

ORIGINAL

Decision No. 34641

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 THE
FLINTKOTE COMPANY.

Application No. 24304

Roy V. Reppy, Gail C. Larkin and B. F. Woodard,
by B. F. Woodard, for Applicant Southern
California Edison Company Ltd.

P. F. Breen, for The Flintkote Company.

BY THE COMMISSION:

O P I N I O N

The Southern California Edison Company Ltd., hereinafter sometimes referred to as Edison, requests approval of a certain written agreement, made and entered into as of the 5th day of May, 1941, with The Flintkote Company, hereinafter sometimes referred to as Flintkote. The agreement, a copy of which is attached to and made a part of the application under the caption of "Exhibit A," provides that Edison will deliver and sell to Flintkote and Flintkote will purchase from Edison all electric energy required for Flintkote's Vernon factory operation during a five-year period starting at the termination of the presently effective service agreement on the 31st day of March, 1942. Flintkote is engaged in the manufacture of paper good products.

Some of the more important features of the agreement may be set forth as follows:

Rates to be Charged:

Rate Schedule (A):

First 300 Kw-hrs. or less per month per Kw. of Billing Demand \$2.20 per Kw.;
Next 150 Kw-hrs. per Kw. of Billing Demand 0.4¢ per Kw-hr.;
All excess Kw-hrs. per month 0.3¢ per Kw-hr.

Optional Rate Schedule (B):

6.5 mills per Kw-hr. but not less than \$2.25 per month per Kw. of maximum demand.
Billing in any month shall be made under Rate Schedule "A" or Optional Rate Schedule "B," whichever shall produce the lower bill.

Minimum Charge:

Three Hundred Thousand Dollars (\$300,000) for a five year period. The minimum charge will be made accumulative over a five year period and shall be paid monthly at one-sixtieth of the total amount as it accumulates.

The above rates are further subject to a power factor discount, the maximum of which may not exceed 10 per cent of the total bill.

The record shows that because of Flintkote's favorable power factor characteristics discounts in the past have averaged around 9 per cent. Further, that the present rate is that herein designated as Optional Rate "B" with a minimum charge of \$150,000, which is made accumulative over the three-year period of the presently effective agreement. The net billing for the twelve months ending December 31, 1940, was \$98,753 resulting in an average rate of 5.9 mills per kilowatt-hour.

An analysis of the application of the proposed new rate indicates that it will result in an expected reduction

of 5 per cent in The Flintkote Company's billing under the same conditions of use. However, with the new Rate "A" it may be possible for a reduction as large as 10 per cent, if Flintkote increases its use as now contemplated.

At the public hearing, heard before Examiner Wehe, in Los Angeles on August 28, 1941, testimony was introduced by Applicant clearly showing that Flintkote was capable of installing and generating its own electrical requirements, due to the fact that large quantities of processed steam are required in Flintkote's production processes, thus making possible the production of electrical energy as a by-product and, accordingly, at a low unit cost. It was Applicant's contention, because of this situation, that it was necessary, in the first instance, namely, 1939, to grant Flintkote the special rate that is now effective and, further, that in order to continue the service at the expiration of the present agreement in 1942 it was necessary to grant some further concession as provided in the agreement for which authorization is now requested.

The Commission is of the opinion that the record reasonably establishes the fact that Flintkote can generate at a low unit cost and, secondly, that in order to continue to supply this load it is necessary for Edison to make available the rates herein proposed. While this is true, this does not necessarily establish the fact that such service is justified and beneficial to Edison's other customers. In this respect Applicant presented testimony for the purpose of showing that while the rates accorded likely would not return

the full cost of rendering the service, nevertheless such rates would return something more than the out-of-pocket costs; further, that the service would be beneficial inasmuch as it would utilize a part of Edison's surplus production capacity that it was required to carry to take care of emergency conditions and future growth.

The Commission is not satisfied that the record satisfactorily established this latter claim and if it be assumed that it did, it is seriously questioned whether the conditions under which the agreement is made are flexible enough to permit the utilization of the so-called surplus production capacity. In this latter respect we refer to the lack of any provision in the agreement for a cancellation of the contract during the five-year period nor a provision for the temporary discontinuance of service if Edison's other customer demands should require such a procedure. The agreement likewise is silent as to any change in rates if the cost of fuel for electric generation should change.

The Commission at this time is not disposed to require a modification of the agreement so as to provide for discontinuance or cancellation of the service but if it develops, during the period in which this agreement is effective, that Edison is required to install new capital facilities to provide for a load such as will result from Flintkote's demands, then Edison may expect that when the Commission reviews its earnings, in reference to rate adjustments to its other customers, that this fact will be given further consideration.

The Commission does believe, however, that it will result in no hardship on either the Applicant or Flintkote to require that there be incorporated in the agreement a fuel oil clause satisfactory to the Commission which will provide for a change in the rates charged for the electric service in accordance with changes in the market price of fuel oil. Such a clause is common to practically all power rates and especially to those rates that approach the actual generating cost of rendering the service.

O R D E R

A public hearing having been had in the above entitled application and no one appearing to protest the granting of the same, the matter having been fully considered and sufficient cause appearing therefor;

IT IS ORDERED that Southern California Edison Company Ltd. is hereby authorized to render electric service to The Flintkote Company at the rates and under the terms and conditions set forth in the sforesaid agreement; provided, that the agreement shall be modified to incorporate a fuel oil clause in accordance with the conclusions contained in the Opinion preceding this Order and, further, that the authority herein granted shall not be taken as limiting the Commission's authority to modify or set aside said agreement by appropriate order.

Southern California Edison Company Ltd. shall file

three (3) copies of the agreement with the Commission, as modified herein, at least sixty (60) days before said agreement becomes effective.

The authority herein granted shall become effective on the date hereof.

Dated at San Francisco, California, October 7th,
1941.

[Signature]
Ray L. Price
Justus J. Cuenca
Francis D. Havens
Philip Kachse
Commissioners.