

ORIGINAL

Decision No. 87839 SEP 13 1977

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SOUTHERN CALIFORNIA EDISON COMPANY  
for Authority to Modify its Energy  
Cost Adjustment Clause to Increase  
its Energy Cost Adjustment Billing  
Factor.

Application No. 57399  
(Filed June 22, 1977)

Rollin E. Woodbury, Robert J. Cahall,  
William E. Marx, and Richard K.  
Durant, by Richard K. Durant,  
Attorney at Law, for applicant.  
Louis Possner, for the City of Long  
Beach; and Robert W. Schempp, for  
the Metropolitan Water District  
of Southern California; interested  
parties.  
Timothy E. Treacy, Attorney at Law,  
for the Commission staff.

O P I N I O N

Southern California Edison Company (Edison) seeks authority to make effective an increase in its Energy Cost Adjustment Billing Factor (ECABF) applicable throughout its service territory except Catalina Island. Edison states that the proposed rates would increase its retail revenues by 7.2 percent or approximately \$34.9 million for the three months' period commencing August 1, 1977.

The presently effective ECABF, authorized by D.87429 dated June 7, 1977 in A.57199, is 0.857¢ per kwhr for lifeline service or the first 300 kwhr/month for domestic service, whichever is greater; 1.075¢ per kwhr for domestic service other than lifeline or 300 kwhr per month, whichever is greater; and 1.049¢ per kwhr for other than domestic service. The revision dates

for ECABF are May 1 and November 1 of each year. However, in D.87429 we stated:

"The Commission is aware that the current extreme drought condition is placing an unusual cash flow burden on the company; therefore, the Commission will entertain a filing for an ECAC revision prior to Edison's next regular semiannual revision date of November 1, if the company still believes that conditions have not improved and that a quarterly adjustment is necessary." (Mimeo page 5.)

Edison alleges that such is the case in this instant proceeding.

Public hearing was held before Administrative Law Judge Norman Johnson at Los Angeles on August 2, 1977 and the matter was submitted. Testimony was presented on behalf of Edison by its manager of revenue requirement and on behalf of the Commission staff by two of its financial examiners and one of its utilities engineers. Councilman Nader of the city of Gardena made a statement in opposition to the granting of the requested increase.

According to the record Edison estimates that even with the proposed August 1 revision in the ECABFs the ECAC balancing account will reach a maximum undercollection of \$124 million in October and have an undercollection balance of \$119 million at year-end 1977. The staff's estimates, conservatively based on average year hydro conditions with no fuel oil price increases, reflect a maximum undercollection of \$92 million in August 1977, assuming the requested increase is granted and \$115 million by December 1977 assuming no increase effective August 1, 1977. Both Edison's and the staff's estimates indicate that the undercollection balance will exceed 10 percent of the annual fuel and purchased power costs. Both Edison's and the staff's witnesses believe that the magnitude of these undercollections constitute a cash flow problem

sufficient to justify the requested increase. In addition, the staff believes that the requested increase is desirable from a conservation viewpoint in that it would be in effect during peak-load months, would provide a two-step rather than one-step increase which would permit the customers more time to adjust to higher rates, and would give the customers the right price signals by providing closer tracking of fuel expenses and rates.

Edison's estimate of sales, adopted by the staff, develops the following increases by class of service for the three-month period commencing August 1, 1977:

<u>Class of Customer</u>	<u>Sales M2 Kwh</u>	<u>Revenue Increase</u>	
		<u>\$M2</u>	<u>%</u>
Domestic			
Lifeline Sales	2,080		
Nonlifeline Sales	<u>1,690</u>	<u>4.9</u>	
Total	3,770	4.9	3.3
Agricultural	480	1.5	8.4
Commercial	3,750	11.8	8.3
Industrial	4,115	12.9	10.6
Public Authorities	<u>1,205</u>	<u>3.8</u>	8.4
Total	13,320	34.9	7.2

Edison's witness testified that its jurisdictional earnings under present base rates are expected to be significantly below the 8.8 percent which the Commission authorized in Decision No. 86794. The proposed increase in the ECABF will not alleviate such revenue deficiencies, but will avoid a much larger buildup in the undercollection balance in the ECAC balancing account and also substantially improve Edison's cash flow.

The procedure outlined in Edison's tariff requires any increase due to ECAC to be spread evenly over all nonlifeline kilowatt-hours in all classes of service. This procedure maintains a constant difference between the two tiers in the domestic service schedules for other than lifeline service.

However, in D.87429 we stated:

"In order to be consistent with the National Energy Policy set forth by President Carter and also to conform with this Commission's announced advocacy of conservation, we feel that now is the proper time to adopt the staff's alternate rate proposal relating to domestic customers. The flattening of rates which will result from the adoption of the alternate rate design will provide the rate-payers with the right price signals for energy conservation and also tend to discourage wasteful consumption patterns within the domestic class." (Mimeo page 8.)

In furthering this concept, the staff presented in this proceeding an alternate rate design which adds all the domestic increases to consumption over 300 kwhr within the domestic class of service. Based on this alternative the new ECABF would be as follows:

	<u>¢/Kwh</u>
Applicable to lifeline service or the first 300 kwh/month, whichever is greater .....	0.857
Applicable to domestic service in excess of lifeline amounts or 300 kwh/month, whichever is greater .....	1.442
Applicable to other than domes- tic service .....	1.363

Consistent with our recent decisions on like matters, we will adopt this alternative rate design. Edison expressed concern about the effect of such rate design on revenues. The staff admitted that no study has been completed to determine what impact such flattening of rates would have on Edison's revenues, although it was the opinion of the staff's witness that the magnitude of the increase was not sufficient to cause any significant impact on revenues. There will be no change to the current concept of uniform cents per kwhr increase to nondomestic rate structures.

Findings

1. The revised ECABF of 1.363¢ per kwhr is reasonable for all nondomestic sales for the period from the effective date of this order until a subsequent ECABF is authorized.
2. The authorized increase would amount to \$34.9 million if effective for the period August 1 to November 1, 1977.
3. The staff's alternate rate design for domestic customers, which spreads the domestic service increase over the tail block only, is reasonable to encourage conservation and will result in an ECABF rate of 1.442¢ per kwhr for domestic nonlifeline sales in excess of 300 kwhr.
4. The changes in electric rates and charges authorized by this decision are justified and reasonable; the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

5. The authorized increase will not increase Edison's jurisdictional earnings above the 8.8 percent rate of return authorized in D.86794 dated December 21, 1976 in A.54946, but will avoid a much larger buildup in the undercollection balance in the ECAC balancing amount.

Conclusions

1. Edison should be authorized to file and to place into effect the authorized ECABF set forth above.

2. The effective date of this order should be the date hereof because there is an immediate need for rate relief. Edison is already incurring the costs which are to be offset by the rate increase authorized here.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company is authorized to file and place into effect as of this date the revised ECABF rate set forth above for nonlifeline electric usage.

2. No change is authorized in the ECABF rate for lifeline electric usage.

3. The revenue increase to the domestic class shall be added to the tail block only instead of all nonlifeline domestic sales.

The effective date of this order is the date hereof.

Dated at San Francisco, California,  
this SEPTEMBER 13<sup>th</sup> day of SEPTEMBER, 1977.

*I will file a dissent.  
William Symons, Jr.*

Robert Bateman  
President  
~~William Symons, Jr.~~  
Gregory L. Stiefgen  
Richard R. Hoyle  
Lawrence D. Smith  
Commissioners

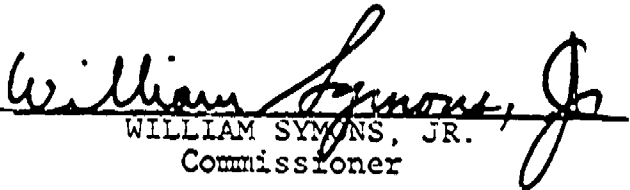
A. 57399 - D. 87839

SOUTHERN CALIFORNIA EDISON COMPANY: ECAC

COMMISSIONER WILLIAM SYMONS, JR., Dissenting

I cannot support continued major rate increases without taking into account the terrible distortions in rates occurring because we fail to adjust lifeline rates. For further discussion see my dissenting opinion in the parallel case of the Pacific Gas and Electric Company ECAC (A. 57228, D. 87607, dated July 19, 1977). See also my comments to D. 87429 on June 7, 1977 in A. 57199, the last Southern California Edison ECAC case.

San Francisco, California  
September 13, 1977

  
WILLIAM SYMONS, JR.  
Commissioner