VO *

ORIGINAL

Decision No. 79838

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of SOUTHERN CALIFORNIA EDISON COMPANY for an order of the Public Utilities Commission of the State of California authorizing Applicant to adopt a Fuel Cost Adjustment provision, Part B of the Preliminary Statement, and approving an initial adjustment thereunder to be applicable to customers utilizing electric energy.	Application No. 52987 (Filed November 5, 1971) (Amended December 16, 1971)
In the matter of the application of SOUTHERN CALIFORNIA EDISON COMPANY for an order of the Public Utilities Commission of the State of California authorizing Applicant to increase rates to customers utilizing electric energy to reflect increases in the cost of fossil fuel above those contemplated in Decision No. 78802.	Application No. 52988 (Filed November 8, 1971) (Amended December 16, 1971)

(Appearances Listed in Appendix A)

O P I N I O N

The Southern California Edison Company (Edison) seeks to increase its rates for intrastate electric service by $15,700,000 annually to reflect increases in the cost of fossil fuel, and seeks authority to file an amendment to its tariff to include a fuel cost adjustment provision which would permit increases in rates at periodic times to reflect future increases in the cost of fuel. The two matters were consolidated for hearing.

After due notice, three days of public hearings were held before Commissioner William Symons, Jr., and Examiner Robert Barnett. The matter was submitted on January 18, 1972, subject to the filing of statements of position by various parties, which have been received. For convenience, the issues raised by the parties will be discussed in three sections as follows: (1) the requested increase in rates of $15.7 million; (2) the requested fuel cost adjustment provision; and (3) the manner in which any authorized increase in rates should be spread among the various customer classes.

I

RATE INCREASE TO OFFSET INCREASES IN THE COST OF FUEL

In Decision No. 78802 dated June 15, 1971 in Application No. 52336, the Commission found reasonable a range in rate of return between 7.7 percent and 8.1 percent for Edison and authorized Edison to increase its rates for intrastate electric service by $105.5 million so that Edison might realize a rate of return of 7.9 percent for the test year 1972. The increase was based upon estimates of revenues and expenses that would be incurred in 1972. The estimate for cost of fuel in 1972 was based upon actual prices paid for fuel by Edison to its suppliers prior to the time Application No. 52336 was submitted for decision. Using those prices as a base the various witnesses in Application No. 52336 projected the cost of fuel through 1972 using projected estimates of customer demand and projected estimates of the amount of each kind of fuel that would be consumed to generate the electricity needed in 1972. After Decision No. 78802 was issued, the cost of fuel to Edison increased appreciably and new projections by Edison showed that electric usage would be reduced in 1972 and the amounts of fuel and the kinds of fuel used to generate electricity in 1972 would differ from prior estimates.

Edison's electric power is derived from interchanged power, purchased power, hydro power, nuclear fuel, and fossil fuels. The fossil fuels, gas, oil, and coal, are the concern of this case. The price of the fossil fuels as of Decision No. 78802 was: gas, 34.4 cents per M^2 btu; oil, 63.1 cents per M^2 btu; and coal, 17.3 cents per M^2 btu. By December 1971 the prices of these three fuels had risen as follows: coal, 18.2 cents per M^2 btu; gas, 36.4 cents per M^2 btu; and oil, 72.4 cents per M^2 btu. The cost ratio between coal, gas, and oil is approximately 1:2:4.

The cost of fossil fuel to Edison is not solely a function of price; the fuel mix must also be considered. A generating plant that uses gas as an energy source will generate electricity at much lower costs than the same plant generating an equal amount of electricity but using oil as an energy source. To the extent that there is insufficient gas to meet Edison's generating requirements, oil will have to be used, thereby increasing Edison's fuel costs. Similarly, to the extent that coal-burning plants operate less efficiently than expected, the deficiency must be made up with electricity generated from gas and oil-burning plants. Thus, the fuel mix equation can cause a change in costs of fuel regardless of whether the cost of the individual fuels has gone up over a particular period of time. The evidence shows that as of Decision No. 78802 the fuel mix ratio for fossil fuel was as follows: gas, 44.8 percent; oil, 31.3 percent; and coal, 23.9 percent. As of December 1971, the estimate for 1972 was as follows: gas, 46.1 percent; oil, 30.5 percent; and coal, 23.4 percent.

In this proceeding Edison presented one witness, a consulting engineer, to substantiate the need for an increase in rates of $15.7 million to offset increased fuel costs. He sponsored the following results of operations exhibit:

Results of Operations
1972 California Jurisdictional

Item	(1) 1972 Adopted Decision No. 78802	(2) 1972 Revised (December 1971)	(3) Fuel Cost Adjustment Increase Revenue	(4) 1972 Revised for Fuel Adjustment	(5) Effect Rev. Act of 1971 ADR & ITC	(6) 1972 Revised for Fuel Adj. & Taxes
REVENUE, M^2 $	899.0	867.5	15.7	883.2		883.2
EXPENSE, M^2 $						
Production	229.0	240.5		240.5		240.5
Transmission	25.1	27.5		27.5		27.5
Distribution	51.4	53.3		53.3		53.3
Cust. Accts.	21.0	21.4		21.4		21.4
Sales	7.8	7.9		7.9		7.9
Adm. & General	57.0	65.5	0.1	65.6		65.6
Depreciation	99.1	100.5		100.5		100.5
Taxes, Other	86.9	85.5		85.5		85.5
Taxes, Income	88.9	61.6	8.0	69.6	(6.8)	62.8
Total Expense	666.2	663.7	8.1	671.8	(6.8)	665.0
NET REVENUE, M^2 $	232.8	203.8	7.6	211.4	6.8	218.2
RATE BASE, M^2 $	2,947	2,946		2,946		2,946
RATE OF RETURN %	7.90	6.92		7.18		7.41

( ) Denotes loss.

The witness explained that the first column of figures was a summary of earnings for Edison's California jurisdictional operations based on estimates of revenue, expenses, and rate base for 1972 adopted by the Commission in Decision No. 78802, plus revenue and expenses which were expected to result from the increase in California jurisdictional rates authorized by that decision.

The second column of figures shows the revised summary of earnings for 1972 based on estimates of revenue, expenses, and rate base revised as of December 1971. The third and fourth columns of figures show the effect on Edison's operations if fuel cost increases which occurred since Decision No. 78802 are recovered in this offset proceeding. The resultant rate of return is shown as 7.18 percent on the bottom line of the fourth column.

The witness explained that column 5 adjusts the results in column 4 for the effect of the changes in the Federal Revenue Act of 1971 reflecting the use of asset depreciation range and investment tax credit. This results in a credit to income tax of $6.8 million. The net effect is to raise the 1972 revised rate of return of 7.18 percent prior to the credit to the rate of return of 7.41 percent after the credit, as shown in column 6 of the table.

The witness concluded that Edison needs an adjustment in its rates for increased fuel costs to provide partial relief for the sizeable deficiency in return now forecast for 1972.

A witness for the staff testified that due to the difference between the cost of coal and the cost of fuel oil, any reduction in the use of coal and corresponding increase in the use of fuel oil substantially increases the fuel expenses. The witness reviewed Edison's 1972 estimates and concluded that the estimate of generation from its coal plants should be increased, thereby reducing the fuel expense increase by $1.4 million, to $14.4 million. The witness assumed a different capacity factor for Edison's coal-burning plants but used the same volume of energy sales that Edison estimated. He said that Edison's exhibit shows that Unit #2 at Mohave is expected to be down for overhaul for May and June 1972, but that this overhaul has been postponed until 1973. Therefore, he used a capacity factor of 69.58 percent for these two months instead of the capacity factor of 22.44 percent and 20.87 percent used by Edison. This deferred maintenance will result in a fuel saving of approximately $380,000. The balance of the $1.4 million saving results from his using different load factors in determining the output of Edison's Four Corners plant; he used 83 percent as compared to 80 percent used by Edison.

The staff proposes a billing factor of .031 cents per kilowatt-hour. This billing factor is expected to raise $14.3 million. The difference between $14.4 million in cost increase and $14.3 million increase in revenue is due to rounding the various computations. Edison had the same result. Its costs were estimated at $15.8 million, but its proposed billing factor of .034 cents per kilowatt-hour would raise only $15.7 million.

The staff reviewed the results of operation study submitted by Edison and this review indicates that Edison's rate of return for 1972 estimated will not exceed the lower level of the zone of reasonableness set forth in Decision No. 78802.

The California Manufacturers Association (CMA) takes the position that to the extent that any increase in rates is permitted to offset the increased cost of fuel, such increase should be reduced by the amount of the income tax reduction of $6.8 million as shown in column 5 of the results of operation study. The CMA's position shows the shortcomings of an offset proceeding such as this one. It points out that only one element of cost is being considered among numerous cost factors which have changed since the last rate proceeding. However, if a fuel cost offset proceeding is to achieve its primary purpose, which is to forestall a general rate case which would probably lead to even greater increases, the proper criterion for determining whether to grant or deny the increase is the effect on the previously found reasonable rate of return. Within this concept, the fact of reduced tax expense is considered to determine if the fuel cost increase will cause Edison to earn more than the lower range of rate of return previously authorized by this Commission; it is not considered as a means of reducing the fuel cost increase. The evidence persuades us that the fuel cost increase requested by Edison will not increase Edison's rate of return to 7.7 percent, but will only increase Edison's rate of return to 7.41 percent. We are persuaded that the staff estimate of fuel mix is more accurate than Edison's, and we will authorize a revenue increase of $14.3 million.

II

THE FUEL CLAUSE

Edison proposes to add the following fuel cost adjustment billing factor to its tariff to provide for increases and decreases in the cost of fuel to Edison:

1. Bills rendered under the rate schedules and special contracts contained herein shall be increased or decreased by an adjustment amount related to increases or decreases in the cost per million btu of fuel used in the utility's generating plants as set forth below.

2. An adjustment amount per kilowatt-hour sold shall be determined to be applied to service rendered on and after the effective date and continuing thereafter until the next such adjustment amount becomes effective in accordance herewith. A forecast period is the 12-month period commencing with the expected effective date of each adjustment amount per kilowatt-hour. Such fuel cost adjustment billing factor shall not be revised more often than once every three months.

3. The amount of gas fuel shall be the quantity of gas in millions of btu expected to be received from each supplier during the forecast period under average temperature conditions. The amount of coal fuel shall be the quantity of coal in millions of btu which can be utilized in available coal-fired generating facilities. The amount of oil fuel shall be the quantity of oil in millions of btu equal to the difference between (a) the total fossil fuel requirements in the forecast period under normal conditions of temperature and precipitation, and (b) the fossil fuel requirements in the forecast period expected to be supplied by gas and coal fuels.

4. The base rates reflect a cost of fossil fuel of 39.3 cents per million btu. The adjustment amount per kilowatt-hour sold shall be determined as follows: The amount of the total fuel cost adjustment shall be determined by calculating the total estimated annual amount of fossil fuel expense (based on prices of fuels on or before the first day the proposed adjustment is to be effective and the fuel availability for the twelve-month period commencing with such day) and deducting therefrom the corresponding cost of the same quantity of heat energy utilizing the price levels and relative availability of fuels which form the basis for the then existing base rates. The total fuel cost adjustment for the system would then be allocated to customers by using a unit fuel cost adjustment billing factor (rounded to the nearest 0.001¢) and applying such factor to the quantities of energy billed.

5. The price of gas fuel shall be each applicable rate or contract price, expressed in cents per million btu, in effect on or before the first day of the forecast period divided by the quantity of gas expected to be received from such supplier during the forecast period. The price of coal fuel shall be the invoice price for such fuel, expressed in cents per million btu, as of the first day of the forecast period. The price of oil fuel shall be the average cost of each type in inventory (determined in accordance with the Uniform System of Accounts) on the first day of the forecast period for the amount of such oil fuel in inventory and the price of any oil fuel required in excess of such inventory shall be at the price (including sales and use taxes) of the most recent delivery of such fuel.

6. The adjustment amount to be added to or subtracted from each bill shall be the product of the total kilowatt-hours for which the bill is rendered multiplied by the adjustment amount per kilowatt-hour sold.

7. Each adjustment amount per kilowatt-hour sold shall be filed with the California Public Utilities Commission on or before the thirtieth day preceding the date on which such adjustment amount becomes effective.

Briefly, the fuel clause provides that when changes in the cost of fuel or the fuel mix increase the energy cost to Edison, rates go up; when changes in the cost of fuel or the fuel mix decrease the energy cost to Edison, rates go down. The clause would be triggered when the change is .001 cent per kilowatt-hour, or more; each .001 cent per kilowatt-hour represents about $460,000 at current operations. Neither increases nor decreases are automatic; they require Commission approval.

The arguments in favor of the fuel clause include: (1) in an inflationary period with rapid changes in the cost of fuel, an expedited method is required to permit a utility to recover these costs so that its ability to function is not impaired; (2) because fuel costs are at least 20 percent of Edison's total costs, an expedited proceeding to recover these increases will lessen the frequency of general rate cases; and (3) the provision enhances a utility's position in the financial community. Although the fuel clause would be triggered if fuel costs went down, it is apparent that Edison's proposal is based on the expectation that fuel costs will continue to rise.

The principal arguments against Edison's fuel clause are: (1) it represents an abdication of the Commission's regulatory function; (2) it denies the ratepayer the opportunity to participate in a public hearing and to develop a full and complete record; (3) it has an inflationary effect on the economy; (4) frequent rate changes would result and this is undesirable; (5) there would be no incentive for the utility to attempt to obtain an economical supply of fuel nor to increase efficiency and absorb all or part of fuel cost increases; (6) it ignores other rate-making factors usually considered by the Commission in spreading rates, such as competition, characteristics of use, and public benefit; and (7) it segregates and places emphasis on only one factor in setting rates, fuel cost, and ignores possible savings and efficiencies that have occurred in other portions of the utility's operation.

Most of the arguments usually made in opposition to fuel clauses are not valid, in our opinion, when applied to Edison's proposal. Edison's proposal has substantial benefits in its expedited procedure and in its avoidance of general rate cases. Any disadvantages in the proposal appear to us to be either minimal or merely theoretical.

The fuel clause cannot be criticized on the ground that it is an abdication of regulatory responsibility. The Commission retains full control of each request for change in the fuel cost adjustment billing factor as no change will become effective without opportunity for staff review and until Commission approval. We expect the staff to take all the time necessary to review and evaluate any proposed fuel clause adjustment in the light of the supporting data submitted by Edison and other data accumulated by the staff, plus any objections to such change that may be filed by Edison's customers or other interested parties.

The criticism that the fuel clause will decrease the incentive of Edison to keep costs down appears to be more theoretical than substantial as fuel costs only represent about 20 percent of Edison's operating costs. It is apparent that Edison, with or without a fuel clause, must be continually maximizing its efficiency and economy of operation if it is to achieve satisfactory earnings performance on a sustained basis. The areas of costs in which the fuel clause would operate are areas in which the utility has relatively little control once the choice of generating facility is made, the fuel character is determined by governmental regulations or other environmental considerations, and long-term fuel supply arrangements are set. Additionally, the fuel cost adjustment procedure proposed by Edison takes into account any offsetting increased efficiency in Edison's generating facilities. By developing the cost of generation in terms of cents-per-million btu of energy to which the revised rates are to be applied each time a change in the fuel cost adjustment billing factor is proposed, and then computing the changes in fuel cost per kilowatt-hour of generation, full consideration is given to any increases or decreases in the efficiency of Edison's generating facilities. Moreover, specific offsetting cost changes in other areas of Edison's operations will be considered by the staff in its evaluation of Edison's advice letter proposal to assure that Edison's proposed rates will not increase its earned rate of return above the lower limit of its previously approved range of rate of return. The reason that we authorized a range in rate of return rather than a fixed percentage is to avoid rate adjustments when costs fluctuate within the range.

The contention that fuel clauses which reflect changes in fuel costs directly in a utility's rates are inflationary is not valid as such increases merely reflect the effect of past price inflation on the cost of fuel, and the effect of a dwindling supply of lower cost fuels acceptable from the standpoint of environmental protection regulations. As a matter of fact, the Price Commission has specifically excepted from its suspension of price increases and from its certification requirements "any price increase resulting from the pass-through of specific allowable costs, including...fuel costs..." (Sec. 300.16 (c) Economic Stabilization Act of 1970, as amended, Public Law 92-210).

Finally, the fuel clause that we are approving herein is not automatic; it goes into effect only after being initiated by advice letter, being thoroughly reviewed by the staff, and being approved by the Commission. Although there was much talk in the hearings of a thirty-day period after which rates would be raised because of a fuel cost adjustment, we wish to make it clear that there is no automatic thirty-day provision in this fuel clause. Rates will go into effect upon Commission approval which might take much longer than thirty days, depending upon the evidence submitted with the proposed rate increase and the amount of opposition to it. While it is not contemplated that public hearings will be held in reference to rate increases based upon the fuel clause, the Commission retains the power to order public hearings if needed in any particular case.

The staff has recommended that an additional paragraph be added to Edison's fuel clause to provide for the handling of possible refunds. The paragraph states: "Any refund from a fuel supplier shall be refunded with 7 percent interest to the utility's customers. A refund plan shall be filed with the California Public Utilities Commission when such refunds have accumulated to a total of $1,000,000 or more." In our opinion this paragraph is necessary to protect the ratepayer and we will include it.

We need not elaborate on other objections. For the reasons stated above, we will authorize the fuel cost adjustment clause.

III

RATE SPREAD

Edison requests that any increase in rates based upon increases in cost of fuel be spread to all customer groups, with minor exceptions not pertinent here, on the basis of a uniform cents per kilowatt-hour increase. CMA and other large industrial users advocate a uniform percentage of revenue increase. The staff supports Edison's proposal. Although there is no evidence in the record as to the effect of these alternate proposals on large users, there is no doubt that under Edison's proposal the electric bills of large users will increase substantially more proportionally than the electric bills of small users.

Both CMA and the staff point out the irony of each other's position. The staff claims "It is ironic that in both the 1968-1969 and 1970-1971 rate increase applications (CMA and Kaiser Steel Corporation) took a firm position in opposition to uniform percentage increase to all customer groups." On the other side, CMA asserts "This proceeding is not without its touch of irony. When CMA has urged that industrial rates be more closely related to the cost of providing the service, CMA has been admonished by Edison, the staff, and the Commission that cost is not the only rate-making factor. Now that Edison seeks to invoke a fuel cost adjustment clause, cost is considered by Edison and the staff to be not only the principal rate-making factor but the sole rate-making factor for over $15,000,000 of additional revenues."

We have considered the arguments pro and con and are persuaded that Edison's position is the soundest. We are persuaded because fuel costs have always been considered by this Commission to be energy-related. A review of staff and Edison exhibits in the 1970 rate proceeding shows that fuel costs were classified energy-related. In Decision No. 78802, at page 21, it is stated, "In this case, the staff classified fuel costs as energy-related . . ." And the Commission accepted that characterization. Also, in Decision No. 79366 dated November 22, 1971 in Application No. 52800, we authorized San Diego Gas & Electric Company to offset increases in fuel oil costs by applying a uniform energy charge to each kilowatt-hour sold. In Decision No. 55720 dated October 22, 1957 in Application No. 38811, we authorized Pacific Gas & Electric Company to increase rates, and said, "It is appropriate that changes in energy cost be reflected in all charges per unit of energy, thus directly assigning increased production costs to the energy produced." (55 CPUC 801, 809.)

The large industrial users will not be overburdened by this method of increasing costs. In Decision No. 78802 we found that the large industrial customer groups contribute a rate of return of 6.6 percent as against 7.4 percent for domestic customers and 11.8 percent for lighting and small power customers.

We have not been cited to, nor have we found, any other jurisdiction that has considered increases based upon increased costs of fuel that has granted offsets on a basis other than uniform application of a cents per kilowatt-hour. Our research shows that whenever the problem has come up in California with either publicly owned utilities or privately owned utilities, fuel cost offsets have always been based upon a cents per kilowatt-hour increase.

Findings of Fact

1. In Decision No. 78802 the Commission found reasonable a range in rate of return between 7.7 percent and 8.1 percent for Edison and authorized Edison to increase its rates for intrastate electric service by $105.5 million so that Edison might realize a rate of return of 7.9 percent for the test year 1972.

2. After Decision No. 78802 was issued the cost of fuel to Edison increased appreciably, and new projections showed that electric usage would be reduced in 1972 and the amounts of fuel and the kinds of fuel used to generate electricity in 1972 would differ from prior estimates. Coal increased from 17.3 cents per M^2 btu to 18.2 cents; gas from 34.4 cents per M^2 btu to 36.4 cents; and oil from 63.1 cents per M^2 btu to 72.4 cents.

3. Based upon revised estimates, Edison's rate of return for 1972 will be approximately 6.9 percent; with the fuel cost adjustment authorized herein, Edison's rate of return is estimated to be approximately 7.2 percent. When certain tax adjustments are made the rate of return approximates 7.4 percent.

4. The staff estimate for the capacity factor of Edison's coal-burning plants is reasonable. In 1972 estimated, the amount necessary to offset additional fuel costs to Edison is $14.3 million. A billing factor of .031 cents per kilowatt-hour for all energy sold is reasonable to recover the $14.3 million.

5. Fuel costs are energy-related and should be recovered by applying a uniform energy charge to each kilowatt-hour sold.

6. Edison's proposed fuel cost adjustment billing factor will be adopted because (1) in an inflationary period with rapid changes in the cost of fuel, an expedited method is required to permit a utility to recover these costs so that its ability to function is not impaired; (2) because fuel costs are at least 20 percent of Edison's total costs, an expedited proceeding to recover these increases will lessen the frequency of general rate cases; and (3) the provision enhances a utility's position in the financial community.

7. Edison should be required to submit reports covering the reasonableness of the prices it pays for fossil fuels and the recorded, adjusted and estimated results of operations for its California jurisdictional operations.

8. The adopted fuel clause will not occasion an abdication of regulatory responsibility; nor will it decrease the incentive of Edison to keep costs down; nor will it be inflationary as any price increases brought about by use of the fuel clause merely reflect the effect of past price inflation on the cost of fuel.

The Commission concludes that the fuel clause should be authorized and that an increase in rates should be granted as set forth in the order which follows.

So as not to unduly lengthen this opinion, we have not set forth findings pursuant to regulations of the Price Commission as, in this case, we do not feel such findings are required. However, we did take evidence in these matters and are prepared to issue such findings, if needed, by supplemental order.

ORDER

IT IS ORDERED that Southern California Edison Company is authorized to file with the Commission, on or after the effective date of this order, revised tariff schedules, with changes in rates, charges and conditions as set forth in Appendix B attached hereto.

Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be on not less than five days' notice to the public and to the Commission.

IT IS FURTHER ORDERED that Southern California Edison Company shall file a Results of Operation Report on the ensuing year's operation by October 31 of each year and a report on the previous year's recorded and adjusted operations by March 31 of each year including in the latter report a showing on the reasonableness of the prices it pays for fossil fuels.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 21st day of MARCH, 1972.

I will file a dissent.

Chairman

Commissioners

I will file a concurring opinion.

SW

Appendix A

APPEARANCES

Rollin E. Woodbury, Robert J. Cahall, and William E. Marx, by William E. Marx, Attorney at Law, for applicant.

Kenneth M. Robinson, Attorney at Law, and George B. Scheer, for Kaiser Steel Corporation, protestant.

Brobeck, Phleger & Harrison, by Robert N. Lowry and Gordon E. Davis, Attorneys at Law, for California Manufacturers Association; Alan R. Watts, Attorney at Law, for City of Anaheim; Frederick I. Fox, Chickering & Gregory, by Sherman Chickering, C. Hayden Ames, Donald J. Richardson, Jr., and Edward P. Nelson, Attorneys at Law, for San Diego Gas & Electric Company; R. F. Smith and W. C. Leist, for Union Carbide Corporation - Linde Division; Thomas H. Burcham, Attorney at Law, for California Farm Bureau Federation; Robert W. Russell and Manuel Kroman, for Department of Public Utilities and Transportation, City of Los Angeles; Arthur Kugel, for City of Riverside; K. R. Edsall, R. W. McKinney, and F. A. Peasley, Attorneys at Law, for Southern California Gas Company; O. T. Jones and E. R. Rhodes, for Monolith Portland Cement Company; Louis Possner, for Bureau of Franchises and Public Utilities, City of Long Beach; Paul P. Hendricks, for City of Vernon; John E. Anderson, for Metropolitan Water District, interested parties.

Cyril M. Saroyan, Attorney at Law, and Norman R. Johnson, for the Commission's staff.

(End of Appendix A)

RATES - SOUTHERN CALIFORNIA EDISON COMPANY

Applicant's rates, charges and conditions are changed to the level or extent set forth in this appendix.

PRELIMINARY STATEMENT
(contd.)

H. FUEL COST ADJUSTMENT BILLING FACTOR

1. Bills rendered under the rate schedules and special contracts contained herein shall be increased or decreased by an adjustment amount related to increases or decreases in the cost per million Btu of fuel used in the utility's generating plants as set forth below.

2. An adjustment amount per kilowatt-hour sold shall be determined to be applied to service rendered on and after the effective date and continuing thereafter until the next such adjustment amount becomes effective in accordance herewith. A forecast period is the 12-month period commencing with the expected effective date of each adjustment amount per kilowatt-hour. Such fuel cost adjustment billing factor shall not be revised more often than once every three months.

3. The amount of gas fuel shall be the quantity of gas in millions of Btu expected to be received from each supplier during the forecast period under average temperature conditions. The amount of coal fuel shall be the quantity of coal in millions of Btu which can be utilized in available coal-fired generating facilities. The amount of oil fuel shall be the quantity of oil in millions of Btu equal to the difference between (a) the total fossil fuel requirements in the forecast period under normal conditions of temperature and precipitation, and (b) the fossil fuel requirements in the forecast period expected to be supplied by gas and coal fuels.

4. The base rates reflect a cost of fossil fuel of 40.0 cents per million Btu. The adjustment amount per kilowatt-hour sold shall be determined as follows: The amount of the total fuel cost adjustment shall be determined by calculating the total estimated annual amount of fossil fuel expense (based on prices of fuels on or before the first day the proposed adjustment is to be effective and the fuel availability for the twelve-month period commencing with such day) and deducting therefrom the corresponding cost of the same quantity of heat energy utilizing the price levels and relative availability of fuels which form the basis for the then existing base rates. The total fuel cost adjustment for the system would then be allocated to customers by using

RATES - SOUTHERN CALIFORNIA EDISON COMPANY

H. FUEL COST ADJUSTMENT BILLING FACTOR (contd)

a unit fuel cost adjustment billing factor (rounded to the nearest 0.001¢) and applying such factor to the quantities of energy billed.

5. The price of gas fuel shall be the average of each applicable rate or contract price, expressed in cents per million Btu, in effect on or before the first day of the forecast period weighted by the quantity of gas expected to be received from such supplier during the forecast period. The price of coal fuel shall be the invoice price for such fuel, expressed in cents per million Btu, as of the first day of the forecast period. The price of oil fuel shall be the average cost of each type in inventory (determined in accordance with the Uniform System of Accounts) on the first day of the forecast period for the amount of such oil fuel in inventory and the price of any oil fuel required in excess of such inventory shall be at the price (including sales and use taxes) of the most recent delivery of such fuel.

6. The adjustment amount to be added to or subtracted from each bill shall be the product of the total kilowatt-hours for which the bill is rendered multiplied by the adjustment amount per kilowatt-hour sold.

7. Each adjustment amount per kilowatt-hour sold shall be filed with the California Public Utilities Commission on or before the thirtieth day preceding the date on which such adjustment amount becomes effective.

8. Effective for service rendered on and after May 1, 1972, the adjustment amount per kilowatt-hour sold is 0.031 cents per kilowatt-hour.

9. Any refund from a fuel supplier shall be refunded with 7% interest to the utility customers. A refund plan shall be filed with the California Public Utilities Commission when such refunds have accumulated to a total of $1,000,000 or more.

SCHEDULES NOS. A-1, A-2, A-3, A-4, A-5 and A-6

SPECIAL CONDITIONS

7. Fuel Cost Adjustment: The rates above are subject to adjustment as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to all kwhr billed under this schedule.

RATES - SOUTHERN CALIFORNIA EDISON COMPANY

SCHEDULE NO. A-8

SPECIAL CONDITIONS

10. Fuel Cost Adjustment: The rates above are subject to adjustment as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to all kwhr billed under this schedule.

SCHEDULES NOS. D-1, D-2, D-3, D-4 and D-5

SPECIAL CONDITIONS

Fuel Cost Adjustment: The rates above are subject to adjustment as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to all kwhr billed under this schedule.

SCHEDULE NO. D-6

SPECIAL CONDITIONS

1. Seasonal Service: For summer cottage customers and others who normally require service for only part of the year, this service is applicable only on annual contract.

2. Fuel Cost Adjustment: The rates above are subject to adjustment as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to all kwhr billed under this schedule.

SCHEDULE NO. DWL

SPECIAL CONDITIONS

5. Fuel Cost Adjustment: The rates above are subject to adjustments as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to 37 kwhr per month for each lamp served.

SCHEDULE NO. LS-1

SPECIAL CONDITIONS

4. Fuel Cost Adjustment: The rates above are subject to adjustment as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to 29 kwhr per month per 1,000 lumens for incandescent lamps and to 10 kwhr per month per 1,000 lumens for mercury vapor lamps.

RATES - SOUTHERN CALIFORNIA EDISON COMPANY

SCHEDULE NO. LS-2

SPECIAL CONDITIONS

6. Fuel Cost Adjustment: The rates above are subject to adjustment as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to the kwhr shown below:

Type of Service	Kwhr per Kw Per Month
All Night Multiple	355
All Night Series	462
Midnight Multiple	180
Midnight Series	233

SCHEDULE NO. OL-1

SPECIAL CONDITIONS

7. Fuel Cost Adjustment: The rates above are subject to adjustments as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to 10 kwhr per month per 1,000 lumens.

SCHEDULE NO. P-1

SPECIAL CONDITIONS

7. Fuel Cost Adjustment: The rates above are subject to adjustment as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to all kwhr billed under this schedule.

SCHEDULE NO. PA-1

SPECIAL CONDITIONS

11. Fuel Cost Adjustment: The rates above are subject to adjustment as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to all kwhr billed under this schedule.

SCHEDULE NO. PA-2

SPECIAL CONDITIONS

6. Fuel Cost Adjustment: The rates above are subject to adjustment as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to all kwhr billed under this schedule.

RATES - SOUTHERN CALIFORNIA EDISON COMPANY

SCHEDULE NO. TC-1

SPECIAL CONDITIONS

1. Voltage: Service will be supplied at one standard voltage not in excess of 240 volts or, at the option of the utility, at 240/480 volts, three wire, single phase.

2. Fuel Cost Adjustment: The rates above are subject to adjustment as provided for in Part H of the Preliminary Statement. The applicable fuel cost adjustment billing factor set forth therein will be applied to all kwhr billed under this schedule.

A. 52987
A. 52988
Dec. No. 79838

COMMISSIONER THOMAS MORAN, Concurring.

I concur.

However I do so reluctantly as in my judgment the inclusion in this decision of a "fuel clause" is detrimental to good regulation.

To permit a utility to obtain a major increase in rates without a hearing and careful scrutiny, and consideration by this Commission of the necessity for such increase, inevitably reduces the effectiveness of the Commission in controlling the charges collected from the ratepayers. I reluctantly agree to the fuel clause only because this Commission lacks sufficient staff personnel to permit us to hold a hearing on every request by a utility for a substantial increase in rates.

The workload of this Commission inevitably will continue to increase at least during the next few years, even if the federal government discontinues its inflationary policies, because of the increasing attention which this Commission must give to ecological considerations. The utilities and transportation companies regulated by this Commission exact from the people of California sums in excess of those collected in taxes by the entire state government. Because the utilities and transportation companies are dealing in goods and services which are for the most part necessities of life, the people of California realistically have no more opportunity to avoid such charges than they have to avoid paying state taxes. It is not economy to risk permitting utilities and transportation companies to charge each year millions of dollars more than they really need, merely to achieve a few hundred thousand dollars of so-called "salary savings."

Dated: March 21, 1972
San Francisco, California

Thomas Moran, Commissioner

D. W. HOLMES, COMMISSIONER, Dissenting:

I dissent from that part of the opinion which allows Edison to increase rates by advice letter filings to offset its costs of fuel. One of the criticisms of the so-called "fuel clause" listed on page 10 of the majority opinion is particularly cogent in its suggestion that the quick and frequent increases portended by the "fuel clause" will act as a disincentive to economical operation and the economical acquisition of fuel supplies by Edison. Edison, one of the largest electric utilities in our Nation, should be given every reason and motivation to make the most effective use of its bargaining strength and managerial and technical expertise, to the end that the ratepayers will receive good service at the least possible cost.

The other real problem that is involved in establishing this procedure is that it precludes public hearings in situations that have had and will have an extremely significant impact on the ratepayers of California.

It should be noted that in dissenting I concur in and

A 52987, A 52988 MM
D 79838

echo the sentiments of Robert Barnett, the Examiner who heard the case. In a memorandum to the Commission dated March 2, 1972, he stated, in part:

> "I do not agree with that part of the proposed decision which authorizes a fuel cost adjustment clause; I would deny any fuel clause."

Commissioner

Dated at San Francisco, California,
March 21, 1972