

Decision No. 35323

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

\_\_\_\_\_ )  
 In the Matter of the Application of )  
 SOUTHERN CALIFORNIA EDISON COMPANY )  
 LTD., a corporation, DOUGLAS AIRCRAFT )  
 COMPANY, INC., a corporation, and )  
 WESTERN LAND IMPROVEMENT COMPANY, a )  
 corporation, for an Order of the )  
 Railroad Commission authorizing Appli- )  
 cant, Southern California Edison Com- )  
 pany Ltd., to enter into Three Special )  
 Agreements. )  
 \_\_\_\_\_ )

Application No. 24817

BY THE COMMISSION:

O P I N I O N

In this application Southern California Edison Company Ltd., hereinafter sometimes referred to as Edison, requests authorization to enter into Three Special Agreements made as of the first day of August, 1941. Said agreements being: a service agreement with Douglas Aircraft Company, Inc., hereinafter sometimes referred to as Douglas, dealing with the supplying of electric energy to Douglas' Long Beach plant located at Lakewood Boulevard and Carson Street in the vicinity of Long Beach; a contract with Western Land Improvement Company for the construction by Edison of power facilities at and associated with Lakewood Substation, to be used in supplying service to Douglas; and a contract with Western Land Improvement Company for the construction by Edison of power facilities at and associated with Cherry Substation for the supply of service to Douglas. A copy of the service agreement with Douglas is marked Exhibit A and is attached to and made a part of the application. A copy of each of the contracts with Western Land Improvement Company for construction of power facilities at Lakewood and Cherry Substation is attached to and made a part of the application and marked Exhibit B and Exhibit C respectively.

It appears from the application that Western Land Improvement Company is a subsidiary of Douglas and holds title to certain real property in the vicinity

of Lakewood Boulevard and Carson Street in the vicinity of Long Beach, which property is leased by it to Douglas. It further appears that Douglas as lessee of the property of Western Land Improvement Company operates a plant located on said property for the manufacture of aircraft.

The application shows that negotiations in connection with said agreements were commenced some time prior to the first of August 1941, but that due to many changes and suggestions by the Army engineers in charge of supervising corporations engaged in the manufacture of aircraft and due to the fact that said agreement and contracts had to be submitted to central authority in Dayton, Ohio, delay has been caused in the actual signing of these several agreements. Notwithstanding the fact that the formal agreements had not actually been signed, Edison has proceeded with the construction of two substations and has been serving electrical energy to the Long Beach plant of Douglas since shortly before the first day of August, 1941. Wherefore, the agreements have been made as of the first day of August, 1941, and Edison requests authority to make the several agreements operative, so far as rates charged therein to Douglas are concerned, as of the first day of August, 1941.

#### Service Agreement

Some of the more important features and conditions of said service agreement with Douglas may be set forth. The schedule of rates and minimum charges are as follows:

#### "ENERGY CHARGE:

(HP) Billing Horsepower	CENTS PER KWH PER BILLING HP PER MONTH			
	First 50 KWH per HP	Next 50 KWH per HP	Next 100 KWH per HP	All over 200 KWH per HP
10,000 and over	1.70	0.70	.55	.40

#### "MINIMUM CHARGE:

\$0.75 per Billing Horsepower per month.

But in no case less than \$7,500 per month or \$90,000 per year when service is rendered on notice from Douglas from only one substation (i.e., either from Cherry Substation or Lakewood Substation); and \$15,000 per month or \$180,000 per year when service is rendered from both Cherry Substation and Lakewood Substation simultaneously. The minimum charge will be made accumulative over a 12-month period and shall be paid monthly as it accumulates."

The agreement contains a provision for a power factor discount substantially identical with a like provision in Edison's filed tariff for combined power and lighting service.

The service agreement provides for delivery of energy, from the Cherry and Lakewood Substations at a nominal voltage of 11 kv., 3-phase, 50-cycle, at two locations on the south side of Carson Street approximately 1950 feet and 450 feet respectively west of the center line of Lakewood Boulevard, to metering points in vaults located in Douglas' plant. For billing purposes the registration of kilowatt-hour meters will be combined, the readings of reactive-kilovolt-ampere-hour meters will be combined and the kilowatt demand at the metering points will be combined.

The agreement further provides that 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 motor load, or (2) the highest measured maximum demand in the preceding eleven months, whichever is the lower, but not less than 10,000 horsepower. Demand meter registration shall be converted into the nearest one-tenth (1/10th) of a horsepower for billing purposes. Any measured demand occurring between the hours of 10:00 P.M. and 6:00 A.M. of the following day will not be considered in computing charges. Delivery under this agreement is limited to a maximum of 30,000 kva.

The agreement provides that Douglas will not take or use electric energy at said plant from any electric generating plant constructed or installed by Douglas and will not use electric service supplied by Edison as stand-by to any of Douglas' prime movers, but may install generating equipment for the purpose of stand-by to Edison's electric supply.

Under the terms of the agreement, Douglas may be relieved from the minimum charge provision applicable to service rendered from Cherry Substation or Lakewood Substation or both by giving notice to Edison of its desire that either or both of said substations be maintained in good repair and operating condition but shut down and not energized and by paying to Edison the sum of \$896.71 per month for each month the Cherry Substation is so maintained but not energized, the

sum of \$839.94 per month for each month the Lakewood Substation is so maintained but not energized, or the sum of \$1,736.65 per month for each month both substations are so maintained but not energized (these sums represent carrying charges, including maintenance and depreciation charges). In the event that Douglas desires to receive service from either of said substations after such a shut down, the resumption of service shall be subject to Edison's ability at that time to render such service after supplying the needs of its then existing customers and to such obligations as Edison may be under in operating as a public utility, and at the rates on file with or approved by this Commission.

No definite term is stated in the service agreement. However, Douglas may cancel said agreement in so far as it relates to delivery and sale of electric energy upon giving Edison thirty (30) days' written notice. If Douglas should so cancel said agreement at a time when Cherry Substation or Lakewood Substation or both are still in existence and in operating condition, Edison agrees to maintain in place and in good repair either or both of said substations so long as Douglas pays the corresponding amounts stated in the foregoing paragraph. It is the opinion of this Commission that the agreement should provide for a definite term of three (3) years and from year to year thereafter until terminated by sixty (60) days' written notice given by either party to the other of a desire for termination except that Douglas may cancel said agreement at any time during the term thereof upon giving to Edison sixty (60) days' written notice of its intention.

An analysis of the proposed rate indicates that it will result in charges approximately 5% below the charges which would result from application of Edison's Schedule PC-1. Edison alleges that the rates, terms and conditions contained in said agreement are just and reasonable in view of the size of the load to be served and the conditions of service. In order to protect the several thousand small customers of Edison from the affect of large deliveries at low rates which are not adjusted to fluctuations in production cost, it is the opinion of this Commission that there should be incorporated in said service agreement a satisfactory fuel oil clause which will provide for a change in the rates in accordance with changes in the market price of fuel oil.

Contract for Construction of Lakewood Substation

Under this contract Edison agrees to construct and pay for a substation known as Lakewood Substation with facilities necessary to provide service to Douglas up to a capacity of 15,000 kva and install in Douglas' plant the meters necessary to meter the energy from said substation. In consideration of the investment made by Edison, the Western Land Improvement Company agrees to pay to Edison the sum of \$13,038 upon completion of said substation and lines. In the event that Douglas receives electric service for a total of sixty (60) months said sum shall be refunded without interest by Edison to Western Land Improvement Company. In the event that Douglas cancels said service agreement prior to receiving service through said substation for a total of sixty (60) months the contract provides that Edison will refund without interest to Western Land Improvement Company one-sixtieth (1/60th) of said sum of \$13,038 for each and every full month Douglas shall have actually received service through said substation.

In the event that Douglas terminates the service agreement Edison may terminate this contract with Western Land Improvement Company and remove said substation and lines unless there is paid to Edison by Douglas the sum provided in the service agreement for maintenance of the Lakewood Substation in operating condition but not energized.

It is the opinion of the Commission that no refund of any portion of the sum of \$13,038 paid by Western Land Improvement Company to Edison should be made in the event that Douglas terminates the service agreement and ceases to take service from the Lakewood Substation prior to the expiration of thirty-six (36) full months of service from said substation under the service agreement, and that after the expiration of thirty-six (36) full months of service, refunds should be as described in the proposed contract.

Contract for Construction of Cherry Substation

This contract between Edison and Western Land Improvement Company is similar to the contract discussed in the foregoing except that the sum paid by Western Land Improvement Company in consideration of the investment made by Edison

for the facilities in Cherry Substation is to be \$11,944. Provision is made for refund as in the case of Lakewood Substation and again the Commission is of the opinion that no refund of any portion of said sum should be made in the event that Douglas terminates the service agreement and ceases to receive energy from Cherry Substation before the expiration of thirty-six (36) full months of service from said substation under said agreement.

ORDER

The Commission having considered the petition and being of the opinion that the application should be granted subject to the modifications herein discussed and that a public hearing in the matter is not necessary, and good cause appearing, therefore;

IT IS ORDERED that Southern California Edison Company Ltd is hereby authorized to enter into that certain proposed service agreement with Douglas Aircraft Company, Inc., copy of which is marked Exhibit A and attached to this application; provided that the agreement shall be modified to incorporate a fuel oil clause and shall also be modified to provide for a three (3) year term as discussed in the opinion preceding this Order, and further provided that the two contracts between Edison and Western Land Improvement Company, marked Exhibit B and Exhibit C and attached to this application, are modified and executed as provided in this Order.

IT IS HEREBY FURTHER ORDERED that Southern California Edison Company Ltd. is hereby authorized to supply electric service to the Long Beach plant of Douglas Aircraft Company, Inc., in accordance with the terms of the proposed service agreement as modified in accordance with this Order and to make said service agreement effective as of the first day of August, 1941.

IT IS HEREBY FURTHER ORDERED that Southern California Edison Company Ltd. is hereby authorized to enter into those certain proposed contracts with Western Land Improvement Company, marked Exhibit B and Exhibit C and attached to this application, relative to the construction of Lakewood and Cherry Substations

respectively; provided that said contracts shall be modified to provide for no refund of the amounts paid by Western Land Improvement Company under those contracts in the event that Douglas Aircraft Company, Inc. shall discontinue the receipt of energy from said substations prior to the expiration of thirty-six (36) months as discussed in the foregoing opinion.

Southern California Edison Company Ltd. shall file with this Commission three (3) executed copies of the service agreement and each of the substation construction contracts, as modified in accordance with the foregoing, within thirty (30) days of the date of their execution.

The effective date of this Order shall be the date hereof.

Dated at San Francisco, California, this 5<sup>th</sup> day of May 1942.

Justus F. Coenen  
Way L. Rice  
M. J. Miller  
Francis R. Havens  
Richard H. Hulse  
 Commissioners