

Decision No. 23872

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA EDISON COMPANY
LTD., a California corporation, for
an Order of the Railroad Commission
of the State of California approving
a certain agreement entered into by
and between Applicant and Standard
Oil Company of California.

ORIGINAL

Application No. 23872

Roy V. Reppy, Gail C. Larkin & B. F. Woodard,
by B. F. Woodard, for Applicant.

BY THE COMMISSION:

O P I N I O N

In this application Southern California Edison Company Ltd., hereinafter sometimes referred to as Applicant, requests authorization of that certain agreement, dated October 16, 1940, with Standard Oil Company of California, hereafter sometimes referred to as Customer, dealing with the supplying of electric energy to Customer's oil refinery located at El Segundo in the County of Los Angeles. A copy of this agreement is marked Exhibit "A" and is attached to and made a part of the application.

A public hearing on the application was held in the Commission Court Room in Los Angeles on February 6, 1941 before Examiner Wehe, at which time evidence was taken and the matter submitted for decision.

It appears from the application and the record of the hearing that Applicant has been serving the Customer with electric service at its El Segundo refinery for many years, and since this Commission's Decision No. 29465, dated January 18, 1937, and under Application No. 20902 at the special rate and under the conditions therein set forth. Under the pending application the Applicant submits that the conditions which justify the special rate and a rate lower than normal are still operative, and for the following essential reasons: (1) that Applicant has a surplus of unused generating capacity, (2) that Customer is in a favorable position in that it requires large quantities of process steam in its oil refinery operations which would make possible the generation of electricity as a byproduct at a low cost, (3) that in order to retain the business of the Customer it is necessary to provide a low rate, (4) that while the rate now charged and the rate that will be charged if the authorization sought is granted does not return full cost of rendering service yet it does return more than out-of-pocket and increment costs of rendering the service, (5) and that since the rate does return more than out-of-pocket costs it is to the advantage of Applicant and its other Customers that this service be continued to be served as the net earnings contributes something to the over-all earnings of Applicant's operations.

Some of the more important features and conditions of said agreement may be set forth. The schedule of rate and minimum charges

are as follows:

"RATE SCHEDULE:

<u>Billing HP</u>	<u>Cents per KWH per Billing HP per Month</u>			
	<u>First</u> 50 KWH per HP	<u>Next</u> 50 KWH per HP	<u>Next</u> 100 KWH per HP	<u>All Over</u> 200 KWH per HP
7500 and over -	1.60	.60	.50	.35

MINIMUM CHARGE:

Two Hundred Thousand Dollars (\$200,000.00) per year, payable in equal monthly installments of one-twelfth (1/12) of the annual amount as it accumulates.

6. (a) The billing horsepower shall be the horsepower of measured maximum demand but in no case shall be less than either, (1) 40% of the connected load, or (2) the highest measured maximum demand in the preceding eleven months, whichever is the lower. Billing horsepower shall be determined to the nearest one-tenth (1/10) of a horsepower."

The initial term of the agreement is for a period of 5 years and thereafter until either party gives a 9-months written notice of its desire to terminate the agreement. The Customer, however, may cancel the agreement at any time during the initial 5-year period upon 9-months written notice if accompanied by a payment in addition to the charges provided by the rate and special conditions as follows, to-wit:

"If cancellation becomes effective prior to the completion of two (2) full years of service under this

contract, Consumer shall pay to the Company the sum of One Hundred Thousand Dollars (\$100,000.00). If such cancellation becomes effective subsequent to two (2) full years of service under this contract, then for each full year of service in excess of two (2) years the amount shall be reduced by one-third (1/3)."

It was developed at the hearing that it was Applicant's and Customer's intention under the minimum provision above quoted, to-wit, "the highest measured maximum demand in the preceding eleven months, whichever is the lower," there should be added "but not less than 7,500 horsepower."

It was likewise developed that under the power factor provision of the rate (not quoted above) the agreement should provide for penalty in case the average monthly power factor fell below a certain amount, such as 70 per cent, as is normally provided in other power tariffs of the utility.

The record also shows that the present agreement of 1937 is, in fact, in nature a surplus service inasmuch as such service may be discontinued by Applicant at any time. The agreement here pending would make this a firm service in accordance with the terms heretofore presented. Applicant calls attention to the somewhat higher rate provided in the new agreement as justifying the changed conditions under which service will be rendered.

The Commission is of the opinion that the changes in the agreement heretofore referred to should be made and that in reference to making the sale a firm obligation rather than one of surplus is a matter which the record does not fully justify. However, if Applicant will undertake the obligation of strictly supervising its production costs so as to know that this service under the agreement at all times in the future will not become a burden, but that it will actually contribute to the support of system earnings, then in our opinion Applicant should be permitted to proceed with the agreement. In this respect, Applicant's counsel called attention to Section 10 of the agreement which provides for this Commission's continuing jurisdiction, and that accordingly it would always be within the authority of the Commission to have such changes in the agreement made as future conditions might warrant.

Under the circumstances the record justifies the conclusion that it is necessary for the Southern California Edison Company Ltd. to charge the low rates which are estimated to average just under five (5) mills per kilowatt hour in order to meet the competitive situation inherent in the service of this load. The Commission is of the opinion that the request of Applicant should be granted, and the following form of order is made:

O R D E R

Southern California Edison Company Ltd., having made application for an order authorizing that certain agreement heretofore

described, and sufficient cause appearing therefor:

IT IS ORDERED that the agreement (attached to the application as Exhibit A and as modified by the opinion) between Southern California Edison Company Ltd. and the Standard Oil Company of California is hereby authorized, and

IT IS FURTHER ORDERED that Southern California Edison Company Ltd. is hereby authorized to render electric service and charge the rates and otherwise carry out the conditions of the aforesaid agreement; provided, however, that the authority herein granted shall not be taken as limiting the Railroad Commission's authority to modify or set aside such agreement by appropriate order.

Southern California Edison Company Ltd. shall file three (3) copies of the agreement as authorized within thirty (30) days.

Authority herein granted shall become effective as of the date hereof.

Los Angeles
Dated at ~~San Francisco~~, California, this 2nd day of February, 1941.

CERTIFIED AS A TRUE COPY

Secretary, Railroad Commission
of the State of California.

[Handwritten signatures]
Commissioners