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Decision 90-11-068 November 21, 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 Southern California Edison Company )  
 for authority to increase rates )  
 charged by it for electric service. )

(Electric) (U 338 E) )

Order Instituting Investigation into )  
 the rates, charges, and practices of )  
 the Southern California Edison )  
 Company. )

**ORIGINAL**  
 Application 86-12-047  
 (Filed December 26, 1986)

I.87-01-017  
 (Filed January 14, 1987)

**OPINION ON PETITION OF  
 SOUTHERN CALIFORNIA EDISON COMPANY  
 FOR MODIFICATION OF DECISION 87-12-066**

This decision addresses the Petition for Modification filed on January 12, 1990 by Southern California Edison Company (Edison). Edison requests that the Commission defer the elimination of Schedule GS-TP, and extend the final date on which new customers may apply for service under Schedules I-3 and I-5 since the replacement Schedule I-6 has imperfections.

The Division of Ratepayer Advocates (DRA, the successor of PSD) filed a protest on February 9, 1990. Edison filed a response on March 2, 1990.

**Lighting - Small and Medium Power Customer Group**

The Commission in Edison's test year 1988 general rate case decision stated:

"The agreement reached by Edison and PSD included the following:

- "1. **Schedule Changes:** PSD has agreed to Edison's proposal to eliminate Schedule GS-1, creating two new schedules in its place. The first would be GS-SP, for single-phase customers. The second would be GS-TP for three-phase customers, but its

use would be limited to existing GS-1 three-phase customers, with new three-phase customers moving to the demand-metered Schedules GS-2, TOU-GS, and PA-2 or PA-1, a connected load schedule based on their operation. In addition, Edison has accepted the PSD recommendation that Schedule GS-TP be eliminated effective December 31, 1990, thus placing all three-phase customers on one of the above schedules." (D.87-12-066, p. 305.)

The Commission adopted the above agreement (Finding of Fact 350, D.87-12-066).

Edison in its Petition for Modification requests that Schedule GS-TP be kept open to new customers until the rate design decision in its next general rate case is issued. Edison's general rate case has been deferred to a 1992 test year, and it is expected that the rate design decision will be issued in June 1992 (D.89-08-036).

DRA does not oppose a delay in the elimination of Schedule GS-TP. DRA agrees that additional research is necessary to design a replacement schedule and some analysis within a general rate case setting is required before Schedule GS-TP is closed.

Since more work needs to be done on the replacement schedule, we agree that it is reasonable to grant Edison's request to keep Schedule GS-TP open to new customers until the Commission issues its rate design decision in Edison's test year 1992 general rate case proceeding.

Large Power Customer Group Interruptible Rates

In Edison's test year 1988 general rate case decision, the Commission stated:

"In this proceeding, we have again also been faced with existing interruptible schedules which require a specified contract term commitment and a new schedule which is based on marginal costs. . . .

"We are also concerned with Edison's assertion that PSD may not have considered the intent of Section 743 of the California Public Utilities Code in developing its proposed I-6 rate schedule. . . .

"For these reasons, we find that it is reasonable to leave the I-3 and I-5 schedules open for new customers until January, 1, 1991. At that time, Edison's next general rate case will have concluded, any "imperfections" in the I-6 schedule will have been resolved in that proceeding, and customers will have received three-years notice of the intended closing of these schedules. To ensure the communication of this notice, Edison's tariffs should specifically state that the I-3 and I-5 schedules will be closed to new customers after January 1, 1991.

"For existing customers, we believe that it is reasonable for those customers who had signed a contract with Edison under the I-3 and I-5 schedules prior to the effective date of this decision to complete that contract term under those schedules. Therefore, the I-3 and I-5 schedules will be closed effective January 1, 1993, to this group of existing customers. For those new customers signing contracts under the I-3 and I-5 schedules between the date of this decision and January 1, 1991, the terms of their contracts should provide for their termination with respect to Schedules I-3 and I-5 no later than January 1, 1993, with the remainder of any unexpired contract commitment being served under Schedule I-6 after that time. Our goal in adopting this approach is to ensure that Edison can rely on the five-year interruptible commitment whether that commitment relates to Schedule I-3, I-5, or I-6. . . ." (D.87-12-066, pp. 335-336.)

In its Petition for Modification, Edison requests that the Commission defer the December 31, 1990 closing of the I-3 and I-5 schedules to new customers, and that these schedules be kept open to new customers until the rate design decision in Edison's next general rate case becomes effective.

DRA objects to Edison's request and points out that the Commission prefers the cost-based Schedule I-6 for new customers and does not want to keep the Schedules I-3 and I-5 open any longer than necessary. DRA argues that there is no reason to keep these schedules open past January 1, 1991, since by that time, new customers will still have received three years notice of the intended closing of these schedules. Also, according to DRA, it is not necessary to wait for a general rate case to resolve any

"imperfections" in the Schedule I-6 that may become apparent. DRA contends that the next Edison rate window proceeding can be used for that purpose.

In its response to DRA, Edison asserts that the policy established in Edison's 1988 general rate case decision requires maintaining availability of Schedules I-3 and I-5 until Edison's test year 1992 general rate case decision is issued. According to Edison, the Commission linked the closure of Schedules I-3 and I-5 to resolution of the "imperfections" in Schedule I-6 (D.87-12-066). Edison contends that the rate window proceeding is not the proper forum for litigating Schedule I-6. Also, Edison believes that addressing Schedules I-6 in the rate window proceeding is inconsistent with DRA's recommendation to close Schedules I-3 and I-5 on January 1, 1991. According to Edison, the complexity of the issues requires that Schedule I-6 be addressed in Edison's next general rate case.

With regard to the complexities of Schedule I-6, Edison's test year 1988 general rate case decision further states:

"...We find that PSD's proposed I-6 schedule, to which the majority of the parties have agreed

in concept, achieves the goal of providing cost-based rates and in turn accurate price signals to interruptible customers. Certain modifications of this proposal, however, are required.

"Specifically, we find the penalty for failure to interrupt as proposed by either PSD or Edison is too harsh and would act as a significant deterrent to customers moving to this schedule. As CMA has pointed out, the levels of the penalties recommended by these parties would essentially eliminate the discount upon a single failure to curtail with subsequent failure producing charges far in excess of firm rates.

"While we find PSD's and Edison's proposals unduly harsh, Resolution E-3044 reflects that the opposite extreme of up to 11 failures to curtail or interrupt in a 12-month period is a too lenient penalty. As that resolution indicates, the result of such an approach is to reduce the customer's incentive to reduce load when requested. Since the goal of this schedule is to provide lower rates for less reliable service, we believe that reasonable penalties ensuring that the customer respond to requests to interrupt are essential. We find that the graduated approach for such penalties, adopted in Resolution E-3044, provides for such penalties."

"...As we have noted CMA suggests that our adopted approach of basing interruptible rates on the value of such interruption to the utility fails to reflect the cost of serving the interruptible customer. CMA has acknowledged, however, that this issue was not sufficiently addressed in this proceeding to warrant a change in our approach. For Edison's next general rate case, however, we will direct Edison and PSD to develop an interruptible schedule based on cost of service to the interruptible customer, in addition to a schedule based on the current consideration of the value of interruptibility to the utility. In this way, we will not only have the schedules to compare, but also the insights of the parties as to the merits of changing our

approach for determining interruptible incentives to a cost of service basis." (D.87-12-066, pp. 334-338.)

Based on the above discussion, we conclude that Edison has a valid argument with regard to the complexity of the issues relating to Schedule I-6 that remain to be resolved. Furthermore, the record in Edison's test year 1988 general rate case may be stale. For example, in a 1991 rate window proceeding, the litigation of the value of interruptibility based on costs of service that were developed in 1987 may be counter-productive. Therefore, we conclude that Edison's rate window proceeding is not the appropriate proceeding to address such a complex issue. Schedule I-6 should be examined at length in Edison's next general rate case along with all interruptible schedules, since piece-meal treatment of one interruptible schedule using 1987 data may create further problems.

In summary, we agree with the DRA's recommendation that Schedules I-3 and I-5 should be closed to new customers on January 1, 1991, (Finding of Fact 384, D.87-12-066). Edison's request to keep Schedules I-3 and I-5 open to new customers beyond January 1, 1991, is denied. All termination dates set forth in findings of fact 385, 386, and 388 set forth in D.87-12-066 related to Schedules I-3 and I-5 should remain unchanged.

Findings of Fact

1. Some analysis within a general rate case setting is required to design a replacement before Schedule GS-TP is closed.
2. Because of the complexity of the issues and the staleness of the data, it would be counterproductive to examine Schedule I-6 in Edison's 1991 rate window proceeding.
3. D.87-12-066 requires that Schedules I-3 and I-5 be closed to new customers on January 1, 1991 (Finding of Fact 384).

4. There is no justification to keep Schedules I-3 and I-5 open to new customers beyond January 1, 1991, since these rates are not cost-based.

5. The issues related to Schedule I-6 are complex and are best examined in Edison's next general rate case along with the other interruptible schedules.

Conclusions of Law

1. It is reasonable to keep Schedule GS-TP open to new customers until the Commission issues its rate design decision in Edison's test year 1992 general rate case proceeding.

2. Schedules I-3 and I-5 should be closed to new customers on January 1, 1991 as previously decided in D.87-12-066.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company's (Edison) request to keep Schedule GS-TP open to new customers until a rate design decision is issued in its test year 1992 general rate case is granted. Decision (D.) 87-12-066 is modified accordingly.

2. Edison's request to keep Schedules I-3 and I-5 open to new customers after January 1, 1991 is denied.

3. Schedule I-6 shall be examined along with other interruptible schedules in Edison's test year 1992 general rate case proceeding.

4. Edison is authorized and directed to file with this Commission, on or after the effective date of this order, and at least 5 days prior to their effective date, revised tariffs schedules for electric rates based on this decision.

5. The revised tariff schedules shall become effective on or after January 1, 1991, and shall comply with General Order 96-A. The revised tariffs shall apply to service rendered on or after their effective date.

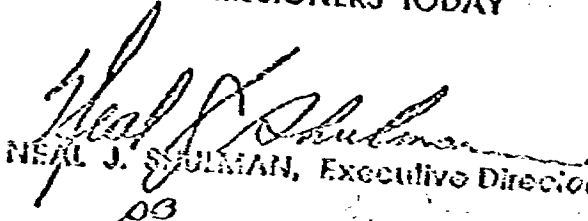
This order is effective today.

Dated November 21, 1990, at San Francisco, California.

G. MITCHELL WILK  
President  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

Commissioner Frederick R. Duda,  
being necessarily absent, did  
not participate.

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

  
NEAL J. SULLIVAN, Executive Director  
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