

ORIGINAL

Decision No. 86760

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of }
 SOUTHERN CALIFORNIA EDISON COMPANY }
 for authority to reduce its Energy }
 Cost Adjustment Billing Factor. }

Application No. 56822
 (Filed October 19, 1976)

O P I N I O N

Applicant's Request

By this application, Southern California Edison Company (Edison) requested authority to make effective a reduction in its Energy Cost Adjustment Billing Factor (ECABF) applicable to its California Public Utilities Commission (CPUC) jurisdictional customers throughout its service territory, except Catalina Island. The requested change is to reduce the Energy Cost Adjustment Billing Factor applicable to Lifeline Quantities and to Other than Lifeline Quantities from 0.949¢ per kwh to 0.802¢ per kwh. The estimated effect of such reduction in the ECABF is equivalent to a decrease in retail revenues at an annual rate of approximately \$71 million based on 1976 test year sales adopted in Application No. 54946.

By Resolution Number E-1604, issued and effective October 13, 1976, this Commission made effective Edison's new Energy Cost Adjustment Clause (ECAC) tariff as filed in Advice No. 429-E (Supplemental) concurrently replacing Edison's fuel cost adjustment clause.

In addition to authorizing the new ECAC, this Commission, in Resolution No. E-1604, ordered Edison, within 10 days after the effective date (the adoption date) of the resolution, to file an application for revision of its ECABF. This application is in compliance with that order.

Resolution No. E-1604 further ordered that in the calculation of the revised ECABF appropriate recognition should be given to the Energy Cost Adjustment Account (balancing) provisions of paragraph 7 of the ECAC, and that the initial balance to be established in the Energy Cost Adjustment Account should include the accumulated differential between the revenues resulting from the 0.949¢ per kwh billing factor and energy related expenses calculated as provided for in paragraph 7 of the ECAC from May 1, 1976, the first of the month following the changes effected by Commission Decision No. 85731, dated April 27, 1976.

Staff Investigation

The Commission staff conducted an investigation in connection with this application. The results of this investigation are set forth in the Utilities Division report, dated November 12, 1976, designated as Exhibit No. 1, and the Finance and Accounts Division report, dated November 10, 1976, designated as Exhibit No. 2 in this matter.

The Utilities Division investigation included review of Edison's work papers, Edison's April 1976 Report on Reasonableness of Fossil Fuel Prices Paid During 1976, additional data on fuel oil prices through August, 1976, Edison's contracts with fuel oil suppliers and interrogation of Edison personnel in fuel supply and revenue requirements.

The Finance and Accounts Division performed an audit covering fuel purchases and inventory for the record period. The audit disclosed three minor adjustments which are discussed in the Finance and Accounts Division report.

Based on the staff reports, it appears that this application should be approved by the Commission with appropriate modifications as described below.

Prior Fuel Supplier Refunds

Edison has accumulated \$8.4 million dollars payable as refunds to its CPUC jurisdictional customers. This amount reflects the balance from Edison's last refund in early 1975, refunds received through April 30, 1976 and interest at 7% per year.

In this application, Edison requested that the outstanding amount as of May 1, 1976, applicable to these jurisdictional customers be included in the initial Energy Cost Adjustment Account balance and thus be refunded through application of the ECAC and its balancing provision. The tariffs provide for this type of handling of refunds received from May 1, 1976. The Utilities Division believes that the concept and method of Edison's refund proposal is proper, and the Finance and Accounts Division audit indicates that the amounts included are correct.

Since the ECAC tariff provides for inclusion of fuel supplier refunds received from May 1, 1976, to be refunded through application of the ECAC and its balancing provision, it is reasonable that refunds received prior to that date be handled in the same manner. We, therefore, approve Edison's request to refund the prior fuel supplier refunds through application of the ECAC and its balancing provisions.

Revision Dates

The revision dates in paragraph 2 of Edison's current ECAC tariff are blank and are to be determined by Commission order. This application is based on a November 1, 1976 revision date. The staff report recommends that November 1 and May 1 revision dates be adopted since Edison's current application is based on a November 1 revision date and these dates fit scheduling of fuel cost adjustment dates of other utilities. We will, therefore, order that future revision dates for Edison be May 1 and November 1 of each year.

Balancing Account

The staff reports confirm that the Energy Cost Adjustment Account (balancing account) balance was computed in the manner specified by paragraph 7 of the ECAC and as ordered in Resolution No. E-1604. The account was initiated as of May 1, 1976, and through the end of the record period the accumulated balance was a negative \$30.8 million (overcollection). This amount reflects overcollections in May, June, July, and August totaling \$22.4 million and \$8.4 million prior fuel supplier refunds.

The balancing account as of August 31, 1976, including prior fuel supplier refunds, is shown as Appendix A to this decision.

Calculation of ECABF

Based on a 12-month record period ending August 31, 1976, Edison requested an ECABF of 0.802¢ per kwh based on a base rate energy cost of 0.687¢ per kwh. The staff has reviewed this calculation^{1/} and confirms that the requested factor is correct. However, the staff proposes in Exhibit 1 that the requested change in the ECABF be made concurrently with the decision in Edison's General Rate Increase Application No. 54946. This decision provides for recovery of greater amounts of energy costs in base rates than is presently provided and therefore requires a change in the energy cost included in base rates from the present 0.687¢ to 0.732¢ per kwh. This calculation is shown in Appendix C. The effect of this change in the base rates is equivalent to an additional decrease in revenues on an annualized basis of approximately \$22 million.

Effective Date of New ECABF

Since the Commission's decision in Edison's General Rate Increase Application No. 54946 is pending, it is appropriate that the change in the ECABF occur concurrently, since this will result in one rate change to Edison's customers.

^{1/} Appendix B.

Effect of New ECABF and General Rate Increase

The revenue increase to be granted in Edison's General Rate Increase Application No. 54946 is \$44.5 million. The revenue decrease due to the new ECABF is \$93.4 million which would result in a net decrease of approximately \$48.9 million. By May 1, 1977, however, Edison is expected to file an ECABF revision reflecting significant increases in oil prices. Rather than order a rate reduction at this time, followed by a rate increase in May, present levels of rates should be maintained by limiting the reduction in the ECABF to the amount of the rate increase to be granted in the pending decision in Edison's General Rate Increase Application No. 54946. Overcollections in fuel costs resulting from this treatment will be credited to the balancing account and will accrue interest at 7% per year. This will reduce the amount of the increased ECABF expected with Edison's May 1, 1977 revision. Calculation of the new ECABF of 0.857¢ per kwh to limit the reduction due to the new ECABF to \$44.5 million the amount of the general rate increase is shown in Appendix D.

Notice and Public Hearings

This application will result in a reduction in Edison's rates and setting this application for hearing would only serve to delay the benefits to Edison's ratepayers.

Copies of this application were served upon all persons previously served with a copy of Edison's advice filing, Advice Letters Nos. 429-E and 429-E Supplemental.

Findings

1. The Commission staff's conclusion that the application complies with Edison's ECAC tariff as filed in Advice Letter No. 429-E (Supplemental) and its recommendation to approve the reduction in the ECABF is reasonable.

2. Edison's request that fuel supplier refunds amounting to \$8.4 million received prior to May 1, 1976, be refunded to its CPUC jurisdictional customers through application of the ECAC and its balancing provisions is reasonable.

3. Edison's Energy Cost Adjustment Account (balancing account) initiated as of May 1, 1976 through August 31, 1976 reflects overcollections in May, June, July, and August totaling \$22.4 million and \$8.4 million prior fuel supplier refunds.

4. Revision dates for Edison's ECABF of May 1 and November 1 of each year are appropriate.

5. The effect of Edison's request to reduce the ECABF from 0.949¢ to 0.802¢ per kwh is equivalent to a decrease in revenues on an annualized basis of approximately \$71 million based on 1976 test year sales adopted in Application No. 54946.

6. The staff request that the change in ECABF be made concurrently with the effective date of the Commission's decision in Edison's General Rate Increase Application No. 54946 is reasonable.

7. Since by May 1, 1977, Edison is expected to file an ECABF revision reflecting significant increases in oil prices, it is appropriate to maintain present levels of rates by limiting the reduction in the ECABF to offset the rate increase to be granted in the pending decision in Edison's General Rate Increase Application No. 54946 with overcollections in fuel costs to be credited to the balancing account with interest as provided in the tariffs. This will reduce the impact on rates of the expected increase in fuel oil prices.

8. The amount of the rate increase to be granted in the pending decision in Edison's general rate increase application, No. 54946, is \$44.5 million.

9. The result of changing the ECABF concurrently with the authorization of a general rate increase in Application No. 54946 is to change the energy cost included in the base rate from 0.687¢ to 0.732¢ per kwh which results in an additional reduction of \$22 million.

10. Based on 1976 Test Year Sales adopted in Edison's General Rate Increase Application No. 54946, the total reduction possible due to the ECABF is approximately \$93.4 million.

11. The staff recommendation that the reduction due to the ECABF be restricted to \$44.5 million the amount of rate increase granted in Edison's General Rate Increase Application No. 54946 is reasonable.

12. Overcollections in fuel costs resulting from this procedure will be credited to the balancing account and will accrue interest at 7% per year. These overcollections will reduce the amount of the increased ECABF expected with Edison's May 1, 1977 revision.

13. The granting of a \$44.5 million rate reduction herein, together with the increase in base rate energy costs from 0.687¢ per kwh to 0.732¢ per kwh in the general rate increase proceeding, results in an effective ECABF of 0.857¢ per kwh.

14. The result of changing the ECABF from the present 0.949¢ to 0.857¢ per kwh is equivalent to a decrease in revenues of approximately \$44.5 million.

15. With approval of this application the following filings will become moot and should be rejected:

- 1) Application No. 55424 (Adv. 400-E; 2/1/75 FCABF)
- 2) Application No. 55764 (Adv. 405-E; 5/1/75 FCABF)

- | | |
|----------------------------------|---------------------|
| 3) Advice Letters Nos. 416-E and | <u>FCABF to</u> |
| 416-E (Supplemental) | <u>be effective</u> |
| 414-E | 2/1/76 |
| 410-E | 11/1/75 |
| 405-E | 8/1/75 |
| 400-E | 4/1/75 |
| | 2/1/75 |

16. Since approval of this application will result in a rate reduction of approximately \$44.5 million, setting this application for hearing would only serve to delay the benefits to Edison's ratepayers.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Southern California Edison Company is ordered to file revised tariff schedules in conformity with the provisions of General Order No. 96-A and Resolution No. E-1604, revising paragraph 11 of its Energy Cost Adjustment Clause to provide for an Energy Cost Adjustment Billing Factor applicable to Lifeline Quantities and to Other than Lifeline Quantities of 0.857¢ per kwh. The effective date of the revised schedules shall be the same as the effective date of the revised schedules authorized under the final order in Southern California Edison Company's General Rate Increase Application No. 54946.

2. Southern California Edison Company shall include in its Energy Cost Adjustment Account balance fuel supplier refunds received prior to May 1, 1976, and refunds to its jurisdictional customers shall be made through application of the Energy Cost Adjustment Clause and its balancing provision.

3. Southern California Edison Company shall refile paragraph 2 of its current Energy Cost Adjustment Clause tariff to set forth revision dates of May 1 and November 1 of each year.

4. The following prior filings by Southern California Edison Company are rejected:

- 1) Application No. 55424 (Adv. 400-E; 2/1/75 FCABF)
- 2) Application No. 55764 (Adv. 405-E; 5/1/75 FCABF)

- | | <u>FCABF to
be effective</u> |
|----------------------------------|----------------------------------|
| 3) Advice Letters Nos. 416-E and | |
| 416-E (Supplemental) | 2/1/76 |
| 414-E | 11/1/75 |
| 410-E | 8/1/75 |
| 405-E | 5/1/75 |
| 400-E | 2/1/75 |

5. The effective date of this order shall be the effective date of the Commission's final order in Southern California Edison Company's General Rate Increase Application No. 54946.

6. Interested parties desiring to present evidence or argument should file their requests for hearing within twenty days hereof. This matter will then be set for hearing.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 21st day of DECEMBER, 1976.

~~William J. ...~~
 President
 William J. ...
 ...
 ...
 ...
 Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Sheet 1 of 2

DEVELOPMENT OF ACCUMULATED DIFFERENTIAL SINCE MAY 1, 1976, BETWEEN REVENUES RESULTING FROM THE 0.949¢ PER KWH BILLING FACTOR AND THE ENERGY RELATED EXPENSES CALCULATED IN ACCORDANCE WITH THE PROCEDURE SET FORTH IN PARAGRAPH 7 OF THE ECAC AND INCLUDING PRIOR FUEL SUPPLIER REFUNDS

The calculation, in accordance with the procedure set forth in paragraph 7, is as follows:

		<u>May</u> <u>1976</u>	<u>June</u> <u>1976</u>	<u>July</u> <u>1976</u>	<u>August</u> <u>1976</u>
a.	Fuel and purchased power expense and the Mono Power Company fuel service charge for projects recognized by the Commission, all as recorded during the month,				
	Oil (Includes Mono) \$M	38,011	48,238	51,453	50,823
	Gas \$M	9,697	11,423	13,067	9,442
	Coal \$M	1,692	1,935	3,636	2,968
	Nuclear \$M	944	952	552	406
	Purchased Power \$M	<u>11,638</u>	<u>6,023</u>	<u>4,175</u>	<u>5,735</u>
	Total \$M	<u>61,952</u>	<u>69,471</u>	<u>72,893</u>	<u>69,374</u>
b.	Less: refunds received by the utility from any of its fuel or purchased power suppliers,				
	\$M	1	2	0	0
c.	An appropriate adjustment to reflect expenses and revenues resulting from sales, purchases, or transfers of fuel,				
	\$M	0	0	0	0
d.	Less: the amount of revenue, if any, billed during the month for the fuel and purchased power energy component of off-system transactions,				
	\$M	1,753	1,872	5,459	308
e.	Less: the amount of revenue billed during the month to the Department of Water Resources,				
	\$M	155	164	172	315
f.	Less: allocation of the net of "a" through "e" to resale sales in direct proportion to the ratio of generation for resale sales to total sales,				
	Subtotal "a" through "e" \$M	60,073	66,433	67,252	68,751
	Gen. for Resale Sales MWh	314,878	344,535	327,987	356,316
	Gen. for Total Sales MWh	4,683,972	4,936,093	5,200,099	5,065,951
	Allocation to Resale \$M	4,038	4,637	4,242	4,836

APPENDIX A
Sheet 2 of 2

DEVELOPMENT OF ACCUMULATED DIFFERENTIAL SINCE MAY 1, 1976, BETWEEN REVENUES RESULTING FROM THE 0.949¢ PER KWH BILLING FACTOR AND THE ENERGY RELATED EXPENSES CALCULATED IN ACCORDANCE WITH THE PROCEDURE SET FORTH IN PARAGRAPH 7 OF THE ECAC AND INCLUDING PRIOR FUEL SUPPLIER REFUNDS

(Continued)

The calculation, in accordance with the procedure set forth in paragraph 7, is as follows:

		<u>May</u> <u>1976</u>	<u>June</u> <u>1976</u>	<u>July</u> <u>1976</u>	<u>August</u> <u>1976</u>
g. Less: an amount resulting from kilowatt-hour sales to which the 0.949¢ per kwh billing factor was applicable during the month, multiplied by the Base Cost per kilowatt-hour, and					
Sales	Mwh	3,898,434	3,926,012	4,391,798	4,214,783
Base Cost per kwh	¢	0.687	0.687	0.687	0.687
Base Rate Recovery	\$M	26,782	26,972	30,172	28,956
h. Less: amount of revenue billed during the month at the 0.949¢ per kwh billing factor reduced by 1.00% to offset the effect of franchise fees and uncollectible expenses.					
Gross Revenue	\$M	36,982	37,242	41,664	39,981
Franchise Fees & Uncollectibles	\$M	370	372	417	400
Net Revenue	\$M	36,612	36,870	41,247	39,581
MONTHLY DIFFERENTIAL	\$M	(7,359)	(2,046)	(8,409)	(4,622)
PRIOR FUEL SUPPLIER REFUNDS	\$M	8,352	-	-	-
ACCUMULATED DIFFERENTIAL	\$M	(15,711)	(17,757)	(26,166)	(30,738)

Red Figure

APPENDIX B

Southern California Edison Company

CALCULATION OF
ENERGY COST ADJUSTMENT BILLING FACTORS FOR A NOVEMBER 1976 REVISION DATE
(BASED ON THE 12-MONTH RECORD PERIOD ENDING AUGUST 31, 1976)

CURRENT COST OF RECORD PERIOD FUEL AND PURCHASED POWER

	Record Period Quantities	Current Price	Current Cost \$M
Oil	257,748 M ³ Btu @	2.260 \$/M ³ Btu	582,511
Gas	74,003 M ³ Btu @	1.3433 \$/M ³ Btu	99,408
Coal	83,536 M ³ Btu @	0.3685 \$/M ³ Btu	30,801
Nuclear.....	2,791 M Kwh @	2.9239 \$/M Kwh	8,159
Purchased Power.....			80,559
Mono Power Company Fuel Service Charge.....			7,692
Subtotal.....			809,130
Less Energy Cost Recovered Through Off-System Sales.....			13,176
Current Cost of Fuel and Purchased Power for Record Period.....			795,954

ENERGY COST ADJUSTMENT BILLING FACTORS

	Generation M Kwh	Cost \$M	Sales M Kwh	Factor ¢/Kwh
Edison System Excluding Catalina	55,985	795,954	51,727	
Less Resale (included above)	4,111	58,447	3,999	
Sales Subject to ECABF	51,874	737,507	47,728	
Less Cost to be Recovered in the Base Rates		327,891	47,728	0.687
Plus Accumulated Revenue - Expense Differential as of August 31, 1976 Calculated in Accordance with Procedures Set Forth in Paragraph 7 of ECAC from May 1, 1976, Including Prior Fuel Supplier Refunds		(30,788)		
Subtotal		378,828		
Plus Provision for 1.000% Franchise Fees and Uncollectible Expense		3,788		
Energy Cost Adjustment Clause Amount		382,616		
ENERGY COST ADJUSTMENT BILLING FACTOR (ECABF) APPLICABLE TO LIFELINE QUANTITIES		65,015	8,110	<u>0.802</u>
ENERGY COST ADJUSTMENT BILLING FACTOR (ECABF) APPLICABLE TO OTHER THAN LIFELINE QUANTITIES		317,601	39,618	<u>0.802</u>

(Red Figure)

APPENDIX C

Southern California Edison Company

Determination of ECAC Base Cost Using Data from
Application No. 54946 and Proposed Decision

	<u>M²Kwh</u>	<u>Energy Cost \$M</u>	<u>ECAC Energy Cost \$M</u>
Sales to Others	1,103	11,799	11,799
Interchange, etc.	1,655	655	294
Purchased Power	5,565	38,330	38,330
Hydro	4,357	-	-
Nuclear	2,370	3,397	3,397
Gas & Oil	36,169	311,167	311,167
Storage	-	10,500	-
Total	<u>36,169</u>	<u>321,667</u>	
<u>Coal</u>			
Coal	9,002	17,916	17,916
Gas	253	1,310	1,310
Ash Handling	-	2,057	-
Total	<u>9,335</u>	<u>21,283</u>	
Fuel Svc. Chge.	-	1,204	1,204
Total Energy	60,642	398,415	385,497

Allocation:

	<u>Generation M²Kwh</u>	<u>Sales M²Kwh</u>	<u>ECAC Cost \$M</u>	<u>Factor ¢/Kwh</u>
Total system	60,642	52,721	385,497	
Less FPC Resalt---	4,333	4,210	27,545	
CPUC Jurisd.	56,309	48,511	357,952	
Less DMR Adjust.	1,103	1,100	2,110	
ECAC Total	<u>55,126</u>	<u>43,411</u>	<u>354,542</u>	0.732

APPENDIX D

Southern California Edison Company

Calculation of Energy Cost Adjustment Billing Factor to limit revenue reduction to \$50.5 million to correspond to amount of increase granted in General Rate Increase Application No. 54946.

1976 Test Year Sales - M ² Kwh	
Edison System	53,721
Less: Resale	4,210
State Water Plan	<u>1,100</u>
Sales Subject to DCABF	48,411
Energy Cost Reduction - \$M ²	44.5
Reduction in SCABF	0.092¢/Kwh
Present SCABF	0.949¢/Kwh
Authorized SCABF	0.857¢/Kwh