

Decision 89 08 036

AUG 3 1989

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SCEcorp and its public utility)
subsidiary SOUTHERN CALIFORNIA)
EDISON COMPANY (U 338-E) and SAN)
DIEGO GAS & ELECTRIC COMPANY)
(U 902-M) for Authority to Merge)
SAN DIEGO GAS & ELECTRIC COMPANY)
into SOUTHERN CALIFORNIA EDISON)
COMPANY.)

Application 88-12-035
(Filed December 16, 1988;
amended April 17, 1989)

INTERIM OPINION ON MOTION TO DEFER SOUTHERN CALIFORNIA
EDISON COMPANY'S 1991 TEST YEAR GENERAL RATE CASE

I. Summary

In this interim opinion, we grant the Division of Ratepayer Advocates' (DRA) motion seeking deferral of Southern California Edison Company's (Edison) Test Year (TY) 1991 General Rate Case (GRC). In place of the TY 1991 GRC, we authorize Edison to file, on or before March 30, 1990, an application for a modified operational attrition allowance for 1991, as more specifically detailed in Attachments A and B to this interim opinion.

This interim opinion specifically does not address that portion of DRA's motion which requested that we place Edison and San Diego Gas & Electric Company (SDG&E) on the same GRC cycle. Instead we direct DRA, Edison, and SDG&E to confer regarding alternatives to such a scenario, and to make recommendations to us by March 1, 1990, so that a decision can be made before work on Edison's next GRC must begin in earnest.

Finally, this interim opinion addresses concerns raised by several parties who normally participate in Edison's GRCs. We direct the concerned parties to raise the issue of modifications to Schedule DMS-2 in the rate window proceeding. We also provide that

revenue allocation issues will be heard in Edison's 1990 Energy Cost Adjustment Clause (ECAC) proceeding, in accordance with the consensus view reflected in several formal responses to DRA's motion, and DRA's formal reply to these responses.

II. Background

Under existing Commission procedures, Edison is scheduled to tender its Notice of Intent (NOI) in 1989 for a GRC to be tried in 1990 on the basis of a 1991 TY. SDG&E, which recently completed a 1989 TY general rate proceeding, is scheduled to file its next GRC for TY 1992. In pre-filed testimony submitted to the Commission in April 1989 in this docket,¹ Edison and SDG&E (the merger applicants) propose to go forward with Edison's TY 1991 proceeding on a stand-alone basis, to substitute attrition proceedings for SDG&E's TY 1992 proceeding, and to make a combined filing for TY 1994. The merger applicants state that TY 1994 is the first time a fully integrated and detailed single cost of service can reasonably be developed for the merged entity (Bryson Testimony, "Edison's merger objectives and Corporate Policies After the Merger.")²

On May 18, 1989, DRA submitted a letter to the Commission's Executive Director requesting deferral of Edison's TY 1991 rate proceeding due to workload constraints associated with

1 This testimony has not yet been formally sponsored or received in evidence, since evidentiary hearings in this proceeding have not yet begun.

2 At the time the merger applicants made this proposal they contemplated that the Commission would issue its decision on the merger by year-end 1989. This timetable has been superseded by the administrative law judge (ALJ) Ruling of May 26, 1989, which outlines the current schedule for the proceeding.

the proposed merger. According to DRA, it will be extremely burdensome for the Commission as a whole to process both the merger application and Edison's TY 1991 GRC at the same time. DRA notes that if the status quo prevails, hearings in the merger and the TY 1991 GRC will occur simultaneously. DRA also believes there are efficiencies associated with deferral of Edison's TY 1991 GRC to TY 1992, since this would place both merger applicants on the same GRC schedule. DRA does acknowledge that its proposal may trigger a request from Edison for an additional attrition year, and states that the Commission should evaluate any such request on its merits.

DRA's letter was accorded motion status and formal responses were solicited from parties to Application (A.) 86-12-047 (Edison's last general rate proceeding), and R.87-11-012 (the proceeding revising the Rate Case Plan), as well as the merger proceeding (ALJ Ruling dated May 26, 1989, page 13).

Responses to DRA's letter motion were submitted by Utility Consumers Action Network (UCAN), Edison, SDG&E, The California Larger Energy Consumers Association (CLECA), Industrial Users (IU), and the Western Mobilehome Association (WMA). In addition, DRA filed a reply to these responses.

III. Positions of the Parties

A. UCAN's Position

UCAN expresses serious reservations about DRA's deferral request. It believes that DRA's proposal may be even more burdensome than the status quo, because DRA's schedule would require Edison and DRA to work on the NOI in the summer of 1990 while merger hearings are occurring. Furthermore, in UCAN's view, a Commission decision on the merger may occur in early 1991, thereby requiring Edison and SDG&E to revise all the data included in their NOIs, and leading to additional delays in the prosecution of a TY 1992 proceeding. UCAN urges the Commission to consider

these concerns prior to making a determination of the GRC schedules for the merger applicants.

B. Edison's Position

Edison urges the Commission not to defer its TY 1991 GRC, noting that regardless of the pendency of the merger, the utility must have a fair opportunity to recover its costs of providing service, including a reasonable rate of return. Edison argues that the merger case and the GRC are completely different types of proceedings, involving discrete workloads, and that DRA's concerns about the burdens of prosecuting both at the same time are overstated. Edison notes that if the merger is approved, it will be important to have a recently reviewed adopted revenue requirement from which to implement reductions ensuing from the merger savings (Edison Response, page 30).

If the Commission does decide to defer the TY 1991 GRC, Edison urges adoption of a modified attrition mechanism for 1991, separate from the merger proceeding. Edison argues that the current attrition mechanism will be inadequate for 1991 because, unlike a TY 1991 GRC, the attrition mechanism does not make adjustments for recorded and projected changes in rate base, or greater-than-inflation growth in Operation and Maintenance (O&M) expenses, which Edison has experienced since its last GRC, and expects to experience before TY 1992.

Edison's authorized rate base for ratemaking purposes was adopted in December 1987 for TY 1988, for use in its 1989 and 1990 attrition allowances. However, Edison's current projections for 1990 and thereafter indicate that forecasted rate base will be substantially higher than authorized rate base due to greater-than-forecast customer growth and the need for additional facilities to serve increased load. Therefore, Edison requests that it be allowed to adjust its 1991 authorized level of rate base to reflect its forecast of 1991 rate base.

Edison also asserts that its O&M costs are rising due to greater-than-forecast customer growth and rising medical costs. These increases are in excess of the normal escalation used to determine the attrition allowance in the years between rate cases.

In the event its TY 1991 GRC is deferred, Edison requests that the 1991 attrition allowance include those items normally included in the current attrition mechanism (including an adjustment to the jurisdictional allocation factor, pursuant to Decision (D.) 85-12-076), plus an adjustment for rate base, and increased O&M expenses due to greater-than-forecast customer growth and medical expenses.

In the event of deferral, Edison also recommends that the Commission adopt 1992 as Edison's next TY, but estimate TY 1992 costs on the basis of recorded data through 1988. Recorded data for 1988 is preferable to recorded data for 1989 (which ordinarily would be used for TY 1992), because recorded 1989 will contain elements impacted by pre-merger activities, thereby distorting trends and projections of Edison's real operating requirements on a stand-alone basis. Edison also maintains that the TY 1992 GRC should be conducted for Edison on a stand-alone basis regardless of whether the merger is approved. Edison asserts that it is unlikely that the Commission's decision on the proposed merger will be issued by the time the utility must begin preparing its NOI submittal in March 1990. Therefore, in order to permit the regular GRC process to go forward, the 1992 GRC should be conducted for Edison as a stand-alone company. If the merger is approved the stand-alone revenue requirements adopted in the TY 1992 GRC would serve as the base from which to deduct merger savings.

C. SDG&E's Position

In a response submitted separately from its merger partner, SDG&E states that DRA's letter motion seeking deferral of Edison's next GRC to TY 1992 notes that SDG&E's next regularly scheduled GRC would also employ a TY 1992, but requests no action

with respect to SDG&E. Therefore, SDG&E asserts that DRA's motion should be found to request a ruling affecting Edison only, and no ruling affecting the timing of SDG&E's next GRC should be issued as a result of DRA's motion.

D. CLECA's Position

CLECA, which regularly participates in Edison's GRCs in the areas of marginal cost, revenue allocation, and rate design, has two primary concerns associated with the possible deferral of Edison's TY 1991 GRC. First, it believes that a delay in Edison's GRC should not be permitted to negatively affect the goal of achieving a full equal percentage of marginal cost (EPMC) revenue allocation for Edison's customers by the end of 1990 (D.87-12-066, Finding of Fact 299; Conclusion of Law 130). If there is no TY 1991 GRC, CLECA believes the Commission's goal could be accomplished via a revenue allocation in Edison's 1990 annual ECAC, with rates effective January 1, 1991. CLECA wishes Commission assurance that delay in the GRC will not result in a delay in the achievement of full EPMC.

Second, CLECA wishes the Commission to clarify where issues impacting marginal cost, revenue allocation, and rate design for Edison's customers will be heard during the 1990-1991 time frame. CLECA asks whether there will be a rate window proceeding for Edison in the fall of 1990, and, if so, whether this proceeding will consider marginal cost, or whether rates emerging from the case will continue to be based on marginal demand and customer costs for the 1988 TY GRC. CLECA believes that D.89-01-040 is unclear whether revenue allocation is to be done in the rate window proceeding or in the GRC (or annual ECAC in non-GRC years). If revenue allocation is to be done in the rate window proceeding, and not in the annual ECAC proceeding, CLECA states that the Commission will be unable to reach its full EPMC revenue allocation goal by year-end 1990, because any allocation adopted in the rate window proceeding will not become effective until June 1991. CLECA points

to the annual ECAC proceeding for 1990 as the appropriate vehicle for revenue allocation in 1990 (CLECA Comments, page 2).

E. IU's Position

IU, a group comprised of Air Products & Chemicals, Inc.; Anheuser-Busch Companies, Inc.; General Motors Corporation; Kimberly Clark Corporation; Liquid Air Corporation; Mobil Oil Corporation; Nabisco Brands, Inc.; Steelcase, Inc.; and Union Carbide Corporation, has participated actively in past Edison GRCs. IU supports the need for deferral of the TY 1991 GRC, but wants no loss of momentum towards the goal of achieving full EPMC on Edison's system by 1990.

IU urges the Commission to designate those Edison rate proceedings which it will employ to attain its previously stated goal of 100% EPMC on Edison's system by 1990. IU also maintains that any revenue associated with a special 1991 attrition proceeding should be allocated among Edison's customer classes so as to assure further movement towards that full EPMC goal. Assuming that a one-time out-of-phase attrition proceeding is used as the substitute for Edison's TY 1991 GRC, IU believes that proceeding should be limited to revenue requirements issues, and that the allocation of any attrition year revenue requirement increase Edison may ultimately justify should be accomplished in Edison's 1990 ECAC, not the attrition proceeding.

IU details several pending or upcoming proceedings that may impact the ability to move closer to full EPMC, including Edison's trigger ECAC, its cost of capital revenue (A.89-05-021), and its potential 1989 rate design window filing. However, IU asserts that these proceedings may be less significant as vehicles for making progress towards the full EPMC goal than Edison's 1990 ECAC filing. IU wishes the Commission to declare unequivocally that it will use the 1990 ECAC as the vehicle to complete implementation of full EPMC on the Edison system.

F. WMA's Position

WMA is a state-wide association of mobilehome park owners, many of whose members are served on Edison's Schedule DMS-2. This schedule applies to master-metered/submetered mobilehome parks and provides to the park owner a monthly, per space discount to offset against the costs of submetering.

Under Schedule DMS-2 the park owner bills submetered resident usage at Edison's residential rate and in turn the master-metered park owner is billed at the same rate but granted a baseline allowance equal to the sum of the baseline allowance for each resident. The present discount amount was established in Edison's last GRC, and reflects a diversity benefit adjustment which decreases the amount otherwise payable to the park owner. The Commission established that a diversity benefit accrues to the park owner under Schedule DMS-2 when a master-metered customer is billed more sales at baseline rates and less sales at nonbaseline rates than are actually consumed by the submetered residents.

In the last Edison GRC decision the Commission ordered a study to ensure the accuracy of the diversity adjustment. The Commission directed Edison to conduct a study "...for its next general rate case of usage patterns of mobilehome parks which it individual meters and the usage related to each master meter as the basis for developing a diversity adjustment." (D.87-12-066, Conclusion of Law 146, Ordering Paragraph 44.)

The Commission also directed Edison to undertake a study, in cooperation with WMA, for its next GRC, to determine the actual line losses incurred by submetered mobilehome parks served under Edison's Schedule DMS-2 (D.87-12-066, Conclusion of Law 144, Ordering Paragraph 43).

While it is not unsympathetic to DRA's concerns for the need to defer Edison's TY 1991 GRC, WMA wants consideration of the revision of the DMS-2 discount and the losses study in the 1991

attrition proceeding, if that proceeding is substituted for a TY 1991 GRC.

G. DRA's Reply

On July 18, 1989, DRA filed its Reply addressing the responses of Edison, CLECA, and IU.

DRA continues to urge deferral of Edison's TY 1991 GRC, and if its motion is granted, DRA has no objection to allowing Edison to request an additional attrition year for 1991. DRA also agrees with Edison's suggestion that Edison's next TY should be 1992, based on recorded data through 1988, and assuming Edison as a stand-alone company.

DRA expresses concerns about the conditions Edison wishes to attach to a 1991 attrition filing. DRA asserts that any request to deviate from the established attrition methodology should be the subject of hearing room review with the utility carrying the full burden of proof that the deviation is necessary and that its request is reasonable. With those requisites in mind, DRA has submitted a format and schedule for the 1991 attrition proceeding, and indicates Edison's concurrence. These items are appended to this decision as Attachments A and B, respectively. DRA emphasizes the nonprecedential nature of its one-time proposal. It also states that the use of 1992 as Edison's next TY should also establish a new three-year rate case cycle with 1995, 1998, etc. as future test years unless the Commission modifies the rate case cycle in the future.

In connection with the concerns expressed by CLECA and IU, DRA agrees that the 1990 ECAC is the appropriate vehicle to address revenue allocation for 1991. DRA strongly opposes the use of a 1990 rate window proceeding to consider Edison's marginal cost, revenue allocation, and rate design for 1991 implementation. DRA notes that D-89-01-040 is very explicit that the window proceedings are to be used for rate design, and nowhere in the decision are the "windows" opened to marginal cost determination

and/or revenue allocation. Further, DRA notes the time constraints built into the rate window proceedings would preclude consideration of marginal cost and revenue allocation issues.

IV. Discussion

A. The Deferral Issue

In deciding whether to defer Edison's presently scheduled NOI we must first assess the need for deferral. The strongest argument favoring deferral is the burden imposed on both Edison and the Commission of conducting a general rate proceeding coincident with the merger proceeding. Although we agree with Edison's observation that the two proceedings are different in some major respects, we note that when viewed separately, both are significant undertakings in terms of utility, staff, and intervenor time and resources. It does not appear feasible to us to require these parties to litigate these two proceedings simultaneously, especially when many of the same key persons might be involved in overlapping discovery, preparation, hearings, and briefing during the same time frames. We are mindful of UCAN's observation that deferral may distract Edison and DRA from the merger hearings during the summer of 1990 if a new NOI is prepared for submission to the Commission, but that may be a less burdensome alternative than retaining the status quo and thereby ensuring the occurrence of many more overlapping efforts over a much longer period of time. All things considered, we are convinced by the arguments presented that there is a need to defer Edison's TY 1991 GRC.

The next issue is whether to defer Edison from TY 1991 to a GRC to be heard in 1991, using 1988 historical data. This is a difficult question because of the Commission's current plans for SDG&E during TY 1992.

SDG&E believes that DRA's motion does not request specific Commission action with respect to SDG&E's TY 1992 GRC

(SDG&E Response, page 2). This is not entirely accurate. DRA's motion explicitly asserts that deferral of Edison's TY 1991 GRC will place both utilities on the same GRC schedule. (DRA Letter Motion, page 2.) Thus, DRA's motion implicitly requests the Commission to retain the existing GRC schedule specifying a TY 1992 GRC (with hearings in 1991) for SDG&E, while adding a GRC for Edison which would also be heard in 1991. Clearly, it appears that both DRA and SDG&E envision that the Commission will conduct two major stand-alone GRCs during the same time period.

Edison's position on this issue is not clear. Edison's response does not address the question of retaining the existing TY 1992 GRC for SDG&E, although the merger applicants had earlier proposed converting this TY 1992 GRC to an attrition filing (Bryson Testimony on Edison's Merger Objectives and Corporate Policies After the Merger, submitted April 1989, in A.88-12-035).

While we are convinced of the need to defer Edison's TY 1991 proceeding, we are less convinced of the wisdom of conducting stand-alone GRCs for both Edison and SDG&E during the same time period. Such an undertaking would be a daunting task in any event, and is made more complicated by the pendency of the merger. Yet, that is precisely what DRA, SDG&E, and perhaps Edison envision. We believe it would be beneficial for all concerned to fully consider the implications of this proposal before committing to it in advance. Confronting the realities of this proposal now may avoid the filing of additional petitions for relief next year.

To that end, we direct Edison, SDG&E, and DRA to confer over the next several months to attempt to develop feasible alternatives to litigating two stand-alone GRCs during the same time period. On or before March 1, 1990, Edison, SDG&E, and DRA shall file in this docket their written comments suggesting such

alternatives.³ We encourage these parties to file joint comments if that is possible based on the results of their conferences. Once these comments have been filed, we will allow other parties to file responsive comments according to a schedule outlined by the assigned ALJs.

March 1 is chosen as the date for filing these comments because it roughly coincides with the time the utilities will begin work prior to submitting their 1992 NOIs in the fall of 1990. Thus, the timing of the Commission's final decision on this issue should not adversely impact the NOI process itself.

Thus, in this interim decision we do not resolve the question whether Edison will prosecute a GRC during 1991, nor do we address the specific parameters of such a GRC (i.e. use of recorded 1988 data in lieu of a forecasted 1992 TY). These issues will be decided once the matter is before us again on March 1 1990. If we ultimately decide to proceed with a GRC for Edison to be heard in 1991, based on the information then presented, there will be ample opportunity to specify the parameters of that GRC in a timely fashion.

B. The Manner of Accomplishing Deferral of TY 1991

The next issue to be resolved is whether deferral can be accomplished in a manner which protects the interests of both the utility and its ratepayers. We believe that the proposal embodied as Attachments A and B to DRA's Reply, in which Edison concurs, will adequately meet these concerns.

The proposal allows Edison the opportunity to present testimony, in the context of attrition year 1991, addressing the specific modifications it seeks to the normal operational attrition mechanism. These specific modifications, as detailed in

³ The parties may include, among their suggested alternatives, practical suggestions for proceeding to litigate both GRCs during the same year, but such a course of action is not favored by the Commission at this time.

Attachment A, involve: (1) a Fixed Component (Rate Base Modifications); (2) a Variable Component (Growth in selected O&M areas, Medical Growth, Post-Retirement tax advantaged funding, and San Onofre Nuclear Generating Station refueling outage); (3) Jurisdictional Allocation (Off-system sales; Resale Cities); and (4) Productivity. The proposed procedural schedule requires a March 30, 1990 attrition filing, contemplates no more than four days' hearing time, and specifies that new rates based on the attrition allowance will be effective January 1, 1991.

We will adopt this proposal as submitted, with the cautionary note that we do not intend to authorize any further broadening of the issues to be explored in the 1991 attrition proceeding, and will limit the scope of the proceeding to that reflected in Attachments A and B. In addition, we caution Edison that it will have the burden of demonstrating the appropriateness of including in rates any changes stemming from the modified attrition proceeding authorized in this interim opinion.

In response to concerns expressed by IU, we also clarify that any revenue requirement changes authorized as a result of the modified attrition proceeding, to be effective January 1, 1991, will be allocated in accordance with the methodology used to allocate Edison's 1990 ECAC revenue requirement. Since both decisions will require changes to Edison's rates, effective January 1, 1991, this approach is totally appropriate.

C. Revenue Allocation Issues

The comments of CLECA and IU request guidance from the Commission as to where revenue allocation issues will be heard in the absence of a TY 1991 GRC for Edison. Both CLECA and IU point to Edison's 1990 ECAC proceeding as the appropriate place to assess revenue allocation issues for 1991. In its reply, DRA agrees that "revenue allocation should be addressed in the 1990 ECAC as it has been in most ECACs in recent years." (DRA Reply, page 2.)

The rate window procedure outlined in D.89-01-040 (Appendix B 5, B 6, B 18, B 19) is not the appropriate place to consider these revenue allocation issues given the limited nature of that procedure and the limited amount of time allowed (D.89-01-040, Appendix B 18 to B 19).

Given the consensus view of CLECA, IU, and DRA that revenue allocation issues, and more specifically the move toward full EPMC for Edison's customers, should be addressed in Edison's 1990 ECAC proceeding, and not elsewhere, this order so provides.

D. Rate Design Issues Raised by WMA

WMA's request that the Commission consider in the 1991 modified attrition proceeding the revision of the DMS-2 discount, based on the results of the diversity and losses studies ordered in D.87-12-066, has some merit. WMA is, after all, merely requesting that the studies be considered in the same time period (TY 1991) contemplated by the Commission in D.87-12-066.

We are concerned, however, that adding this issue to the modified attrition proceeding, which is limited to revenue requirements issues, will unduly complicate that proceeding and possibly delay its outcome. We prefer that WMA and Edison litigate this issue in the rate window proceeding, and will direct them to do so if they wish to resolve the issue prior to Edison's next GRC.

WMA indicates that the parties are "well on their way in the cooperative study and expected to have a result available for a 1991 Test Year GRC filing" (WMA Response, page 5), so it is conceivable that little or no litigation will be required. In any event, the workings of the electric rate design window procedure are fairly straightforward and should result in speedy resolution

of the Schedule DMS-2 issue,⁴ assuming the parties adhere to the requirements specified in D.89-01-040.

As specified in Appendix B to D.89-01-040, any party may propose revisions to Edison's adopted rate design from December 20 to 26 prior to an attrition year. This means effectively that either WMA or Edison may submit the proposed revisions to the DMS-2 schedule, full justification for the revisions, an explanation why the revisions should be considered prior to Edison's next GRC, and a reconciliation with the latest adopted revenue requirement and class allocations (D.89-01-040, Appendix B 18). Hearings will occur 72 days after submission of the proposal; no more than five hearing days are allowed for rate window proposals, so a final decision on the revisions to Schedule DMS-2 would issue 142 days after the submission of the proposed revisions (D.89-01-040, Appendix B 19).

Findings of Fact

1. On May 18, 1989, DRA submitted a letter motion requesting deferral of Edison's TY 1991 GRC to TY 1992, due to workload and timing constraints associated with processing the merger application and Edison's TY 1991 application during the same time interval.

2. Since SDG&E is also scheduled for a TY 1992 GRC, DRA explicitly recognized that its recommendation would result in placing both merger applicants on the same GRC cycle.

3. In merger-related draft testimony submitted in April 1989, the merger applicants propose to proceed with Edison's TY 1991 GRC, but to defer SDG&E's TY 1992 GRC and replace it with an attrition year; however, in response to DRA's May 18, 1989 letter

4 However, if it becomes clear in the future that this issue is more contentious than it now appears, we will be receptive to requests to resolve it in another forum.

motion, SDG&E states that it seeks no order from this Commission impacting its TY 1992 schedule.

4. In its formal response, Edison opposes DRA's letter motion, but indicates that if deferral is required, it seeks a modified attrition mechanism for 1991 to recognize the impacts of greater-than-forecast customer growth and growth in selected O&M areas. In its formal reply, DRA indicates that it has reached agreement with Edison on the format and schedule of a modified attrition proceeding, as reflected in Attachments A and B hereto.

5. Unless the normal attrition proceeding is modified, Edison will be unable to request rate recognition of certain specified customer growth and medical costs which it claims are in excess of the normal escalation used to determine the attrition allowance in the years between rate cases; the utility will also be unable to adjust its authorized level of rate base under normal attrition procedures.

6. DRA's argument that workload and timing constraints prevent the processing of the merger application and Edison's TY 1991 GRC during the same time periods is convincing; therefore, deferral of Edison's TY 1991 proceeding is necessary, although Edison should be afforded an opportunity to present its showing justifying a modified 1991 attrition adjustment, as more particularly set forth below.

7. This decision does not address those aspects of DRA's letter motion which contemplate that the Commission will accede to placing both Edison and SDG&E on the same GRC cycle. It is appropriate to require Edison, SDG&E, and DRA to confer to arrive at an alternative to the scenario under which both utilities would prosecute GRCs during the same time period, given our reservations about the feasibility of such an undertaking.

8. The parameters of Edison's modified attrition proceeding for 1991, as set forth in Attachments A and B hereto, are reasonable, subject to the proviso that the utility bears the

burden of proof to justify the revenue requirements modifications it seeks.

9. Any revenue requirement changes flowing from Edison's 1991 modified attrition proceeding will be implemented pursuant to the revenue allocation procedures adopted in Edison 1990 ECAC proceeding, with new rates effective January 1, 1991.

10. Edison's 1990 ECAC proceeding is the appropriate place to litigate revenue allocation issues for the relevant period. The rate window proceeding is not the appropriate forum to litigate these issues.

11. WMA's proposals relative to modification of the DMS-2 schedule were to be heard in Edison's TY 1991 GRC, as provided in D.87-12-066; however, WMA's proposals may be accommodated in the rate window proceeding, with a filing in December 1990, as more particularly set forth in D.89-01-040.

Conclusions of Law

1. Edison's TY 1991 GRC should be deferred, and replaced with a modified attrition proceeding for 1991, as more particularly set forth in Attachments A and B hereto.

2. Alternatives to placing Edison and SDG&E on the same GRC cycle should be developed by Edison, SDG&E, and DRA, as set forth in the ordering paragraphs which follow.

3. The scope, format, and schedule of Edison's modified attrition proceeding for 1991 should be adopted as set forth in Attachments A and B thereto.

4. Edison must carry its burden of proof that the revenue requirement changes it proposes in the 1991 modified attrition proceeding should be adopted by this Commission.

5. Revenue allocation issues should be considered in Edison's 1990 ECAC proceeding, consistent with the provisions of this interim opinion.

6. WMA's proposals relative to Schedule DMS-2 should be raised in the rate window proceeding, as specified in D.89-01-040.

INTERIM ORDER

IT IS ORDERED that:

1. Division of Ratepayer Advocates' (DRA) letter motion seeking deferral of Southern California Edison Company's (Edison) Test Year (TY) 1991 General Rate Case (GRC) is hereby granted in part; Edison's TY 1991 GRC is deferred, to be replaced by a modified attrition proceeding for 1991, as more particularly set forth in Attachments A and B hereto.

2. Edison, San Diego Gas & Electric (SDG&E), and DRA shall confer to develop alternatives to placing both utilities on the same GRC cycle. On or before March 1, 1990, Edison, SDG&E, and DRA shall file in this docket the original and 12 copies of written comments (or, at their option, a single set of written comments), outlining the results of their conferences, and including recommended alternatives. These comments shall be served on all parties to A.86-12-047 (Edison's last GRC) and R.87-11-012 (the proceeding which dealt with the Rate Case Plan revision), as well as A.88-12-035 (the merger proceeding).

3. On or before March 30, 1990, Edison shall file its formal application for a modified 1991 operational attrition allowance, with supporting exhibits, testimony, and workpapers. Edison shall serve copies of this filing on all parties to A.88-12-035 and A.86-12-047, in addition to otherwise applicable service requirements. The remaining schedule for the modified 1991 attrition proceeding is that set forth in Attachment B hereto, and is hereby adopted subject to any future modifications the assigned ALJ may deem necessary or appropriate.

4. The Executive Director shall serve copies of this interim opinion on all parties on the official service lists for A.86-12-047 and R.87-11-012.

This order is effective today.

Dated AUG 3 1989, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

Commissioner Stanley W. Hulett,
being necessarily absent, did not
participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Victor Weisser, Executive Director

ATTACHMENT A

SOUTHERN CALIFORNIA EDISON COMPANY
1991 MODIFIED ATTRITION ALLOWANCE

FORMAT OF 1991 ATTRITION APPLICATION

- o Application
 - Request authority to revise rates for operational attrition in 1991.

- o Testimony/Exhibits/Workpapers
 - 1) Testimony on Normal Operational Attrition
 - Fixed Component
 - Variable Component
 - Changes in taxes, fees & postage rates, etc.

 - 2) Testimony on Modifications to Normal Operational Attrition
 - Fixed Component
 - o Rate base modifications
 - Variable Component
 - o Growth in selected O&M areas
 - o Medical growth
 - o Post-retirement tax advantaged funding
 - o SONGS Refueling Outage
 - Jurisdictional Allocation
 - o Off system sales
 - o Resale cities
 - Productivity

(END OF ATTACHMENT A)

ATTACHMENT B

SOUTHERN CALIFORNIA EDISON COMPANY
1991 MODIFIED ATTRITION ALLOWANCE

PROCEDURAL SCHEDULE

<u>DATE</u>	<u>EVENT</u>
1990	
March 30	Edison files Application for Modified 1991 Operational Attrition Allowance with Supporting Exhibits, Testimony, and Workpapers.
July 2	DRA files Report on Attrition Application.
August 1	Intervenors file Testimony on Attrition Application.
August 20-23	Hearings on Attrition Issues (four days).
September 14	Opening Briefs.
September 28	Closing Briefs.
November 2	ALJ Draft Decision.
December 19	Final Decision on Attrition Application.
1991	
January 1	New Rates Effective Based on Attrition Allowance.

(END OF ATTACHMENT B)

and/or revenue allocation. Further, DRA notes the time constraints built into the rate window proceedings would preclude consideration of marginal cost and revenue allocation issues.

IV. Discussion

A. The Deferral Issue

In deciding whether to defer Edison's presently scheduled NOI we must first assess the need for deferral. The strongest argument favoring deferral is the burden imposed on both Edison and the Commission of conducting a general rate proceeding in tandem with the merger proceeding. Although we agree with Edison's observation that the two proceedings are different in some major respects, we note that when viewed separately, both are significant undertakings in terms of utility, staff, and intervenor time and resources. It does not appear feasible to us to require these parties to litigate these two proceedings simultaneously, especially when many of the same key persons might be involved in overlapping discovery, preparation, hearings, and briefing during the same time frames. We are mindful of UCAN's observation that deferral may distract Edison and DRA from the merger hearings during the summer of 1990 if a new NOI is prepared for submission to the Commission, but that may be a less burdensome alternative than retaining the status quo and thereby ensuring the occurrence of many more overlapping efforts over a much longer period of time. All things considered, we are convinced by the arguments presented that there is a need to defer Edison's TY 1991 GRC.

The next issue is whether to defer Edison from TY 1991 to a GRC to be heard in 1991, using 1988 historical data. This is a difficult question because of the Commission's current plans for SDG&E during TY 1992.

SDG&E believes that DRA's motion does not request specific Commission action with respect to SDG&E's TY 1992 GRC

The rate window procedure outlined in D.89-01-040 (Appendix B 5, B 6, B 18, B 19) is not the appropriate place to consider these revenue allocation issues given the limited nature of that procedure and the limited amount of time allowed (D.89-01-040, Appendix B 18 to B 19).

Given the consensus view of CLECA, IU, and DRA that revenue allocation issues, and more specifically the move toward full EPMC for Edison's customers, should be addressed in Edison's 1990 ECAC proceeding, and not elsewhere, this order so provides.

D. Rate Design Issues Raised by WMA

WMA's request that the Commission consider in the 1991 modified attrition proceeding the revision of the DMS-2 discount, based on the results of the diversity and losses studies ordered in D.87-12-066, has some merit. WMA is, after all, merely requesting that the studies be considered in the same time period (TY 1991) contemplated by the Commission in D.87-12-066.

We are concerned, however, that adding this issue to the modified attrition proceeding, which is limited to revenue requirements issues, will unduly complicate that proceeding and possibly delay its outcome. We prefer that WMA and Edison litigate this issue in the rate window proceeding, and will direct them to do so if they wish to revolve the issue prior to Edison's next GRC.

WMA indicates that the parties are "well on their way in the cooperative study and expected to have a result available for a 1991 Test Year GRC filing" (WMA Response, page 5), so it is conceivable that little or no litigation will be required. In any event, the workings of the electric rate design window procedure are fairly straightforward and should result in speedy resolution.