

Decision No. 31816

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of }  
SOUTHERN CALIFORNIA EDISON COMPANY, }  
a corporation, for an order Estab- }  
lishing Just and Reasonable Rates }  
and for the Sale of Electricity. }

Application No. 5394

ORIGINAL

BY THE COMMISSION:

FOURTH SUPPLEMENTAL OPINION AND ORDER

In compliance with the Commission's order in Decision No. 8815 dated March 31, 1921, as amended, the Southern California Edison Company Ltd., then known as Southern California Edison Company, filed with the Commission the following stipulation:-

"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 surplus 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.

The Company further stipulates 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 shall 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.

It is further stipulated that the Company 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."

By Decision No. 10825 dated August 3, 1922 the price of fuel oil was reduced to one dollar and fifty cents (\$1.50) per barrel. By Decision No. 12718 dated October 17, 1923 in Case No. 1759 the price of fuel oil was further reduced to eighty-five (\$.85) cents per barrel.

The company set up an account known as "Contingency Reserve". In 1921 it transferred to such account from unappropriated surplus the sum of \$550,000. Since then it has annually prepared and filed reports showing the additions and withdrawals from the contingency reserve. At the end of 1937 the contingency reserve showed a deficiency of \$891,708.55.

The company represents that its experience shows that the fluctuations in the matter of the fuel expense due to variable conditions of water supply available to its hydro-electric plants has been to a large extent offset by variations in revenue received by it from its agricultural consumers. Generally, the revenue from the sale of electricity for agricultural purposes is much higher in a dry year than

in a wet year. Because of this situation and for other reasons the company asks that it be allowed to discontinue the "Contingency Reserve".

We have no objection to the discontinuance of the "Contingency Reserve". We however feel that the company should continue to compute and retain in memorandum form the basic data which it heretofore prepared to determine the amount that should be credited or debited to the "Contingency Reserve". A report containing such data should be filed annually.

The Commission has considered the request of Southern California Edison Company Ltd. and believes that this is not a matter on which a hearing is necessary, and good cause appearing therefor,

IT IS HEREBY ORDERED that the order in Decision No. 8815 dated March 31, 1921, as amended, be, and the same is hereby further amended, so as to authorize Southern California Edison Company Ltd. to discontinue on its books of account the "Contingency Reserve" referred to in said decision, provided that Southern California Edison Company Ltd. shall annually prepare and file with the Commission a memorandum showing the amount it would have credited or debited to said "Contingency Reserve" had it not been authorized to discontinue the same.

IT IS HEREBY FURTHER ORDERED that the order in Decision No. 8815 dated March 21, 1921, as amended, shall remain in full force and effect, except as modified by this Fourth Supplemental Opinion and Order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective fifteen (15) days after the date hereof.

DATED at San Francisco, California, this 10th day of March, 1939.

Robert W. Schaffer  
Frank C. Bell  
Ray H. Alley  
W. H. Miller  
Justus J. Casner  
COMMISSIONERS