

Decision No. 27305.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Emsco Asbestos Co., a corporation,

Complainant,

vs.

Southern California Edison Company, Ltd.,
a corporation,

Defendant.

MAILED

Case No. 3532.

Thomas Morris, for Complainant.
Roy V. Reppy and B. F. Woodward, for Defendant.
Hunter and Howe, for Industrial Power Users
Bureau, Intervener, and for Complainant.
Wm. K. Howe, for Downey Chamber of Commerce,
Intervener.

BY THE COMMISSION:

O P I N I O N

In this complaint Emsco Asbestos Company alleges that the charges assessed and collected by defendant for electric service furnished during the three-year period immediately preceding the filing thereof were, are, and for the future will be, unreasonable, inapplicable and unduly discriminatory in violation of the Public Utilities Act. Reparations and amended rates for the future are sought.

A public hearing and rehearing was held in Los Angeles before Examiner Johnson and the matter submitted on briefs at the request of defendant because of the desire to make clear the issues involved in the claim for reparations as distinguished from those involved in re-zoning for rate-making purposes.

Complainant operates at Downey, Los Angeles County, an asbestos textile manufacturing plant having a connected load of 670 horsepower. During the period here involved it has purchased and still does purchase electric power and lighting service from defendant under its Schedules P-1 and L-1, respectively. Concurrently, defendant has maintained and still maintains two lower rates formerly designated as Schedules P-21 and L-15 but now consolidated into one, designated as Schedule PCM-1, and applying jointly to industrial loads of specified sizes. The territory within which these rates apply is divided into Zones "A" and "B".⁽¹⁾ In Zone "A" these rates apply to installations of 500 H.P. or over and impose a cumulative annual minimum charge of \$3,000; in Zone "B" they apply to loads of 1,000 H.P. or over with a cumulative annual minimum of \$6,000. Downey is situated in Zone "B" near the line separating the two zones. Complainant seeks the rates of "Schedules P-21 and L-15," (Schedule PCM-1), under the conditions applicable to consumers located in Zone "A."

The right of defendant to create zones is not questioned but complainant does question the reasonableness of the boundary line between such zones with respect to the resultant rates made applicable to its operations. In support of its contention, complainant maintains that Downey is actually a part of the metropolitan district of Los Angeles and as such is entitled to rates applicable thereto.

(1) Geographically speaking, the line which separates these zones follows the course of the San Gabriel River to a point near El Monte, thence turns westward and follows Syphon Road to the Rio Hondo River, thence follows the Rio Hondo southward to the northern limits of the City of Long Beach and thence follows the city limits eastward and southward to the Pacific Ocean.

Complainant pointed out that Downey is much closer to Los Angeles and particularly to defendant's major distribution facilities at Laguna Bell substation than certain other points embraced in Zone "A," but is debarred from the lower rates by the irregular course of the dividing line. This line turns westward from the San Gabriel River at a point some distance north of Downey, follows a southerly course approximately two miles to the west of Downey and subsequently swings back to a course somewhat east of Downey. Complainant contends that this line was arbitrarily established and that its irregular course subjects Downey to the higher rates without justification. In short the issues raised in this proceeding narrow down to the sole question as to whether or not this line results in unreasonable discrimination against complainant.

In justification of its present zones defendant testified that in establishing these zones consideration was given to the geographical divisions of the territory which were logically fixed because of natural barriers, development and growth of load within districts, difference in voltage standards, convenience to company and consumers, and general operating and administrative advantages; that consideration was given to the average cost of service and the density of business in each zone; and that each zone is composed of a group of operating districts, the individual average costs of which are sufficiently alike to warrant inclusion in a group, but whose group average is so widely different from that of the other group as to justify a differential in rates.

As testified, it is clear that the location of these zones in relation to the main 220,000 volt transmission line and the principal generating plants has but little bearing on the actual cost of supplying service therein, such cost, as contended

by defendant, being influenced more by density of business and other factors. Defendant submitted data showing that the cost of supplying service east of Rio Hondo River in the district in which Downey lies, is greater than the cost on the west side of the river in Zone "A" and represented that the business per unit of area is substantially greater in Zone "A" than in Zone "B."

Considering the zones as a whole it is evident that the business density of Zone "A" is markedly greater than that of Zone "B." It is also evident that there are substantial areas in Zone "A" in which the density may not equal that of the territory here in issue, but defendant has not claimed that every portion of Zone "A" possesses a density equal to or greater than that of Downey and has used average conditions only. Nor has defendant relied on business density entirely, but, as the testimony makes clear, has been guided in the establishment of its zones through the natural economic development of its various districts having similar service costs, operating conditions and geographical barriers.

It is also admitted and evident that certain portions of Zone "A" are more remote from the metropolitan center of Los Angeles than Downey. However, the distribution of electric energy is not accomplished by the simple process of having a direct route from a certain distribution center to the consumer as in the case of a truck line, but through the medium of a number of interconnected distribution lines and substation facilities which have developed with the needs of the areas served and which in the case of Downey are not directly related to its distance from the facilities through which and from which the adjacent territory of Zone "A" is supplied. It is pertinent to note here that defendant

testified that Downey because of the natural growth within its operating district was and is supplied with energy from distribution substations near Whittier (Zone "B") and not directly from the primary transmission substation at Laguna Bell (Zone "A") approximately only two and one-half miles from Downey.

The reasonableness of rate zones cannot be tested by the use of any one yardstick alone. A number of factors must be considered in fixing an equitable spread of rates, included among which may be the classes of and character of the business to be served, the value of the service to the consumer, cost of service embracing such elements as load density, load demand, time of load demand, load factor and proximity to source of supply, the possibility of load building, the historical and economic development of the territory, natural geographical and logical arbitrary boundary lines, mutual community interests, etc. Manifestly, from the standpoint of practical application, rates cannot justifiably be based merely on earnings or the financial returns gained from the individual consumer nor on the cost of service thereto for to do so in either event would result in a multiplicity of rates as between consumers and classes of service. It is obvious that rate structures and rate zoning must normally be based on average conditions, even though such conditions actually result in some inequalities.

While the case is not free from difficulty, a careful consideration of the entire records fails to show that the complainant has met the burden of establishing the existence of an unlawful discrimination. This necessitates the dismissal of the complaint.

O R D E R

A public hearing having been held in the above-entitled

proceeding, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that it be and it is hereby dismissed.

Dated at San Francisco, California, this 27th day of August, 1934.

Leon Whittell

W. A. Cunn

H. B. Harris

D. H. [unclear]

Commissioners.