

Decision No. 9014**ORIGINAL**BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

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In the Matter of the Application of)
SOUTHERN CALIFORNIA EDISON COMPANY,)
a corporation, for an order estab-) Application No. 5394
lishing just and reasonable rates)
for the sale of electricity.)

BY THE COMMISSION:

SECOND SUPPLEMENTAL ORDER

WHEREAS, in this Commission's Decision No. 8815, rendered on March 31st, 1921 in the above entitled matter, it is provided that Southern California Edison Company shall file with the Railroad Commission a stipulation relative to the accounting for reserve for accrued depreciation and a certain further stipulation relative to the establishment of a contingency reserve fund from its net earnings; and

WHEREAS, Southern California Edison Company has petitioned for a modification of said decision; and

WHEREAS, it appears that Southern California Edison Company has retired certain additional properties not estimated in said decision and that the corrected amount which should be in the reserve for accrued depreciation as of January 1st, 1921 is the sum of \$8,133,385 instead of \$8,250,000, the amount set forth in the proviso in said Order; and

WHEREAS, it appears that the total sum to be set aside from the net earnings on the Edison system for 1920 ex-

clusive of the former Mt. Whitney Power and Electric Company to the contingency reserve to be set up is the sum of \$550,000; and

WHEREAS, it appears further that the contingency reserve to be hereafter accounted for should be limited to cover the fluctuations in water supply and fuel oil price, and

Good Cause Appearing:

IT IS HEREBY ORDERED that certain provisions set forth on page 38 of the Order in Decision No. 8815 be, and the same are, hereby modified to read as follows:

"Southern California Edison Company shall file with the Railroad Commission on or before June 30th, 1921, a stipulation duly authorized 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 indicated in the Opinion of the Commission in said Decision No. 8815 and an amount equivalent to interest at the rate of 6% per annum upon \$8,133,385 - the amount which it is estimated should have been in the reserve on January 1st, 1921, plus interest at the rate of 6% per annum on the net additions and betterments to the reserve for accrued depreciation from and after January 1st, 1921.

Southern California Edison Company shall file with the Railroad Commission on or before June 30th, 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 and contingency reserve fund in the following manner and for the following purposes:

"That it will set up on its books an account to be known as "Contingency Reserve", and will immediately transfer to said account from ~~unappropriated sur-~~ plus the sum of \$550,000; that it will at the end of and as a part of its accounting for each calendar year, credit to said reserve an amount which represents the saving in fuel oil during the year resulting from the fact that the output from its hydro-electric plants during the year has been greater and the output from its steam plants has been less than would have been the case had conditions of water supply available to its hydro-electric plants been at average, together with an amount representing the saving to the Company from any decrease below the standard of two dollars per barrel at shipping points in the price paid by it for fuel oil consumed during the year; that it will and may, at the end of each calendar year, charge such Contingency Reserve account with an amount which represents additional fuel oil purchased and consumed because of the fact that the output of its hydro-electric plants has been less and that of its steam plants greater than would have been the case had conditions of water supply available to its hydro-electric plants been at average, together with an amount representing additional expense to the Company occasioned by an increase above the standard of two dollars per barrel at shipping points in the price paid by it for fuel oil consumed during the year; that whenever after January 1, 1922 there is an excess of credits over charges in said account, an amount of cash equal to such excess will be deposited in a fund to be designated "Contingency Reserve"; the money in such fund to be carried in a bank or banks or invested in securities authorized by the Commission, income from the fund to be added to the fund and credited to the Contingency Reserve account, and that it will abide by such orders as the Commission may make from time to time, in accordance with the principles of this stipulation, relating to the accounting for such Contingency Reserve and to the additions to or withdrawals from any Contingency Reserve Fund created under this stipulation.

In determining the extent to which in any year the output from hydro-electric plants is greater or less by reason of the water supply conditions of that year being greater or less than average, the load of the year under consideration will be applied to the water resources of each of the years for which an adequate record exists, taking into consideration both the hydro-electric installation available during the year under consideration to utilize such water resources, and the steam capacities to supply the balances, and the average of such figures will be taken as the output under average water conditions."

IT IS HEREBY FURTHER ORDERED that Southern California Edison Company shall, on or before June 30th of each year, submit to the Commission an estimate of the probable amounts to be added to or withdrawn from said Contingency Reserve fund during said calendar year under the provisions of the stipulation heretofore set forth together with the basis of such estimates, and that upon approval of the Commission it will add to or may deduct from said Contingency Reserve Fund such amounts as shall be approved, subject to final adjustment, within a reasonable time after the end of said calendar year.

Dated at San Francisco, California, this 26th
day of May, 1921.

H. C. Dundie
H. D. Donald
Dwight Martin

H. C. Dundie

Commissioners.