

ORIGINAL

Decision No. 83290

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application
of the SOUTHERN CALIFORNIA WATER
COMPANY for authority to adopt a
Purchased Power Adjustment Clause
in its Bear Valley District to
offset increases or decreases in
the price of power purchased from
Southern California Edison Company.

Application No. 54886
(Filed May 15, 1974)

O P I N I O N

Southern California Water Company (SCWC) seeks authority to establish a purchased power adjustment clause in its Bear Valley District to offset increases or decreases in the price of electric energy purchased from Southern California Edison Company (Edison).

SCWC, a California corporation, renders public utility water service in portions of Contra Costa, Imperial, Los Angeles, Orange, Sacramento, San Bernardino, and Ventura counties. It also renders public utility electric service in its Bear Valley District in the vicinity of Big Bear Lake in San Bernardino County.

The Bear Valley District electric system consists of approximately 15.8 miles of 33-kV transmission lines, approximately 133 miles of 2.4/4.16 distribution lines, and eight substations with a combined capacity of 12, 450-KW.

On December 31, 1973 there were 10,509 electric customers served. Service is also provided to 424 street lights.

SCWC purchases electric energy for resale from Edison on Resale Service Schedule No. R-1 at Harnish Substation and on Resale Service Schedule No. R-2 at Gold Mountain.

Increased Electric Costs

Effective November 14, 1971 Edison increased its resale rates to SCWC by 15 percent under FPC Docket No. E-7618. Effective September 7, 1973 Edison instituted a further increase of 40 percent in its rates to SCWC under FPC Docket No. E-8176. On January 2, 1974 Edison, in FPC Docket No. E-8570, filed proposed rate schedules that would increase the base rates of the resale schedules by approximately 21 percent and provide a fuel cost adjustment clause applicable to such resale schedules. By its order issued March 1, 1974, the FPC suspended the proposed rates until August 4, 1974 and rejected the proposed fuel clause without prejudice to Edison refiling a fuel clause conforming to FPC regulations. On April 1, 1974 Edison filed a revised fuel adjustment clause applicable to resale service under Schedules R-1 and R-2 providing for monthly billing adjustments based on increases or decreases in fossil fuel costs. In its decision issued April 30, 1974 the FPC accepted the proposed fuel clause filing as of April 1, 1974, suspended it for one day and permitted it to become effective May 2, 1974, subject to refund pending final determination of the issues in Docket No. E-8570. Edison's initial fuel cost adjustment of 0.115 cents per kilowatt-hour, effective May 2, 1974, increased the resale rate to SCWC by approximately eight percent.

Proposed Purchased Power Adjustment Clause

SCWC's proposed purchased power adjustment is set forth in Exhibit I to the application and is intended to reflect monthly changes from the resale rates in effect prior to May 2, 1974 caused by the operation of Edison's fuel clause adjustment contained in Docket No. E-8570 and to apply an additional adjustment of 0.343 cents per kilowatt-hour effective August 4, 1974 to offset the general increase in resale rates that Edison will effect

on that date. SCWC proposes to apply a factor of 1.094 to the changes in Edison's resale schedules to compensate for line losses and changes in street franchise tax expense. This factor is derived from the ratio of energy purchased in 1973 to energy sold in 1973 adjusted to reflect the effect of franchise tax. This ratio will vary from year to year and the factor is therefore subject to annual recalculation. The product of this 1.094 and the change in Edison's resale rates is to be rounded to the nearest hundredth of a mil (\$0.00001) to yield the adjustment per kilowatt-hour. The adjustment amount per kilowatt-hour is to be filed with this Commission for approval on or before the first day of the month preceding the billing month during which such unit adjustment is to become effective. Any refund received from Edison is to be promptly refunded with interest to SCWC's customers.

Rate of Return

The last rate increase for SCWC's Bear Valley District electric rates was authorized by Decision No. 48084 dated December 22, 1952 on Application No. 33449. In that decision the Commission found that a rate of return for the future of approximately 5.75 percent was just and reasonable. Such a return contrasts sharply with the 7.9 percent rate of return recently authorized for SCWC's Central Basin, Southwest, Simi Valley, Culver City, and Pomona Valley Districts. Exhibit H to the application shows that for the test year 1973 adjusted to reflect the full year effect of the resale rates effective September 7, 1973, the rate of return for the Bear Valley Electric District would be 6.10 percent. Exhibit H further shows that the first operation of Edison's fuel adjustment clause on a full year basis would decrease this rate of return to 5.34 percent and the full year effect of the August 4, 1974 resale rate increase

would decrease the rate of return to 4.02 percent. The combined effect of both of these resale rate increases on a full year basis would drop the 1973 test year rate of return to 3.25 percent. Exhibit H also shows that the effect of implementing SCWC's proposed purchased power clause would be to restore the 1973 test year rate of return to 6.10 percent.

The Commission staff prepared a report dated June 14, 1974 setting forth the results of its investigation and analysis of the application. That report, received as Exhibit 1, sets forth the Bear Valley Electric District 1973 test year results adjusted to include the partial year effect of Edison increases at SCWC's present and proposed rates. This summary of earnings indicates the rate of return to be 5.4 percent at present rates and 6.6 percent at SCWC's proposed rates. The staff states that it believes a rate of return of 6.6 percent for the Bear Valley Electric District is not unjust or unreasonable and recommends that a purchased power adjustment provision be authorized for inclusion in SCWC's filed electric tariffs.

The staff recommends the purchased power adjustment amount reflecting the latest known fuel cost adjustment of Edison be authorized by this decision. SCWC has notified this Commission by letter, dated June 20, 1974, that Edison's fuel clause adjustment for the period June 15, 1974 to July 14, 1974 is 0.222 cents per kilowatt-hour and that its corresponding purchased power adjustment would be 0.243 cents per kilowatt-hour. The staff further recommends SCWC be authorized to file on a notice period less than that otherwise prescribed for the purchased power adjustment provision, the adjustment of 0.343 cents per kilowatt-hour to be effective on or after August 4, 1974 in order to promptly offset the purchased power increase resulting from FPC Docket No. E-8570. These recommendations are reasonable and will be adopted.

Copies of the application were served and publication was made as required by this Commission. There were no protests.

Findings

1. Applicant purchases electric energy for resale in its Bear Valley Electric District from Southern California Edison Company on Resale Service Schedule No. R-1 at Harnish Substation and on Resale Service Schedule No. R-2 at Gold Mountain.

2. By its order issued on April 30, 1974 in Docket No. E-8570 the Federal Power Commission accepted as of April 1, 1974 Edison's fuel clause filing applicable to resale rates and permitted the clause to become effective May 2, 1974 subject to refund pending final determination of the issues in Docket No. E-8570. This fuel adjustment clause provides for monthly adjustments per kilowatt-hour to reflect changes in Edison's fossil fuel generating costs. The fuel adjustment clause amount in effect for the period June 15 to July 14, 1974 is 0.222 cents per kilowatt-hour.

3. By its order issued on March 1, 1974 in Docket No. E-8570, the FPC deferred until August 4, 1974 Edison's proposed resale tariff provisions increasing Edison's resale rates 0.313 cents per kilowatt-hour on 1973 test year estimates.

4. For the test year 1973 the derivation of a factor of 1.094 to reflect the ratio of energy purchased in 1973 to energy sold in 1973 adjusted to reflect the effect of street franchise tax is reasonable. Such a factor will vary from year to year and should be recalculated annually. Edison's fuel clause adjustment amount of 0.222 cents per kilowatt-hour when adjusted by the factor 1.094, becomes SCWC's fuel cost adjustment of 0.243 cents per kilowatt-hour. Edison's general rate increase of 0.313 cents per kilowatt-hour when adjusted by the factor 1.094 becomes SCWC's adjustment of 0.343 cents per kilowatt-hour.

5. The full test year 1973 effect of Edison's resale schedule increase or the first fuel clause adjustment will be to decrease SCWC's Bear Valley Electric District rate of return below the last authorized rate of return of 5.75 percent.

6. A need exists to include a purchased power adjustment clause in SCWC's Bear Valley Electric District tariffs to offset changes in Edison's resale schedules.

7. The purchased power adjustment clause authorized herein will not produce revenues that will result in an excessively high rate of return.

8. The adopted purchased power adjustment clause prescribed in Appendix A hereto will not occasion an abdication of regulatory responsibility; nor will it decrease the incentive of SCWC to keep costs down; nor will it be inflationary as any price increases brought about by the use of purchased power merely reflect the effect of past inflation on the cost of purchased power.

A public hearing is not necessary.

The Commission concludes that the application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Southern California Water Company (SCWC) is authorized to file the revised rate schedules attached to this order as Appendix A and concurrently to cancel and withdraw the presently effective schedules. 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.

2. On or before April 1 of each year SCWC shall file with the Commission a revision to the Preliminary Statement indicating the loss factor calculated from recorded results of operation at the close of each preceding year.

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 J. Synovis
[Signature]
[Signature]
Commissioners

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

APPENDIX A
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SOUTHERN CALIFORNIA WATER COMPANY

PRELIMINARY STATEMENT

The preliminary statement shall be modified by adding Paragraph (7) as follows:

(7) PURCHASED POWER ADJUSTMENT CLAUSE:

- (a) The monthly charges for service otherwise applicable under each of the utility's rate schedules shall be increased or decreased by an adjustment amount in accordance with increases or decreases in the cost of purchased power resulting from Edison's fuel cost adjustment above or below that in effect prior to May 2, 1974. Edison's fuel cost adjustment is that billed to the utility by Southern California Edison Company in accordance with Resale Service Schedules R-1 and R-2.

- (b) The adjustment shall be computed by multiplying the change in Edison's fuel cost adjustment above or below that in effect prior to May 2, 1974 by a factor of 1.094.

The product so obtained rounded to the nearest hundredth of a mil (\$0.00001) shall be the adjustment per KWH.

- (c) The 1.094 factor is the ratio of purchased power to power sold in KWH (1.080) times the ratio of total revenues to revenues less street franchise taxes (1.013) for the recorded year 1973. $(1.080 \times 1.013 = 1.094)$.

- (d) For service rendered on or after August 4, 1974 adjustment per KWH from (7)(b) above may be increased by 0.343¢ per KWH.

The 0.343¢ per KWH is the effect after line losses of the Schedule R-1 and R-2 resale general rate increase made effective by Edison on August 4, 1974.

- (e) Each adjustment per KWH shall be filed with the California Commission for approval on or before the first day of the month preceding the billing month during which such adjustment per KWH is intended to become effective. The adjustment per KWH shall be applied to service rendered on and after the effective date and thereafter until the next such adjustment becomes effective.

- (f) The adjustment amount to be added or subtracted from each bill shall be the product of the total KWH for which service is rendered, multiplied by the adjustment per KWH of (7)(d) above, except that for purposes of applying the purchased power adjustment to Schedule LS-1, the monthly consumption per lamp rating contained in Special Condition (4) of Schedule LS-1 will be used.

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- (g) Any refund from Edison, to the extent that a corresponding rate increase has been passed on to the utility's customers, shall be promptly refunded, together with any associated interest, to utility's customers. A refund plan shall be filed with the Commission when such portion of the refunds has accumulated to a total of \$10,000 or more. In the event such monies are not refunded within 30 days after receipt, the utility shall refund such monies with 7% interest.
- (h) Effective for service rendered on or after _____ the total adjustment per KWH is _____ per KWH.

SCHEDULES NOS. A, D, DE, OP, P AND S

Add the following as a paragraph to Special Conditions of each of the above Schedules:

- () Purchased Power Adjustment Clause: All service under this schedule, including service rendered under the minimum charge, will be subject to the Purchased Power Adjustment Clause described in the Preliminary Statement. The adjustment amount shall be the product of the total KWH for which the bill is rendered times the adjustment amount per KWH.

SCHEDULE NO. LS-1

Add to Schedule LS-1 Special Condition (4) as follows:

- (4) Purchased Power Adjustment Clause. All service under this schedule, including service rendered under the minimum charge, will be subject to the Purchased Power Adjustment Clause described in the Preliminary Statement. The adjustment amount shall be the product of the total KWH for which the bill is rendered times the adjustment amount per KWH. For purposes of applying the Purchased Power Adjustment Clause, the following monthly consumptions shall be used:

<u>Lamp Rating</u>	<u>Consumption Per Lamp Per Month All Night Service</u>
<u>Incandescent Lamps</u>	
150 watt, 2,310 lumens	50 kwhrs
<u>Mercury Vapor Lamps</u>	
100 watt, 3,120 lumens	33 kwhrs
175 watt, 6,600 lumens	58 kwhrs
400 watt, 18,200 lumens	133 kwhrs