LC

Decision No. 35321

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY LTD., a corporation, for an Order of the Railroad Commission of the State of California approving and authorizing a certain agreement by and between Applicant and Shell Oil Company, Incorporated.	Application No. 24753

HAVENNER, COMMISSIONER:

OPINION

In this application Southern California Edison Company Ltd., hereinafter sometimes referred to as Applicant, requests authorization of that certain agreement dated January 22, 1942, with Shell Oil Company, hereinafter sometimes referred to as Customer, dealing with the supplying and selling of electric energy to the Customer's Dominguez Refinery located 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 courtroom in Los Angeles on March 5, 1942, 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 at its Dominguez Refinery for many years and that such service has been rendered and paid for in accordance with the rates and conditions as provided in the published tariffs of Applicant. The application shows and the record further discloses that the January 22 agreement provides for a different and a lower rate than Customer has hereto paid and less than provided by Applicant's filed tariffs. The rate and special conditions provided in the agreement are practically identical with those in two other special agreements,

heretofore authorized by this Commission. The agreements referred to are those with the Standard Oil Company of California (Decision No. 33937) and Richfield Oil Corporation (Decision No. 33938) under date of February 25, 1941. The use of the electric service is likewise the same; namely, for oil refinery operations.

The reasons advanced for offering a lower rate may be summarized as: (1) that Applicant has a surplus of unused generating capacity; (2) that Customer is in a favorable position in that it could install its own generating facilities and produce its electrical requirements as a by-product and at low cost because of the large quantities of steam required in its oil refinery operations; (3) that it is necessary for Applicant to reduce its rate in order to meet this competitive situation; (4) that while the rate proposed will not return full costs, it will return something more than out-of-pocket costs; and (5) that it is further necessary to grant the rate proposed in order that there may not be discrimination between customers of a like character.

If the conditions enumerated were in fact obtaining, then I undoubtedly would recommend authorization in a manner similar to like previous orders. The record developed at the public hearing, in my opinion, shows otherwise.

Something over a year has elapsed since the agreements with Standard Oil and Richfield were authorized, and this country is now engaged in a world war. Power requirements of the industries that Applicant serves have grown and are continuing to grow at a rapid rate and, in order to meet these demands this utility is engaged in a program of expansion that is calling for new capital to augment its production facilities. Because of such expansion there is some reserve capacity, but this is essential and necessary to provide for regular and special war load growth. If the load here under consideration was subject to shutoff and was actually sold on a surplus or dump basis, in reference to service as well as to rate, then authorization in my opinion would be appropriate. However, the agreement does not provide for shutoff and as a matter of fact the importance of the refinery operations are such as to likely preclude any shutdowns because of power shortage during the war period.

The contention that Customer can generate its own electric requirements largely as a by-product, due to the large quantities of process steam required in its refinery operations, can be accepted provided plant facilities can be installed. A witness for Applicant testified that in all probability no generating equipment could now be secured. This unquestionably is the fact. Accordingly, there is no need to grant a rate below costs to serve in order to meet a competition that is not real and does not now exist, nor is likely to become effective in the immediate future.

If the Shell Oil Company[1] is not granted the proposed contract rate, it is clear that it will be paying at a higher rate than either Standard or Richfield. When the Standard and Richfield agreements were authorized, the record clearly showed that each was capable of going ahead and installing its own plant. In so far as surplus capacity is involved, even at the time these two agreements were passed upon, the Commission called the parties' attention to the apparent uncertainty of the so-called surplus capacity, and warned Applicant of its responsibility.[2]

It seems clear that where a surplus commodity is for sale, the extent of such service must be limited to the amount available. In the instant case, the record is clear; there is no additional surplus capacity in the sense here used and, accordingly, the Shell Company should continue to purchase its requirements on the regular published tariffs.

Under the circumstances obtaining in the instant case, any differences in rates that may exist among the three oil refineries herein discussed appear entirely reasonable and justified and I, therefore, recommend that this application be denied without prejudice and submit the following form of Order.

(1) The record shows the actual 1941 billing of Shell was $257,700 or at 6.6 mills per kwhr, and if Shell rearranges its wiring for single metering, a billing of $233,700 or at 6.0 mills per kwhr could be realized. Under the proposed contract with single metering the corresponding billing would be $200,000 and at the rate of 5.1 mills.

(2) From Decision No. 33938:
"It is the opinion of the Commission that Applicant should not make capital investments in new production facilities in order to serve loads of this character, and, when service of this nature is made, it should be limited essentially to the utilization of surplus or unused system capacity. The Commission will expect Applicant to carefully supervise its future expansions in order to know that loads of this character will not be a burden to the system."

ORDER

A public hearing having been held in the above entitled matter, and the Commission having considered the evidence submitted at such hearing, and it being of the opinion that said application should be denied without prejudice, therefore

IT IS HEREBY ORDERED that the above entitled application be and the same is denied without prejudice.

The foregoing Opinion and Order are hereby approved and filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 5th day of May, 1942.

Justus F. Craemer

Wm. Baker

Franck R. Havenner

Richard Sachse

(Commissioners)