

ORIGINAL

Decision No. 88340 JAN 17 1978

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. 57587 (Filed September 21, 1977)

Rollin E. Woodbury, Robert J. Cahall, William E. Marx, and Richard K. Durant, by Richard K. Durant, Attorney at Law, for applicant. Robert P. O'Brien, for himself; Sandy Soule, for Soule Steel Company; and Robert W. Schempp, for the Metropolitan Water District of Southern California; interested parties. Timothy E. Treacy, Attorney at Law, and Andrew Tokmakoff, 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 Factors (ECABF) applicable throughout its service territory, except Catalina Island. Edison states that the proposed rates would increase its retail revenues by 7.1 percent or approximately \$70.9 million for the six-month period beginning November 1, 1977 or \$146.7 million on an annual basis. Lifeline sales would not be increased.

The present ECABF effective September 13, 1977, authorized by Decision No. 87839 dated September 13, 1977 in Application No. 57399, is 0.857 cent per kwhr for lifeline service or the first 300 kwhr per month for domestic service, whichever is greater; 1.442 cents per kwhr for domestic service other than lifeline or 300 kwhr per month, whichever is greater; and 1.363 cents per kwhr for other than domestic service. The normal tariff revision dates for ECABF are May 1 and November 1 of each year.

Public hearing was held before Administrative Law Judge John J. Doran in Los Angeles on November 9, 1977 and the matter was submitted. Testimony was presented on behalf of Edison by a rate structure engineer and on behalf of the Commission staff by a utilities engineer.

Edison presented calculations and a revised tariff sheet reflecting the 0.857 cent per kwhr ECABF applicable to lifeline service and the 1.698 cents per kwhr ECABF applicable to other than lifeline service, calculated in accordance with the procedure set forth in the Energy Cost Adjustment Clause (ECAC). Edison showed that the Energy Cost Adjustment Account (ECAA) balance was \$107,636,000 (undercollection) as of August 31, 1977. Included in this ECAA balance, as a result of applying the procedure specified in paragraph 7 of the Preliminary Statement, are accumulated fuel supplier refunds in the amount of \$240,000. The rate request is based on this record period, 12 months ended August 31, 1977.

Edison also showed the revised ECABFs which would result from the procedure utilized by the Commission in Decision No. 87839 as follows:

0.857 cent per kwhr ECABF applicable to lifeline sales or the first 300 kwhr per month for domestic service, whichever is greater; 1.698 cents applicable to non-domestic sales; and 1.826 cents applicable to nonlifeline domestic sales greater than 300 kwhr per month.

Edison stated that the increases in the ECABFs will result in a revenue increase, for the six-month period beginning November 1, 1977, forecasted as follows:

<u>Class of Customer</u>	<u>Sales M² kwhr</u>	<u>Revenue Increases</u>	
		<u>\$M²</u>	<u>Percent</u>
Domestic	7,540	\$11.3	3.3%
Agricultural	345	1.2	8.0%
Commercial	6,780	22.7	8.1%
Industrial	8,085	27.1	10.2%
Public Authorities	2,580	8.6	8.3%
Total	25,330	\$70.9	7.1%

Edison testified to the projected operation of the ECAC for the balance of 1977 and for 1978. The projection indicated that on May 1, 1978 Edison's ECABF applicable to other than lifeline service would increase to 1.720 cents per kwhr, an increase of approximately \$4 million for the six-month period commencing May 1, 1978. The ECAA balance will reflect a cumulative undercollection of approximately \$134 million at the end of 1977 and \$46 million at the end of 1978.

Edison testified that the average system rate per kwhr, after the proposed increase becomes effective, would be 20 percent greater than the average rate as of January 1, 1976, the date specified for such rate comparisons by the Miller-Warren Energy-Lifeline Act.

Evidence was presented showing that the offset rate adjustment requested in this application, if granted, will offset further increases in energy costs above those reflected in base rates and will not affect Edison's earned rate of return. It will, however, avoid a much larger accumulation of the undercollection balance in Edison's ECAC balancing account by covering increased energy costs with increased revenues on a more timely basis.

The staff witness stated that a review was made of Edison's work papers, additional data on fuel oil prices through August 1977, contracts with fuel oil suppliers, and that utility personnel were questioned. An audit was not performed; however, staff counsel stated that the accounting staff plans to review the next filing.

The staff recommended granting Edison's request for a change in its ECABF. It presented three rate designs. The first two were identical to those presented by Edison, namely, (1) spreading the increase uniformly to all nonlifeline sales and (2) used the method of Edison's last ECAC decision, modified to spread the domestic increase over only the domestic tail block. A third design was presented to achieve a flat rate for each domestic schedule without changing lifeline rates. This generally resulted in many flat rates and billing computer problems. The second method was adopted in the last two Edison ECAC decisions and will be adopted here. It provides for a uniform tail block and rate inversion in Schedules D-1, D-2, and D-3. Nondomestic schedules will be increased as in the past on a uniform unit basis. No increase will be authorized for domestic lifeline usage.

Findings

1. The revised ECABF of 1.698 cents 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 revised ECABF of 1.826 cents per kwhr is reasonable for nonlifeline domestic sales greater than 300 kwhr per month for the period from the effective date of this order until a subsequent ECABF is authorized.
3. The present ECABF of 0.857 cent per kwhr is reasonable for lifeline domestic sales or the first 300 kwhr per month, whichever is greater, for the period from the effective date of this order until a subsequent ECABF is authorized.

4. The authorized increase would amount to 7.1 percent or \$70.9 million if effective for six months, or \$146.7 million on an annual basis.

5. 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.

6. 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 with this Commission on and after the effective date of this order a revised tariff schedule changing Energy Cost Adjustment Billing Factors (ECABF) as follows:

- a. 1.698 cents per kwhr applicable to other than domestic service.
- b. 1.826 cents per kwhr applicable to service in excess of lifeline amounts or 300 kwhr per month, whichever is greater.

The revised tariff schedule shall be effective on the date of filing.

2. No increase is authorized in the ECABF applicable to domestic lifeline service or the first 300 kwhr per month, whichever is greater.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 17th day of JANUARY, 1977.

*I dissent.
William S. Moore, Jr.*

President

Terence L. Sturgeon

Clayton D. Marshall

Clare J. Deloach
Commissioners

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