

Decision No. 90475 JUN 19 1978**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA )  
 EDISON COMPANY for Review and )  
 Consideration of Time-of-use )  
 Pricing Tariff Pursuant to the )  
 Order in Decision No. 85559 in )  
 Case No. 9804 as modified by )  
 Decision No. 86543. )

Application No. 57653  
 (Filed October 25, 1977)

ORDER MODIFYING DECISION NO. 90146  
AND DENYING REHEARING

The California Hotel and Motel Association (CHMA) has filed an application for rehearing, and supplement thereto, of Decision No. 90146. The Commission has considered each and every allegation contained in the application and is of the opinion that good cause for granting rehearing has not been shown. The Supplement to the application for rehearing is properly a petition to reopen the proceeding based on alleged new evidence. Its disposition will be the subject of a separate order.

In view of what we perceive to be CHMA's misconception of the purposes of time-of-use (TOU) rate design, we find it necessary to reiterate our view of those purposes. In Decision No. 85559, issued March 16, 1976, we made the following finding of fact:

"25. Time-of-day pricing would likely produce rates that more closely follow costs and it could result in conservation of energy. The energy conservation would be a function of the relative efficiency of the generating equipment dispatched to cover peak loads as compared to that of equipment in use off peak." (D. 85559, p. 81 mimeo.)

Simply stated, it costs more to produce electricity during periods of peak demand than during periods of lesser demand. To be equitable, rates should be designed in such a way as to reflect this difference. Under TOU rates some customers, but not all, will shift a portion of their peak period usage to periods of less than peak demand, because their rates will be lower. Those customers

who do not or cannot shift, and who thus use more peak period electricity, will pay proportionately more, based on the greater cost of peak production. TOU rates are also expected to achieve a conservation effect in the sense that reduced peak demand will defer the necessity for new peak-load generating capacity. Such deferral will in turn result in lower rates to all customers than would be the case if new generating facilities were added.

It would be inequitable to exempt from TOU rates customers who cannot shift their usage. Such an exemption would mean that those customers are not bearing their fair share of the costs of the service they use. As Decision No. 90146 indicated, none of the evidence submitted by CHMA has convinced us that an opposite result should be reached. While we believe that Decision No. 90146 adequately discusses our rationale for denying an exemption for hotels and motels, we will modify that decision with several additional findings in order to more clearly reflect the evidence on which the decision was based.

IT IS THEREFORE ORDERED that rehearing of Decision No. 90146 is hereby denied.

IT IS FURTHER ORDERED that Decision No. 90146 is modified to include the following additional findings:

1. We find, on the basis of evidence presented by CHMA, that 40% of its members' electricity usage is controlled by management, of which some uncertain percentage probably could be switched from on-peak to mid- or off-peak hours.

2. On the basis of numerical data presented by CHMA, we find that one hotel, the Beverly Hilton in Beverly Hills, would probably experience reduced costs under TOU rates, because many of the services it provides are offered at off-peak hours.

3. The weight of the evidence does not support CHMA's claim that application of TOU rates to hotels, and motels would be unfair and discriminatory.

IT IS FURTHER ORDERED that Finding No. 5 of Decision No. 90146 is modified to read:

"5.a. TOU of electricity, and the demand therefor, by retail establishments, hotels, and motels is largely governed by the demands and requirements of their clientele and is governed by the TOU of the facilities that individual businesses within that group provide their customers. Managers of those businesses allegedly have very little, if any, ability to control the time of their customers' electrical use and demand. It would be inappropriate to exempt users with inflexible load characteristics from time-of-use schedules. It is equitable to require that marginal costs at the time of use be borne by users of the service, to the extent possible." (New language underlined.)

The effective date of this order is the date hereof.

Dated at San Francisco, California this 19th day of JUNE, 1979.

John E. Ingers  
President

Hermon L. Sturgeon

Robert D. Howell

Charles T. DeWitt

Edward W. ...  
Commissioners