

ORIGINAL

Decision No. 89783

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 its base)
rates to recover increased expendi-)
tures made towards the development,)
purchase and testing of advanced)
energy conservation metering)
equipment.)

Application No. 58481
(Filed November 21, 1978)

O P I N I O N

Applicant Southern California Edison Company (Edison) requests authority to make effective an increase in its nonlifeline base rates applicable throughout its service territory, except Santa Catalina Island. Edison seeks to increase the base rates applicable to other than lifeline service by 0.003¢/kWh. The effect of such an increase in base rates is equivalent to an increase in annual retail revenues, beginning January 1, 1979, of approximately \$1 million, based on projected sales. The proposed increase is less than one-tenth of one percent of the revenues estimated to result from the rates proposed herein.

Notice to the public of the filing of the application was provided by the applicant in the manner required by Rule 24 of the Commission's Rules of Practice and Procedure. Copies of a document entitled "Notice of Filing Application for Rate Change" were mailed to 456 persons and entities, including the State of California, affected cities and counties, certain federal agencies, and many other persons and corporations whom the applicant believes to be interested. Notice to the public was also provided by publication in 15 newspapers of general circulation in applicant's service area. Only one protest has been received.^{1/}

The purpose of the proposed rate increase is to reflect in the base rates the cost associated with the development, purchase, and testing of "Energy Economizers",^{2/} and associated field equipment and support personnel, as well as advanced engineering for these units. The resulting revenue increase will provide funds to cover the costs to be incurred to accelerate the development of conservation/load management type metering devices designed to encourage consumers to conserve energy. ✓

^{1/} The city of Santa Barbara objects to the increase but does not request a public hearing.

^{2/} The Energy Economizer is a visual metering device which provides to the residential and small commercial consumers a display of accumulated monthly electric charges as well as the increase in charges occurring due to the rate of usage.

Edison estimates that the expenditures under the program in the first year will be as follows: (1) the purchase of 200 Energy Economizers, \$318,000; (2) costs associated with advanced engineering design, \$460,000; (3) the field labor to install, test, and maintain the devices, \$172,000; and (4) the evaluation of the devices following tests and experimentation, \$50,000. The expenditures for advanced engineering design would be directed towards the lowering of the per unit production cost. Edison alleges that the Energy Economizer is the only energy-conserving device (a meter which displays the cost of energy usage) currently on the market that would qualify for tax benefits under the Energy Tax Act of 1978. Additionally, the Energy Economizer provides billing capability and encourages the customer to control specific loads within his household. The proposed expenditures would enhance the development of more economical conservation devices and enable residential consumers to participate to a greater extent in national energy conservation efforts. Edison alleges that such expenditures could be expected to lead to additional experimentation in the areas of equipment, rate design, and measurement of consumer response to this type of conservation device.

Edison alleges that conservation and load management expenditures of the type proposed are beneficial to all customers and therefore are appropriately recovered from all classes of customers. Accordingly, Edison requests an increase in all non-lifeline base rates by 0.003¢/kWh.

The rate increase requested in the application will, it is alleged, offset proposed increases in expenditures above those reflected in base rates and in Edison's cost of service for test year 1979, reflected in the evidentiary record in Application No. 57602, and will thus not affect Edison's earned rate of return.

The following table shows the calculation of the 0.003¢/kWh for application to all nonlifeline base rates:

1. Proposed Revenue Increase
\$1,000,000
2. Development of Nonlifeline Sales

Total CPUC Jurisdictional Sales, M ² kWh	52,785
Less Lifeline Amount, M ² kWh	(7,848)
Less Nonlifeline less than 300 kWh, M ² kWh	(916)
Less Santa Catalina Island, M ² kWh	<u>(12)</u>
Sales for Revenue Increase, M ² kWh	44,009
3. Derivation of Base Rate Amount

$$\$1,000,000 \div 44,009 \text{ M}^2 \text{ kWh} = .00227\text{¢/kWh}^*$$

*The .00227¢ /kWh is rounded upward to .003¢/kWh for practical application in rates and to provide for revenue recovery.

The increase in the base rates requested will result in an annual revenue increase estimated as follows:

<u>Class of Customer</u>	<u>Sales</u> M ² kWh	<u>Revenue Increases</u>	
		<u>\$M²</u>	<u>%</u>
Domestic	15,280	0.2	0.03
Agricultural	1,100	0.0	0.07
Commercial	14,500	0.4	0.07
Industrial	17,110	0.5	0.08
Public Authorities	<u>4,795</u>	<u>0.1</u>	<u>0.07</u>
	52,785	1.2	0.05

The above calculations result in a revenue increase of \$1.2 million, based upon application of 0.003¢/kWh to all nonlifeline kilowatt-hours. However, this application overstates the actual revenue increase because it does not reflect reductions in revenue from voltage discounts, the rounding effect upon actual bills, and the fact that the small increase is not significant enough to impact lower consumption level customers and many fixed charge rates such as street lighting. Edison estimates that, due to these factors,

the actual revenue increase is closer to \$1 million, which will be an increase of less than one-tenth of one percent of proposed gross revenues estimated to result from the rates proposed herein, which are \$2.255 billion for 1979.

Edison requests that the application be granted without hearing for the following reasons:

1. Edison's efforts to stimulate conservation require immediate expenditures for the advanced engineering and design of these Energy Economizers.
2. The amount of the increase is relatively minor, representing less than one-tenth of one percent of Edison's total revenues.
3. The showing by Edison in this application is sufficient to support a finding by the Commission that such increase is justified without the need for evidentiary hearing.

Because the requested increase is relatively small and because it is desirable to limit the accrual to the amount of the actual expenditures, it would be preferable to establish a balancing account for accruing the cost of this conservation program as described above. Accumulated costs in the balancing account could then be translated into rate adjustment at the same time as other changes are made in connection with the semiannual ECAC rate reviews. The following order will so provide.

Findings

1. The Energy Economizer is a device designed to promote voluntary conservation and load management by residential and small commercial customers.
2. The cost to Edison of purchasing 200 Energy Economizers, improving the design, installing, maintaining, testing, and evaluating test results will be approximately \$1,000,000 in 1979.
3. A rate increase of \$1,000,000 is less than one-tenth of one percent of the total revenues estimated to result from the proposed rates.

5. A public hearing is not necessary.

6. Edison's showing in its verified application is sufficient to support the findings, the conclusions, and the order, which follows.

7. The rates and charges authorized herein are fair and reasonable; and the present rates and charges, insofar as they differ therefrom, are for the future unfair and unreasonable.

Conclusions

1. Conservation and load management studies and experimentation are in the public interest and should be promoted by funding through rates.

2. Edison's rates for all nonlifeline sales (except for Santa Catalina sales) should be increased by 0.003%^{per kWh} / kWh, using a nonbase rate billing factor, to provide an additional \$1,000,000 of revenue to defray anticipated costs of \$1,000,000 in connection with the Energy Economizer experiments. *UNP*

3. Because there is an immediate need to institute testing of conservation metering equipment and ~~there are no protests~~ the following order should be effective the date of signature. *UNP*

O R D E R

IT IS ORDERED that Southern California Edison Company is authorized to increase rates by \$1,000,000 by increasing all

Subject to D.C. 10-11

nonlifeline rates and charges by 0.003¢/kWh,[^] for the calendar year 1979, using a nonbase rate billing factor. Tariff filings shall be in compliance with General Order No. 96-A and shall be on at least five days' notice to the public and to the Commission.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 19th day of DECEMBER, 1978.

Robert Bahner
 President.

William J. Brown

Veron L. Stinson

Clayton D. Howell

Carrie T. DeWitt
 Commissioners