

Decision No. 39302

420

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the matter of the Application of CALIFORNIA ELECTRIC POWER COMPANY for authorization to withdraw rate schedule.

Application No. 27659

In the matter of the Application of CALIFORNIA ELECTRIC POWER COMPANY, an electrical public utility corporation, for authorization to carry out the terms and special written agreements for the sale and purchase of electric energy power and service.

Application No. 27660

OPINION AND ORDER

California Electric Power Company, in these two applications, requests the Railroad Commission to issue orders authorizing special agreements with the two customers now receiving electric service under Schedule P-2 and concurrently therewith authorizing the withdrawal of rate Schedule P-2. Because of the inter-relationship of the two applications, they are being consolidated for purposes of consideration and rendition of an order.

Power Industrial Service, Schedule P-2, rate zone N, territory N-1, which was first filed in June 1921 as P-19, has been generally maintained as a competitive rate schedule in a restricted area in Inyo County where electric service and low competitive rates from the power system of the City of Los Angeles are available. The utility alleges that the rate is so low as to be non-compensatory for system-wide operation and desires to withdraw it from its schedule of filed tariffs. Such action would remove the implication that other customers elsewhere on the system should be entitled to this low rate level. Furthermore, the limited applicability of the schedule is attested by the fact that at no time were more than five customers served under the rate. The utility has tentatively arranged to continue giving this rate to the two present customers under special agreements.

The utility claims that for a load of 100 kw. operating at 60% load factor, the monthly billing under rate P-2 is \$3,390 and shows that the billing under its regular wholesale power rate PW would be \$4,144. It further stated that this load, if billed under equivalent rates offered by other utility systems, would cost \$3,599 on Southern California Edison Company, Ltd., PC-1 rate; \$4,878 on Imperial Irrigation District P-1 rate; and \$3,922 on Pacific Gas and Electric P-5-M rate.

This showing, which is verified by an analysis of the rate schedules referred to, indicates that the rate may be out of line when compared with the equivalent filed rates of other utilities and is substantially below the next best filed power rate on this utility's system. To make this rate available beyond the boundaries of its present limited territory or to new customers in the area indiscriminately might result in an unreasonable burden on the utility's other classes of customers if adequate earnings are to be maintained.

The utility requests authority to continue the present low rate level to the two customers, Sierra Tale Company and Natural Soda Products Company, and in support thereof develops the following reasoning. Raising the rate at this time would constitute a serious hardship to these customers and might have a material bearing on their ability to continue operations. Since 1921 they have relied on the low rate of Schedule P-2 as a controlling factor in their operations. The revenue from these two customers during 1945 was \$39,563.58 on P-2 rate, whereas the next best regular rate would yield \$52,497.63. The electric service requirements of these two customers are supplied from the Lone Pine Substation and constitute approximately 90% of all the electric service supplied through that substation. Should the two customers discontinue taking service because of higher power rates, it might be necessary to leave in place and maintain much of the present large size facilities to supply the remaining small load.

While the utility stresses the non-compensatory nature of this load, its size is such that the 7.8 mill average rate as indicated in the utilities' annual reports undoubtedly produces more than the out-of-pocket cost of generating and transmitting the energy, and, in addition, produces some return to offset fixed charges on the substation and other capital investments. In that case, the loss of

this load might react adversely on the utility's earning capacity and create potential disadvantages for its other customers. The practical solution appears to attempt to hold the present business by offering the current rates on a special contract basis and thereafter withdraw Schedule P-2.

Furthermore, withdrawal of Schedule P-2 at this time will discourage indiscriminate application of such economic arrangements as typified by these contracts. It is the Commission's opinion that, in the absence of compelling reasons for different treatment, all new loads should be served at rates that carry their full share of all costs of rendering service. Furthermore, it is apparent that should circumstances require additional facilities to serve the customers herein discussed, such changes should be submitted to the Commission for further review.

The utility has executed agreements, subject to this Commission's authorization, under dates of March 11, 1946, with Sierra Talc Company and April 19, 1946, with Natural Soda Products Co. A copy of each of these agreements is attached to Application No. 27660 as Exhibits A and B. The utility applies for this authorization under Sections 15, 17(b) and 32(a) of the Public Utilities Act. It also applies for withdrawal of Schedule P-2 under Sections 15, 17(b), 19 and 32(a).

In the past the Commission and its staff have encouraged the utilities to eliminate as many deviations and special rates as practicable and replace them with filed tariffs. The granting of this application in the instant case is not a reversal of that general policy and is acceptable simply because of the special circumstances here obtaining.

The Commission having considered the applications, being of the opinion that the authority desired should be granted, that a public hearing is unnecessary, and finding as a fact that such potential increases in rates or more restrictive conditions of service as may result therefrom are justified, therefore

IT IS HEREBY ORDERED that California Electric Power Company be and it is hereby authorized under Sections 15, 17(b), 19, 32(a) and 63(a) of the Public Utilities Act, as follows:

1. To carry out the provisions of agreements for sale and purchase of electric energy, power and service with Sierra Talc Company, dated March 11, 1946, and

Natural Soda Products Company, dated April 19, 1946; to render the service therein contemplated, and to charge and collect the rates therein contained on and after the effective date of this order; and

2. To withdraw Schedule P-2; Power Industrial Service, Rate Zone N - Territory N-1, from its tariff schedules upon the filing of proper advice letter and revised table of contents as required by General Order No. 96.

The effective date of this Order is the date hereof.

Dated at San Francisco, California, this 30 day of July, 1946.

David Anderson
Justin F. Casner

Sept. Lawrence
Harold P. Kula
Commissioners