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Decision 92-10-050 October 21, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for Authority to Increase its Authorized Level of Base Rate Revenue Under the Electric Revenue Adjustment Mechanism for Service Rendered Beginning January 1, 1992 and to Reflect this Increase in Rates.

ORIGINAL

Application 90-12-018 (Filed December 7, 1990)

I.89-12-025 (Filed December 18, 1989)

I.91-02-079 (Filed February 21, 1991)

Case 92-07-056 (Filed July 27, 1992)

And Related Matters.

**THIRTEENTH INTERIM OPINION:
PHASE 2 PETITION FOR MODIFICATION**

1. Summary

The Commission grants a petition for modification of Decision (D.) 92-06-020 which was filed by Southern California Edison Company (Edison) on September 10, 1992. Edison's request to add two special conditions to its Schedule GS-2 is adopted. By providing average rate limiters and a level pay plan for customers who were transferred to Schedule GS-2, these conditions mitigate the bill impacts which result from the transfer. In addition, certain Schedule GS-2 customers with low maximum demand will be able to transfer to non-demand-metered schedules.

2. Background

D.92-06-020 decided Phase 2 matters (revenue allocation and rate design) in Edison's test year 1992 general rate case (GRC). Among the numerous rate changes adopted by D.92-06-020 and

implemented by Edison effective June 7, 1992, Lighting-Small and Medium Power (LSMP) customers with maximum demands in excess of 20 kW (or with a connected load of greater than 20 horsepower) were transferred to Schedule GS-2. The transfer resulted from the adoption of rate design proposals by Edison which were duly noticed through customer bill inserts and which were uncontested in hearings which led to D.92-06-020.

As a result of the transfer, LSMP customers with low load factors (little kWh usage relative to maximum demand) experienced substantial bill increases due primarily to the Schedule GS-2 summer demand charge. This was followed by numerous informal complaints and, as of September 2, 1992, one formal complaint (Case (C.) 92-07-056) by Universal Forest Products, Inc.).

By D.92-09-046 dated September 2, 1992, in response to these complaints, the Commission reopened Phase 2 to provide for an expedited review of the transfer's impact and the need for a phase-in mechanism to mitigate any adverse impacts. C.92-07-056 was consolidated with the GRC dockets. D.92-09-046 directed Edison to file a response setting forth an analysis of the bill impact resulting from the transfer and any proposals it may have for mitigating its impact. Additionally, effective September 2, 1992, revenues collected by Edison under Schedule GS-2 from customers who were transferred to that schedule pursuant to D.92-06-020 were made subject to refund to those customers.

Edison filed its response to D.92-09-046 as a petition for modification of D.92-06-020. No party responded to Edison's petition as of September 21, 1992, the date set in D.92-09-046 for such responses.

3. Edison's Proposal for Mitigation

Edison proposes three measures for mitigating the bill impacts imposed on customers who transfer to and remain on Schedule GS-2. It would add two special conditions, set forth below, to Schedule GS-2. These conditions, which provide a Level Pay Plan

and an Average Rate Limiter for former Schedule GS-SP and Schedule GS-TP customers of record as of June 6, 1992, who are subsequently transferred to Schedule GS-2 are set forth below:

Temporary Level Pay Plan: Customers of record on Schedule GS-SP and GS-TP as of June 6, 1992 who are subsequently transferred to this schedule may participate in a Level Pay Plan under the 12 conditions set forth in Section E of the Company's Rule 9. Service under this Special Condition may begin as late as January 1, 1995, and this Special Condition shall terminate January 1, 1996.

Average Rate Limiter: For customers of record on Schedule GS-SP and GS-TP as of June 6, 1992 who are subsequently transferred to this schedule, the customer's total monthly bill under this schedule, excluding the Public Utilities Commission Reimbursement Fee, Low Income Surcharge, Power Factor Adjustment, and Excess Transformer Capacity charge, shall be reduced, if necessary, so that the average rates during the following periods do not exceed the levels shown:

<u>Period</u>	<u>Cents per kWh</u>
9/2/92 to 10/3/92	18.000 cents
10/4/92 to 12/31/92	18.000 cents
1/1/93 to 6/5/93	18.000 cents
Summer 1993	28.500 cents
Summer 1994	36.000 cents
Summer 1995	39.800 cents

This Special Condition shall terminate January 1, 1996.

Additionally, if the Commission approves the requested Special Conditions discussed above, Edison intends to include a Permanent Change In Operation Conditions Declaration in the Advice Letter with the tariff sheets implementing the Special Conditions as an additional method to mitigate bill impacts. The declaration will be used with Schedule GS-2 customers who can reduce their demand to 20 kW or less through a permanent change in their

operating conditions. This will allow these customers to change to other rate schedules in accordance with Edison's Rule 12 without meeting the current requirement of completing 12 consecutive months of service at or below 20 kW on Schedule GS-2.

4. Discussion

Edison's bill impact analysis shows that without a phase-in mechanism, the 17,000 customers transferred to Schedule GS-2 face, on average, annual bill increases of 22%. For many of these customers the increase is dramatic. For example, 13.8% of them face annual billing increases of 50% to 100% and 7.8% of them face increases of greater than 100%. While we recognize that these are customers with low load factors, and marginal cost ratemaking principles indicate the need to realign their rates through the application of demand charges, we also recognize that the bill increases are substantial and should be mitigated through measures such as those proposed by Edison.

In the first year (September 1992 to September 1993), Edison's proposal benefits 10,000 affected Schedule GS-2 customers. Only 10.5% of the transferred customers face increases of 50% to 100% and none faces an increase greater than 100%.¹ There are still significant bill increases for a significant number of customers, but we are persuaded that Edison's proposal represents a reasonable balancing of ratemaking goals discussed in D.92-06-020. The proposal allows affected customers who can reduce their demand to 20 kW or less through permanent changes in operating conditions

¹ Relatively few customers will face significant increases in the second and third years that the limiters are in effect. The average bill impact for the second year is 2.3%. Over 90% of affected customers will face bill increases of less than 20%. Over 80% will receive increases of less than 5%.

For the third year, the estimated average annual bill increase is 0.1%. Almost 90% of customers will have no bill increase and the maximum bill increase faced by any customer is 7.0%.

to avoid demand charges altogether. It provides those who cannot do so with reasonable maximum limits on their monthly bills on a temporary, phased basis. The financial impact on customers is also mitigated through the availability of the level pay plan.

The revenue deficiency caused by the average rate limiters is an estimated \$4.6 million in the first year, \$1.0 million in the second year, and \$0.8 million in the third year. This deficiency will be recovered from all other customers through the normal operation of the Electric Revenue Adjustment Mechanism. We do not believe that the projected revenue deficiency imposes an undue burden on other ratepayers.

We find that with minor revisions which are discussed below, Edison's mitigation proposal is reasonable and should be adopted. Phase 2 of this proceeding will remain open pending disposition of C.92-07-056, which has been consolidated with this GRC.

We note, that as written, the proposed average rate limiter condition could have the practical result of a waiver of customer charges for customers with very low consumption levels. There is no indication that Edison intended such a result and we do not find it to be appropriate. We will direct Edison to revise the language to provide that any customer whose energy bill using the rate limiter approach is less than the monthly GS-2 customer charge shall pay a minimum bill equal to the customer charge.

We also note that while the proposed average rate limiter explicitly applies retrospectively to September 2, 1992, the beginning date set by D.92-09-046 on which affected customers' rates are subject to refund, the proposal for allowing customers who can reduce their demand to the 20 kW threshold or lower does not do so. We will direct Edison to explicitly include such a provision so that eligible customers who have been able to reduce their demand through permanent operational changes can be moved to a non-demand-metered schedule effective September 2, 1992.

Finally, we note that a "permanent change" in operating conditions should include both permanent removal or reconfiguration of electrical equipment and implementation of energy management measures acceptable to the utility.

The large number of informal complaints received by the Commission prompts us to consider why the proposed transfer of thousands of LSMP customers to a demand-metered schedule without any mitigation measures was uncontested in this proceeding. We wonder if the potential for substantial bill increases escaped the attention of parties because there was no bill impact analysis which highlighted this impact. For future rate proceedings, whenever feasible, we want utilities and other parties who present us with bill impact analyses to reflect not only impact of rate changes proposed for customers on a given schedule but also the impact of transferring customers among schedules.

Findings of Fact

1. There are no protests or other responses to Edison's petition for modification of D.92-06-020, and evidentiary hearings are not required.

2. Without a phase-in mechanism, the 17,000 customers transferred to Schedule GS-2 face an average annual billing increases of 22%.

3. An estimated 13.8% of the customers transferred to Schedule GS-2 face billing increases of 50% to 100%, and 7.8% of them face increases of greater than 100%.

4. It is reasonable to mitigate substantial bill increases through measures such as those proposed by Edison.

5. In the first year, Edison's phase-in proposal will benefit 10,000 affected customers; only 10.5% of the transferred customers will face increases of 50% to 100% and none will face increases of greater than 100%.

6. The revenue deficiency caused by the proposed average rate limiters does not impose an undue burden on other ratepayers.

7. As written, the proposed average rate limiter condition could result in the waiver of customer charges for customers with very low consumption levels.

8. Edison's proposal for allowing customers who can reduce their demand to or below 20 kW to transfer to non-demand-metered schedules does not explicitly apply retrospectively to September 2, 1992.

Conclusions of Law

1. Edison's mitigation proposal, as set forth in its September 10, 1992 petition for modification of D.92-06-020, is reasonable and should be adopted with the minor revisions discussed herein.

2. In its tariff filing which implements the mitigation proposal, Edison should revise the language which describes the average rate limiter to provide that any Schedule GS-2 customer whose total bill using the rate limiter approach is less than the monthly Schedule GS-2 customer charge shall pay a minimum bill equal to the customer charge.

3. In its tariff filing which implements the mitigation proposal, Edison should include an explicit provision allowing eligible customers who have already been able to reduce their demand to be moved to a non-demand-metered schedule effective September 2, 1992.

4. This order should be made effective today so that customers impacted by the transfer to a demand metered schedule can benefit from the mitigation measures adopted as soon as practicable.

THIRTEENTH INTERIM ORDER

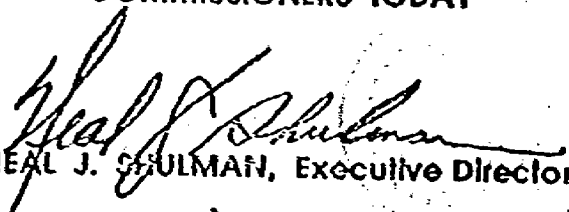
IT IS ORDERED that Southern California Edison Company shall, on or after the effective date of this decision, file with this Commission revised tariff sheets which incorporate the mitigation measures described in Conclusions of Law 1, 2, and 3 of this decision. The revised tariff pages shall become effective on not less than one day's notice and shall comply with General Order 96-A.

This order is effective today.

Dated October 21, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

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


NEAL J. SCHULMAN, Executive Director