrimination against the general public outside of the municipalities favored. A standard schedule which is designed to apply to large resale and wholesale service of power has been fixed herein.

It is urged that a lower rate be fixed for service to the Los Angeles Railway Company and Pacific Electric Railway Company than to other consumers ~~for~~<sub>for</sub> the reasons -- that the rail-

road load enabled Edison Company to build certain of its plants more cheaply and lower rates resulted to other consumers; that the percentage of increase in rates to the railways during past years has been greater than the average; that the railway load is larger, more permanent and of a higher load factor than the average and that the service required and rendered is not as exacting.

Benefit has obtained to other consumers thru the fact that certain power plants were constructed more cheaply and combined operation costs are less. The result of such saving is, however, mutual. The railway companies' load could not have been served at the rates in effect in the past and especially not at present were it not for the large diversity of business served by Edison Company. Analysis shows that the railway companies' rates were not increased more than they should have been by the surcharges heretofore authorized. The quantity and quality of service rendered is of special importance and must be given full weight. We are not impressed with the prominence given the claim of unusual permanency. In considering permanency the railway load must be compared more with the diversified load of applicant than with individual consumers. It appears that Edison Company reduces the delivery to railway companies in case of serious shortage of power and as a result it does not render the quality of service to the railways that is rendered to municipalities for distribution or to the regular lighting or small power consumers. Railway companies' load factor and power factor are in general better than the average of other classes of service and due consideration of this fact has been given in determining the rates for railway service, as well as to delivery points and voltage regulation. The point of delivery of power to the railways has been agreed to between the parties and the rate will be based on



these deliveries. It is not essential that a schedule be made which will vary with the load factor of the railway service as it is practically permanent and beyond the control of either party. Based on the revised estimate of costs of applicant's service, a rate for service to Pacific Electric Railway Company and Los Angeles Railway Company of 9 mills per k.w.hr. is found to be reasonable.

It is important that special consideration be given to the rate to be charged for electric service to the City of Los Angeles. An operating agreement was entered into in 1917 and modified in 1919 whereby the City leased from the Edison Company the distribution system within the City of Los Angeles. Under the lease the property is operated by Edison Company until final purchase and transfer of the property occurs. The lease provides for the deduction by Edison Company from the gross revenue received of all operating expenses incurred, including depreciation on the leased system, and a definite rental for the property on the basis of certain fixed charges per month, plus interest on additions and betterments. Under the agreement all power on the leased system not supplied by the City of Los Angeles from its own plants is to be supplied by applicant, the rate now in effect being 1¢ per k.w.hr. plus the authorized surcharge. Southern California Edison Company proposes a rate for this service substantially as follows:

First 50,000,000 k.w.h. per year	...	1.75¢	per k.w.h.
Next 30,000,000 " " "	...	1.5¢	" "
Over 60,000,000 " " "	...	1¢	" "

In justification of this rate applicant points out that it is required under the lease agreement to render standby service and provide for the growth of the load on the City's system including the leased plant while the City is building its own

plants. It urges that the City should pay, in addition to the cost of energy delivered, approximately \$375,000 per year to cover the fixed charges on an estimated steam standby which it is assumed Edison Company will have to maintain to guarantee service.

Evidence was submitted by representatives of the City of Los Angeles and a brief was filed, setting forth the viewpoint of the City regarding the rate to be charged. It was urged by the City that the rate for power delivered to the leased system by the Edison Company is only one of several sources of return to the company under the operating agreement and that there should be included the other sources such as return on the property in the City and depreciation allowance in addition to the revenue for energy delivered to the leased system.

The operating agreement covers the temporary lease and ultimate sale of the property. It is our conclusion from analysis of this agreement that the compensation paid for the use of the investment as specified in the operating agreement is a separate consideration from the rate for power. The rate to be fixed herein is the rate to be paid by the City for power delivered to the leased distribution system within the City. The Commission has before it the fixing of rates for service from the Southern California Edison Company's system to its consumers, and the system within the City must be classified as a consumer of Edison Company rather than a part of Edison system.

The City of Los Angeles urges, that, owing to the operation of its own hydro plants, benefits result to the Edison system through concentration of the City output at

the time of peak load of the Edison Company; that the operation of the City's plants constitutes a standby to Edison service; that additional power will be delivered to the Edison system upon the completion of the proposed plants of the City and that through the workings of the agreement a large amount of cheap power is made available by the City plants to Edison Company consumers. The City urges that a rate of one cent per kilowatt hour is excessive and submits computations setting forth that a rate of .87¢ per k.w.h. for the service rendered the City would give applicant the average return estimated and that this rate is subject to reduction on account of the valuable diversity existing.

Any benefit which results from operation of the City's plants is reflected in cost of service to the consumers on the leased system and does not appear to benefit the consumers of Edison system outside of the City. It appears that even with the completion of additional plants there will be practically no power available in excess of the requirements on the leased system. As the Edison Company derives no benefit from the operating agreement in the form of reduced costs of power delivered outside the City of Los Angeles or in the cost of service actually rendered to the leased system, it must be concluded that the City of Los Angeles is not entitled to any lower rate for the service as rendered than any other distributing company or municipality which is purchasing power in like quantities and under similar conditions. With the completion of the City's plants there will be a short period when practically no energy will be required from the Edison system and such service as is rendered will be largely in the form of standby or breakdown service.

Edison Company, as we understand the agreement, must continue to develop such power as is necessary to meet any demands within the City which the City is not itself in a position to serve, and it is, therefore, rendering a special service not dependent on the kilowatt hour purchase. In connection with the rendering of standby service there are certain fixed charges and costs which are chargeable to the service to the City of Los Angeles, and it is not fair that they be borne by consumers of Edison Company located without the city limits. If a rate schedule fairly segregates the charges incurred in being ready to serve from those which are largely proportionate to the energy output, it will be applicable to service not only to the City of Los Angeles but to other retail companies or municipalities, and each will be correctly charged.

We are of the opinion that the Edison Company has over-estimated and the City under-estimated the cost chargeable to the City of Los Angeles. After careful analysis of the evidence herein and the points urged by both parties, we find that a demand-and-energy form of schedule should be applied and that the schedule set forth herein for resale service is fair and reasonable for this service. This does not prevent Southern California Edison Company and the City of Los Angeles or other resale companies or municipalities from entering into contracts, subject to approval of this Commission, containing modified schedules.

O R D E R

Southern California Edison Company having applied to the Commission for an order establishing just and reasonable rates to be charged for electric service, hearings having been held, the matter submitted and being now ready for decision,

The Railroad Commission of the State of California hereby finds as a fact that the rates and charges set forth herein are just and reasonable rates to be charged and collected by Southern California Edison Company for electric service.

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

IT IS HEREBY ORDERED that Southern California Edison Company be, and it is, hereby authorized to charge and collect for metered electric service rendered based on all regular meter readings taken on and after the 20th day of April 1921, and for flat rate electric service rendered on and after the 20th day of April 1921, in accordance with the schedules set forth in Exhibit "A" attached hereto.

IT IS HEREBY FURTHER ORDERED that Southern California Edison Company be, and it is, hereby authorized to charge and collect for metered electric service rendered, based on all regular meter readings taken on and after the first day of April 1921, and for flat rate electric service rendered on and after the first day of April 1921, in accordance with the schedules set forth in Exhibit "B" attached hereto.

IT IS HEREBY FURTHER ORDERED that Southern California Edison Company shall file with the Commission on or before May 1st, 1921 the schedules of electric rates herein set forth.

IT IS HEREBY FURTHER ORDERED, That

1. Southern California Edison Company shall continue in effect the special rates and charges for municipal street and outdoor lighting service as now in effect in its Southern California District, exclusive of the present 20 per cent surcharge plus 10 per cent surcharge, such rates and charges to continue in effect from and after April 1, 1921, until Southern California Edison Company shall have filed and had approved by supplemental order revised schedules of rates for street lighting service.

2. Southern California Edison Company shall continue in effect the present rates and charges for street lighting service on its San Joaquin Division.

3. Southern California Edison Company shall submit to this Commission on or before June 30, 1921 for its consideration and approval revised schedules for street lighting service in its Southern California District.

PROVIDED that Southern California Edison Company will file with the Railroad Commission on or before May 1, 1921, a stipulation duly executed by its Board of Directors, in which it agrees to add annually, until otherwise authorized by the Commission, to its reserve for accrued depreciation, the proper annuity as in the preceding opinion indicated, and an amount equivalent to interest at the rate of 6 per cent per annum on \$8,250,000 - the amount which it is estimated should be in the reserve on January 1, 1921, plus interest at the rate of 6 per cent per annum on the net additions to the reserve for accrued depreciation from and after January 1, 1921; and

PROVIDED FURTHER that Southern California Edison Company will file with the Railroad Commission on or before May 1, 1921 a stipulation duly executed by its Board of Directors,

in which it agrees to establish and create from its net earnings a contingency reserve fund and that it will add to and withdraw from said contingency reserve fund ~~only~~ such amounts as may be directed from time to time by the Railroad Commission; and further, that it will effect the disposition of the excess earnings from its 1920 operations as set forth in the opinion which precedes this order.

Dated at San Francisco, California, this 31<sup>st</sup>  
day of March 1921.

Frank R. Brown  
H. D. Leonard  
H. P. Anderson  
Irving Martin  
Chester H. Brown  
Commissioners.

EXHIBIT "A"

Rates of Southern California Edison Company  
Effective for Metered Service Based Upon  
All Regular Meter Readings Taken on and after

APRIL 20TH, 1921



SCHEDULE I-1

GENERAL LIGHTING SERVICE

Applicable to general domestic and commercial lighting service including lamsocket appliances and single phase motors of not to exceed 3 horsepower total capacity.

TERRITORY:

Southern California District.

RATE:

First	50 k.w.h.	per meter	per month	..	9¢	per k.w.h.
Next	200	"	"	"	8¢	"
"	750	"	"	"	7¢	"
"	1,000	"	"	"	6¢	"
"	3,000	"	"	"	5¢	"
All over	5,000	"	"	"	4.5¢	"

MINIMUM CHARGE:

Inside Incorporated Municipalities	...	\$1.00	per meter	per month
Outside	"	1.25	"	"

SPECIAL CONDITIONS:

When separate transformers are required to be installed on lines in excess of 5000 volts in territory outside of incorporated municipalities the minimum charge per meter will be as follows:

1 consumer per transformer	....	\$2.50	per month
2 " or more " "	....	1.25	"

SCHEDULE I-2

OIL WELL LIGHTING SERVICE

Applicable to general lighting service used in connection with drilling and pumping oil wells and operating oil well properties.

SCHEDULE 1-2 (Cont'd)

TERRITORY:

Southern California and San Joaquin Districts.

RATE:

6 cents per kilowatt hour.

MINIMUM CHARGE:

\$25.00 per meter per month.

SPECIAL CONDITIONS:

Electric energy to be delivered at a central point and the consumer shall install and maintain the distribution system for lighting purposes.

SCHEDULE 1-3

SERVICE FOR TYPE "C" MAZDA LAMPS

Applicable to service for type "C" Mazda lamps for outside lighting purposes only and burning until 10 P.M. every night.

TERRITORY:

Southern California District.

RATE:

<u>Size of Lamp</u>	<u>Rate per Lamp per Month</u>
300 watt	\$3.50
400 "	4.25
500 "	5.00

SPECIAL CONDITIONS:

Under this schedule the company will install, maintain and make necessary lamp renewals, and at the company's entire expense.

SCHEDULE C-1

GENERAL HEATING AND COOKING  
AND COMBINATION SERVICE

Applicable to general domestic and commercial heating, cooking and/or water heating service, and to combination lighting with heating, cooking and/or water heating service.

TERRITORY:

Southern California District.

RATE:

(a) Heating, Cooking and/or Water Heating Service:

First 150 k.w.h. per meter per month .. 4¢ per k.w.h.  
All over 150 " " " " " " .. 3¢ " "

(b) Combination Lighting with Heating, Cooking  
and/or Water Heating Service:

(Applicable to residences, flats or apartments of eight rooms or less)

First 30 k.w.h. per meter per month .. 9¢ per k.w.h.  
Next 120 " " " " " " .. 4¢ " "  
All over 150 " " " " " " .. 3¢ " "

MINIMUM CHARGE:

First 5 k.w. of active connected load .. \$3.00 per month  
All over 5 " " " " " " .. .50 per k.w. per month

SPECIAL CONDITIONS:

(a) This schedule applies only where consumers have installed and use cooking, heating or water heating appliances other than lampsocket devices of at least 2 kilowatts capacity.

(b) Bathrooms, halls and cellars are not classified as rooms.

(c) Active connected cooking, heating or water heating load shall be taken as the maximum load as given by the name-plate rating which may be connected at any time, computed to the nearest one-tenth-of a kilowatt.

Where the connected load is so arranged that all of it cannot be connected at any one time, only the maximum load that can be connected will be used as a basis for determining the active load. All equipment will be assumed as operating at 100% power factor.

(d) Combination service is not rendered for residences, flats or apartments of over eight rooms.

(e) Small power service (3 h.p. or less) may be combined under this schedule, in which case each horsepower of connected load shall be considered equivalent to 1 k.w. of connected load in determining the minimum charge.

SCHEDULE P-1

GENERAL POWER SERVICE

Applicable to industrial power service supplied at 440 volts or less.

TERRITORY:

Southern California District.

RATE:

Consumption per H.P. per Month	Rate per K.W.H. for Connected Loads of							
	2 H.P. to 4 H.P.	5 H.P. to 9 H.P.	10 H.P. to 24 H.P.	25 H.P. to 49 H.P.	50 H.P. to 99 H.P.	100 H.P. to 499 H.P.	500 and Over	
First 50 k.w.h.	5.5	4.5	4.0	3.5	3.0	2.7	2.5	
Next 50 "	3.0	2.8	2.6	2.4	2.2	2.1	2.0	
All over 100 "	1.5	1.4	1.3	1.2	1.1	1.0	1.0	

MINIMUM CHARGE:

First 10 h.p. of connected load ... \$1.25 per h.p. per month  
All over 10 " " " " ... 1.00 " " " "

But in no case shall the total minimum charge be less than \$2.50 per month.

SPECIAL CONDITIONS:

(a) This schedule applies to service rendered at 110, 220 or 440 volts at option of consumer, and all necessary transformers to obtain such voltage to be supplied, owned and maintained by the Company.

(b) The above rates and minimum charges may be based on horsepower of measured maximum demand instead of horsepower of connected load providing the installation consists of at least two motors and has a total active connected capacity of at least 50 h.p., in which case the horsepower of demand on which the rates and minimum charge will be based will not be less than 50% of the connected load and in no case shall the minimum be less than \$2.50 per month.

(c) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be supplied, owned and maintained by the Company and at the Company's expense upon the consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electric energy 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. In the case of

SCHEDULE P-1 (Cont'd)

SPECIAL CONDITIONS: (Cont'd)

hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the Company may base the consumer's maximum demand upon a 3-minute interval instead of a 15-minute interval.

(d) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum charge applicable to the larger installation.

SCHEDULE P-2

GENERAL POWER SERVICE

Applicable to industrial power service supplied at 2200 volts or over. This schedule is optional to Schedule P-3.

TERRITORY:

Southern California District.

RATE:

Consumption per H.P. per Month	Rate per K.W.H. for Connected Loads of		
	100 H.P. to 499 H.P.	500 H.P. to 999 H.P.	1000 and Over
First 50 K.w.h.	2.5¢	2.3¢	2.1¢
Next 50 "	1.9	1.8	1.6
All over 100 "	.95	.9	.9

MINIMUM CHARGE:

\$1.00 per horsepower of connected load per month but not less than \$100 per month.

SPECIAL CONDITIONS:

(a) Service under this schedule will be supplied by the Company at a standard voltage of 2200 volts or over.

(b) The above rates and minimum charges may be based on horsepower of measured maximum demand instead of horsepower of connected load providing the installation consists of at least

SCHEDULE P-2 (Cont'd)

SPECIAL CONDITIONS: (Cont'd)

two motors and has a total active connected capacity of at least 100 horsepower, in which case the demand on which the rates and minimum charge will be based will not be less than 50% of the total active connected load and in no case less than 100 horsepower.

(c) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be supplied, owned and maintained by the Company and at the Company's expense upon the consumer's premises, adjacent to watt-hour meter, in the 15-minute interval in which the consumption of electric energy 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.

(d) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum charges applicable to the larger installation.

SCHEDULE P-3

WHOLESALE POWER SERVICE

Applicable to industrial and resale service delivered at standard voltage of 2200 volts or more. (This schedule is optional to Schedule P-2).

TERRITORY:

Southern California District.

RATE:

Readiness-to-Serve Charge:

First	200	k.w.	of maximum demand	..	\$1.50	per k.w. per month	but not less than	\$300	per month.
Next	300	"	"	"	..	\$1.25	per k.w. per month		
Over	500	"	"	"	..	1.00	"	"	"

p l u s

Energy Charge:

First	200,000	k.w.h.	per month	.....	9	mills	per k.w.h.
Next	300,000	"	"	.....	8	"	"
Over	500,000	"	"	.....	7.5	"	"

SCHEDULE P-3 (Cont'd)

SPECIAL CONDITIONS:

(a) Service under this schedule will be supplied by the Company at standard distribution or transmission voltage of 2200 volts or more dependent on distribution or transmission voltage obtainable.

(b) The maximum demand in any month will be the average kilowatt delivery in the 30-minute interval in which the consumption of electric energy is greater than in any other 30-minute interval in the month. The maximum demand on which the readiness-to-serve charge will be based will not be less than 75% of the maximum demand occurring during the eleven months preceding.

In determining the above, demands occurring between the hours of 11:00 P.M. to 6:00 A.M. of the following day will not be considered.

(c) In case of seasonal service the consumer may at his option have readiness-to-serve charge based on the average of the three monthly highest demands created during the 12 months period, in which case the total seasonal readiness-to-serve charge will be 10 times the monthly charge above listed.

SCHEDULE P-6

AGRICULTURAL POWER SERVICE

Applicable to general agricultural power service. This schedule is optional with Schedule P-7.

TERRITORY:

Southern California District.

RATE:

(a) Capacity of Connected Load in H.P.	Monthly Consumption	Rate per K.W.H.	Annual Minimum Charge
Less than 5 HP	Entire	4.0¢	First 5 HP..\$9.00 per HP per year
5 HP to 14 HP	"	3.5	All over 5 HP.. 7.50 " " " "
15 " and over	"	3.0	But not less than \$18.00 per year.

(b)

Consumption per H.P. per Month	RATE PER K.W.H. FOR CONNECTED LOADS OF	
	5 h.p. to 14 h.p.	15 h.p. and over
First 150 k.w.h.	2.6¢	2.5¢
All over 150 "	1.6	1.5

MINIMUM CHARGE:

\$15.00 per horsepower per year but not less than \$75.00

SPECIAL CONDITIONS:

(a) This rate applies to service rendered at 110, 220 or 440 volts at the option of the consumer, and all necessary transformers to obtain such voltage to be installed, owned and maintained by the Company.

(b) The Minimum Charge to be paid in equal monthly installments during months of May to October inclusive. Consumers may select, if satisfactory to the Company, other months than those stated herein for payment of minimum charge.

(c) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum applicable to the larger installation.



SCHEDULE P-7

AGRICULTURAL POWER SERVICE

Applicable to general agricultural power service. This schedule is optional with Schedule P-6.

TERRITORY:

Southern California District.

RATE:

Readiness-to-Serve Charge:

First	10 h.p.	of connected load	...	\$12.00	per h.p.	per year			
Next	15 "	" " "	"	9.00	" " "	"	"	"	"
"	25 "	" " "	"	7.50	" " "	"	"	"	"
All over	50 "	" " "	"	6.00	" " "	"	"	"	"

But in no case less than \$60.00 per year.

Energy Charge:

First	1,000 k.w.h.	per month	.....	1.5¢	per k.w.h.		
All over	1,000 "	" " "	.....	1.3¢	" "		

SPECIAL CONDITIONS:

(a) This schedule applies to service rendered at 110, 220 or 440 volts at option of consumer, and all necessary transformers to obtain such voltage to be supplied, owned and maintained by the Company.

(b) The Readiness-to-Serve Charge to be paid in equal monthly installments during the months of May to October inclusive. No Readiness-to-Serve Charge to be paid during the remaining months. Consumers may select, if satisfactory to the Company, other months than those stated herein for payment of the Readiness-to-Serve Charge.

SCHEDULE P-10

SUMMER RESORT SERVICE

Optional schedule applicable to electric service to pleasure piers, amusement enterprises at beach or other resorts.

TERRITORY:

Southern California and San Joaquin Valley Districts.

RATE:

First	500	k.w.h.	per	meter	per	month	...	7.0¢	per	k.w.h.
Next	500	"	"	"	"	"	...	6.0¢	"	"
"	500	"	"	"	"	"	...	5.0¢	"	"
"	1,500	"	"	"	"	"	...	4.0¢	"	"
"	1,500	"	"	"	"	"	...	3.5¢	"	"
All over	4,500	"	"	"	"	"	...	3.0¢	"	"

MINIMUM CHARGE:

\$1,500 per year payable in twelve equal monthly installments.

SPECIAL CONDITIONS:

(a) This schedule will apply to all service desired, including heating, power and lighting service.

SCHEDULE P-11

OIL WELL POWER SERVICE

Optional schedule applicable to power service and combination lighting and power service required in the operation or developing of oil wells or oil properties.

TERRITORY:

Southern California and San Joaquin Valley Districts.

SCHEDULE P-11 (Cont'd)

RATE:

Readiness to Serve Charge:

<u>Type of Service</u>	<u>Monthly Readiness-to-Serve Charge</u>
(1) Double Rated Motors	\$1.25 per h.p. of average of high and low ratings
(2) Single Rated Motors	\$1.25 per h.p.
(3) Cooking and Heating	\$1.00 per k.w.
(4) Lighting	\$2.00 per k.w.

The total readiness-to-serve charge is the sum of the charges under sections (1) to (4) inclusive, but in no case shall the total charge be less than \$15.00 per month.

Energy Charge:

1.4 cents per kilowatt hour.

SPECIAL CONDITIONS:

Service under this schedule is to be supplied by the Company at a standard distribution voltage of 2200 volts or over.

SCHEDULE P-12

INTERMITTENT SERVICE

Applicable for industrial power service required intermittently throughout the year. This schedule may be selected instead of Schedules P-1, P-2 or P-4.

TERRITORY:

Southern California and San Joaquin Valley Districts.



SCHEDULE P-14

WIRELESS TELEGRAPH SERVICE

Applicable to service to wireless telegraph installations.

TERRITORY:

Southern California and San Joaquin Valley Districts.

RATE:

Established Power Rate.

MINIMUM CHARGE:

For installations requiring 2 k.w. transformers or less	- \$2.50 per month
" " " in excess of 2 k.w. and not exceeding 5 k.w. transformers	- \$3.75 per month.

SPECIAL CONDITIONS:

Installation charge for 2 k.w. transformer or less	... \$10.00
" " " transformer in excess of 2 k.w. and not exceeding 5 k.w.	... \$15.00

For permanent commercial installations, established power schedules may apply.

In the event that service is continued for a period of twelve consecutive months, the installation charge herein provided will be refunded.

EXHIBIT "B"

Rates of Southern California Edison Company  
Effective for Metered Service Based Upon  
All Regular Meter Readings Taken on and After

APRIL 1ST, 1921

SCHEDULE L-4

GENERAL LIGHTING SERVICE

Applicable to general domestic and commercial lighting service, including lampsocket appliances and single phase motors of not to exceed 3 horsepower total capacity. For commercial lighting service this schedule is optional to Schedule L-5.

TERRITORY:

San Joaquin Valley District.

RATE:

First	30 k.w.h.	per meter	per month	...	9.0¢	per k.w.h.		
Next	170 "	"	"	"	...	7.0¢	"	"
"	300 "	"	"	"	...	6.0¢	"	"
"	1,000 "	"	"	"	...	5.0¢	"	"
All over	1,500 "	"	"	"	...	4.5¢	"	"

MINIMUM CHARGE:

Inside Incorporated Municipalities	...	\$1.00	per meter	per month
Outside " " " "	...	1.25	"	"

SPECIAL CONDITIONS:

When separate transformers are required to be installed on lines in excess of 5000 volts in territory outside of incorporated municipalities the minimum charge per meter will be as follows:

1 consumer per transformer	....	\$2.50	per month
2 " or more " "	....	1.25	"

SCHEDULE L-5

COMMERCIAL LIGHTING SERVICE

Applicable to commercial lighting service. This schedule is optional to Schedule L-4.

TERRITORY:

San Joaquin Valley District.

SCHEDULE L-5 (Cont'd)

RATE:

Readiness-to-Serve Charge:

First 4 k.w. of monthly maximum demand .. \$10.00 per month  
All over 4 " " " " " " .. 2.00 per k.w.  
per month.

Energy Charge:

3¢ per kilowatt hour.

SPECIAL CONDITIONS:

(a) The total monthly charge is the sum of the Readiness-to-Serve and Energy charges.

(b) Under this schedule demand and watt-hour meters will be supplied, owned and maintained by the Company and at the Company's expense.

(c) The Maximum Demand shall be the greatest average kilowatt demand registered during any 15-minute interval during the month for which the bill is rendered.



SCHEDULE C-2

GENERAL HEATING, COOKING AND COMBINATION SERVICE

Applicable to general domestic and commercial heating, cooking and/or water heating service, and to combination lighting with heating, cooking and/or water heating service.

TERRITORY:

San Joaquin Valley District.

RATE:

(a) Heating, Cooking and/or Water Heating Service:

First	150 k.w.h.	per meter per month	..	4¢	per k.w.h.
All over	150	" " " " " "	..	2¢	" "

(b) Combination Lighting with Heating, Cooking and/or Water Heating Service:

(Applicable to residences, flats or apartments of eight rooms or less)

First	30 k.w.h.	per meter per month	..	9¢	per k.w.h.
Next	120	" " " " " "	..	4¢	" "
All over	150	" " " " " "	..	2¢	" "

MINIMUM CHARGE:

First	5 k.w.	of active connected load	..	\$3.00	per month
All over	5	" " " " " "	..	.50	per k.w. per month

SPECIAL CONDITIONS:

(a) This schedule applies only where consumers have installed and use cooking, heating or water heating appliances other than lamsocket devices of at least 2 kilowatts capacity.

(b) Bathrooms, halls and cellars are not classified as rooms.

(c) Active connected cooking, heating or water heating load shall be taken as the maximum load as given by the name-plate rating which may be connected at any time, computed to the nearest one-tenth of a kilowatt.

Where the connected load is so arranged that all of it cannot be connected at any one time, only the maximum load that can be connected will be used as a basis for determining the active load. All equipment will be assumed as operating at 100% power factor.

(d) Combination service is not rendered for residences, flats or apartments of over eight rooms.

(e) Small power service (3 h.p. or less) may be combined under this schedule, in which case each horsepower of connected load shall be considered equivalent to 1 k.w. of connected load in determining the minimum charge.

SCHEDULE P-4

GENERAL POWER SERVICE

Applicable to general industrial power service.

TERRITORY:

San Joaquin Valley District.

RATE:

Consumption per Horsepower per Month	Rate per K. W. H. for Connected Loads of					
	2 H.P. to 4 H.P.	5 H.P. to 9 H.P.	10 H.P. to 24 H.P.	25 H.P. to 49 H.P.	50 H.P. to 99 H.P.	100 H.P. and Over
First 50 k.w.h.	5.5¢	4.5¢	3.7¢	3.5¢	3.0¢	2.8¢
Next 50 "	3.0¢	2.3¢	2.2¢	2.1¢	2.0¢	1.9¢
All over 100 "	1.5¢	1.4¢	1.3¢	1.2¢	1.1¢	1.0¢

MINIMUM CHARGE:

First 10 h.p. of connected load .... \$1.25 per h.p. per month  
All over 10 " " " " .... 1.00 " " " "

SPECIAL CONDITIONS:

(a) This schedule applies to service rendered at 110, 220 or 440 volts at option of consumer, and all necessary transformers to obtain such voltage to be supplied, owned and maintained by the Company.

(b) The above rates and minimum charges may be based on horsepower of measured maximum demand instead of horsepower of connected load providing the installation consists of at least two motors and has a total active connected capacity of at least 50 h.p., in which case the horsepower of demand on which the rates and minimum charge will be based will not be less than 50% of the connected load and in no case shall the minimum be less than \$52.50 per month.

(c) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be supplied, owned and maintained by the Company and at the Company's expense upon the consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electric energy 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. In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the Company may base the consumer's maximum demand upon a 3-minute interval instead of a 15-minute interval.

(d) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum charge applicable to the larger installation.

SCHEDULE P-5

WHOLESALE POWER SERVICE

Applicable to industrial and resale service delivered at standard voltage of 2200 volts or more. This schedule is optional to Schedules P-4, P-8 and P-9.

TERRITORY:

San Joaquin Valley District.

RATE:

Readiness-to-Serve Charge:

First 200 k.w. of maximum demand ..	\$1.25 per k.w. per month but not less than \$250 per month.
Next 300 " " " " ..	\$1.00 per k.w. per month
Over 500 " " " " ..	.90 " " " "

p l u s

Energy Charge:

First 100,000 k.w.h. per month .....	8 mills per k.w.h.
Over 100,000 " " " " .....	7.5 " " "

SPECIAL CONDITIONS:

(a) Service under this schedule will be supplied by the Company at standard distribution or transmission voltage of 2200 volts or more dependent on distribution or transmission voltage obtainable.

(b) The maximum demand in any month will be the average kilowatt delivery in the 30-minute interval in which the consumption of electric energy is greater than in any other 30-minute interval in the month. The maximum demand on which the readiness-to-serve charge will be based will not be less than 75% of the maximum demand occurring during the eleven months preceding.

In determining the above, demands occurring between the hours of 11:00 P.M. to 6:00 A.M. of the following day will not be considered.

(c) In case of seasonal service the consumer may at his option have readiness-to-serve charge based on the average of the three monthly highest demands created during the 12 months period, in which case the total seasonal readiness-to-serve charge will be 10 times the monthly charge above listed.

SCHEDULE P-8

AGRICULTURAL POWER SERVICE

Applicable to general agricultural power service.

TERRITORY:

San Joaquin Valley.

RATE:

Annual Consumption per Horsepower	Rate per K.W.H. for Connected Loads of				
	1 H.P. to 4 H.P.	5 H.P. to 14 H.P.	15 H.P. to 49 H.P.	50 H.P. to 99 H.P.	100 H.P. and Over
First 1000 k.w.h. per h.p.	(2.7¢)	2.5¢	2.3¢	2.2¢	2.1¢
All over 1000 " " "	9 mills per k.w.h.				

MINIMUM CHARGE:

First 10 h.p. .... \$18.00 per h.p. per annum but not less than \$30.00  
All over 10 h.p. .... \$15.00 per h.p. per annum.

SPECIAL CONDITIONS:

(a) This rate applies to service rendered at 110, 220 or 440 volts at the option of the consumer, and all necessary transformers to obtain such voltage to be installed, owned and maintained by the Company.

(b) The annual period upon which this rate is based shall begin on April 1st of any year and end on March 31st of the succeeding year.

(c) In the case of a new consumer whose service under this rate begins at a later date than April 1st of any year, then for the remainder of the first year of service the blocks of this rate will be reduced in proportion to the whole number of months between the date of beginning of service and the following April 1st. A similar proportional reduction will be made in the minimum charge.

(d) Consumers may elect to pay the following respective amounts in six equal monthly installments during the months of May to October inclusive plus 9 mills per kilowatt hour instead of the rates above set forth for the first 1000 kilowatt hours per horsepower per year:

SCHEDULE P-8 (Cont'd)

SPECIAL CONDITIONS: (Cont'd)

1 to 4 h.p.	.....	\$18.00	per h.p.
5 to 14 "	.....	16.00	" "
15 to 49 "	.....	14.00	" "
50 to 99 "	.....	13.00	" "
100 and over	.....	12.00	" "

(e) The minimum charge is payable in six monthly installments during the months of May to October inclusive.

(f) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum applicable to the larger installation.