

Decision No. 83226

ORIGINAL

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 make
effective a special fuel cost
adjustment applicable to billings
for electric service to offset the
payment of fuel oil transportation
charges.

Application No. 54933
(Filed June 5, 1974)

O P I N I O N

This Commission's Resolution No. E-1388, dated May 3, 1974, authorized Southern California Edison Company (Edison) to submit a request to include a transportation fuel cost of approximately \$11,000,000 in a separate application together with an appropriate showing including its justification for the regulatory treatment proposed by it. Consequently, Edison hereby seeks authority to add, for a 12-month period, a special fuel cost adjustment of 0.022 cents per kilowatt-hour to billings for electric service provided pursuant to its filed tariffs and special contracts.

After public hearings, this Commission, by Decision No. 79838¹/ dated March 21, 1972 authorized Edison to file revised tariff schedules establishing a fuel cost adjustment billing factor which provided an adjustment amount per kilowatt-hour sold to reflect increases or decreases in the cost of fossil fuel. The unit amount of the adjustment is equal to the estimated fossil fuel expense for the 12-month period

¹/ 73 CPUC 180.

commencing with the expected effective date of each adjustment amount, minus the corresponding cost of the same quantity of heat energy utilizing the price levels and relative availability of fuels forming the basis for the base rates, divided by the estimated kilowatt-hour sales for that period.

Decision No. 79838 further provided that the fuel cost adjustment billing factor not be revised more often than once every three months, that the derivation of the billing factor be filed with the Commission on or before the 30th day preceding its effective date, that the filing be reviewed by the Commission staff, and that the billing factor become effective only after approval by the Commission.

In accordance with this procedure, Edison, by Advice Letter No. 390-E filed April 1, 1974, requested that effective May 1, 1974, the fuel cost adjustment billing factor be increased from 0.642 to 0.901 cents per kilowatt-hour to increase the estimated annual revenues for California retail sales by \$127,600,000 for the 12-month period ending April 30, 1975. The requested increase of \$127,600,000 for California jurisdictional retail sales consists of \$93,600,000 increased fuel costs resulting from oil prices increasing from 205.82 to 237.69 cents per million Btu's, gas prices increasing from 44.58 to 48.85 cents per million Btu's, and coal prices increasing from 20.29 to 20.45 cents per million Btu's; \$11,300,000 additional cost resulting from the replacement of 6.5 trillion Btu's of gas with low-sulphur oil necessitated by an 11.2 percent decline in gas availability; \$6,800,000 increased production expense reflecting a 16 percent decline in nuclear production which necessitated the generation of an additional 438,000,000 kilowatt-hours of electric energy by fossil-fuel plants; \$2,700,000 additional fossil-fuel generation expense to offset a 184,000,000 kilowatt-hour decline in the availability of purchased and interchange power; an increase in

the annual revenue requirement of \$3,400,000 to offset changes in system load and coal plant production; and a \$9,800,000 marine transportation charge adjustment. This latter amount translates to \$11,046,000 at the generation level and represents the settlement of a disagreement over the level of marine transportation charges for the months of January through September, 1973, as detailed in Exhibit D to the application. The adjusted charge to Edison from Standard Oil Company of California (Standard) for the period January 1, to September 1, 1973 was \$19,266,000 including \$566,000 interest for the period January 1, to April 30, 1974. This \$19,266,000 was offset by \$5,565,000 credit from Standard for the period January 8 to March 25, 1974, \$2,494,000 credit from Exxon Company for the period February 7 to March 19, 1974, and \$161,000 interest on these credits leaving the net amount of \$11,046,000.

The Commission staff reviewed the advice letter filing and recommended that an adjustment amount of \$31,400,000 be granted rather than the requested \$127,600,000. The differences between Edison and staff estimates of the effect of the fuel adjustment for the 12 months ended April 30, 1975 reflect lower average fuel oil prices most recently available to Edison, staff estimates of more available energy from nuclear production and purchased power, a lower staff estimate of total kilowatt-hours needed to supply the market and, due to the policy question involved, the deletion, for further consideration, of the marine transportation charge adjustment.

Resolution No. E-1388 authorized Edison to increase its fuel cost adjustment billing factor from 0.642 cents per kilowatt-hour to 0.707 cents per kilowatt-hour to yield the staff recommended additional revenues of \$31,400,000 for 12 months ending April 30, 1975. This resolution further authorized Edison to submit an application for separate

consideration of the marine transportation charge adjustment. As previously explained, these marine transportation charges arose because of Edison's need to replace its diminishing supply of natural gas for boiler fuel with imported oil. When the appropriate charges for transportation of this oil became a matter of dispute Edison was presented with an option of seeking recovery from its ratepayers for the total claim of the transporters, subject to refund and rate reduction to the extent this recovery exceeded the resolution of the dispute, or deferring rate relief until such time as the dispute was resolved and the expense ascertained.

There is no question that charges for marine transportation of oil necessary for boiler fuel are a legitimate utility expense. The only problem is that Edison is attempting to recoup this now, rather than at the time it was incurred.

Under the circumstances we believe that Edison acted reasonably. Edison had need to act quickly to obtain additional oil supplies and transport. When the dispute over transport charges arose it withheld the burden of these charges from its customers until the dispute was resolved. Only then did it come to the Commission to obtain rate relief. Given these facts we believe that Edison is entitled to recover these legitimate charges, rather than being penalized for attempting to have them reduced.

This decision should not be construed as a precedent for automatic approval of matters of this kind. If it is foreseen that similar instances may arise in the future, Edison should take steps to give notice to this Commission of its actions. Each case will be determined on its individual merits, based on the surrounding circumstances.

Advice Letter No. 390-E and Resolution No. E-1388 both set forth the marine transportation charge adjustment as \$11,000,000. Included in the computations deriving this \$11,000,000 are 1974 credit transactions of \$585,000 from Standard and \$315,000 from Exxon, a total of \$900,000. Exhibit F to the application details the calculation of the special fuel cost adjustment. In these calculations, the total marine transportation adjustment is \$11,900,000 reflecting the deletion of the 1974 credit transactions from the total set forth in Advice Letter No. 390-E and Resolution E-1388. Such a deletion is without basis in this proceeding and will not be permitted. Consequently, the special adjustment factor to be authorized for California jurisdictional retail sales will be 0.020 cents per kilowatt-hour, rather than the requested 0.022 cents per kilowatt-hour.

Findings

1. In accordance with tariff provisions authorized by Decision No. 79838 dated March 21, 1972, Edison, by Advice Letter No. 390-E, filed April 1, 1974 filed a request for a fuel cost adjustment billing factor increase from 0.642 to 0.901 cents per kilowatt-hour to become effective May 1, 1974 to increase annual revenues from California jurisdictional retail sales by \$127,600,000.

2. By Resolution No. E-1388, issued May 7, 1974, the Commission authorized Edison to increase its filed fuel cost adjustment billing factor from 0.642 to 0.707 cents per kilowatt-hour to increase annual revenues from California jurisdictional retail sales by \$31,400,000.

3. Resolution No. E-1388 also authorized Edison to submit a request to include a transportation fuel cost of approximately \$11,000,000 in a separate application together with an appropriate showing including its justification for the regulatory treatment proposed by it.

4. Pursuant to this authority, Edison submitted this application to recover those additional marine transportation charges over a 12-month period by the implementation of a special fuel cost adjustment of 0.022 cents per kilowatt-hour.

5. The \$11,000,000 represents settlement of a disagreement over the level of marine transportation charges for the months of January through September, 1973. It consists of an adjusted charge by Standard Oil Company of California (Standard) of \$19,266,000, including interest, as offset by credits and interest from Standard and Exxon totaling \$8,226,000.

6. The increased marine transportation adjustment of approximately \$11,000,000 is an appropriate basis on which to increase the rates and charges of Edison 0.020 cents per kilowatt-hour for a 12-month period. Said increases are justified.

7. This special fuel cost adjustment results from previously authorized tariff provisions and, therefore, does not constitute retroactive ratemaking.

8. This change in the fuel cost adjustment may be filed and made effective without affecting the timing of periodic revisions to the fuel cost adjustment billing factor.

9. Applicant's request for an ex parte order is warranted in that the issues herein can be properly considered without hearing.

O R D E R

IT IS ORDERED that after the effective date of this order, Southern California Edison Company is authorized to file a revised Preliminary Statement as set forth in Exhibit G to the application with the service date being four days after filing date, the adjustment amount being 0.020 cents per kilowatt-hour, and the decision number being the number of this decision. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof for a 12-month period.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 6th
day of AUGUST, 1974.

Vernon L. Sturgeon
President
William Lyman
D. W. Holmes
J. M. Mc
Commissioners

Commissioner D. W. Holmes, being
necessarily absent, did not participate
in the disposition of this proceeding.