Decision 93641 OCT 20 1981 ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Edison Company for Authority to Revise its Energy Cost Adjustment Clause Rates in Accordance with Decisions Nos. 92496 and 93129.

Application 60713
(Filed July 3, 1981)

John R. Bury, Richard K. Durant, Carol B. Henningson, and James M. Lehrer, by James M. Lehrer, Attorney at Law, for Southern California Edison Company, applicant.
V. Edward Duncan, for himself, protestant.
Robert M. Loch, Thomas D. Clarke, and Nancy I. Day, Attorneys at Law, for Southern California Gas Company and Milton Grant Nelson, for Metropolitan Water District of Southern California, interested parties.
Freda Abbott, Attorney at Law, and Cleo D. Allen, for the Commission staff.

OPINION

I. Introduction

By Application (A.) 60713 filed July 3, 1981, Southern California Edison Company (Edison) requests authority to modify its Energy Cost Adjustment Clause (ECAC) Billing Factors to result in a net revenue increase of $331.6 million on an annualized basis. Edison's filing follows established ECAC procedures and is based on a September 1 revision date.

A duly noticed public hearing was held before Administrative Law Judge Patrick J. Power on September 17 and 18, 1981, in Los Angeles. Edison offered the testimony of six witnesses in the presentation of its direct case: Lynn Ellen Myers, rate structure engineer; John W. Ballance, director of forecasting in the System Development Department; Gary L. Schoonyan, supervising production engineer; Paul D. Myers, manager of fuel contracts; Larry O. Chubb, valuation supervisor for the Rate Base-Depreciation Division of the Valuation Department; and Dr. Wayne H. Lancaster, chief economist. The Commission staff (staff) offered the testimony of Morris Farkas, associate utilities engineer in the Electric Branch of the Utilities Division. V. Edward Duncan participated by way of cross-examination of witnesses. The matter was submitted upon the receipt of eight exhibits and oral argument.

II. Background

Under currently effective ECAC procedures Edison files for rate changes three times annually, based on scheduled revision dates of January 1, May 1, and September 1. The reasonableness of fuel-related expenses is examined in depth once annually; in Edison's case that review is associated with the May 1 revision date. On account of delay in rendering a decision in that matter (A.60321), this matter is being decided on the same day. Because of the overlapping nature of these proceedings, Edison has cast its showing in terms of a change from the present ECAC factors as well as from the factors that would be in effect following a decision in A.60321, assuming that Edison's proposed factors are adopted.

III. Revenue Requirement

Based on Decision (D.) 92496 in Order Instituting Investigation (OII) 56, the revenue requirement is derived using the utility's estimated sales and resource mix, based on prices and a balancing account balance estimated as of the revision date. Since the time that Edison made its filing, later recorded balancing account information has become available. This later data would reduce Edison's request by about $178 million, if taken into consideration.

However, since the time of the filing, later recorded price information is also available. This later data would increase Edison's request by about $68 million, if taken into consideration. Thus, the net effect of recognizing these changes would be to reduce Edison's request by $110 million.

During the pendency of these proceedings another development has occurred that threatens to override these other considerations. We are referring to A.60867 filed by Southern California Gas Company (SoCal) requesting to raise gas rates by about $794 million. By interim decision in that matter (also decided this same day) we adopt a gas rate applicable to sales by SoCal to Edison that increases Edison's fuel expense by more than $250 million annually, depending on actual deliveries. This increase overwhelms the reduction in the request otherwise supported by consideration of the updated balancing account balance. If this most recent information is recognized in the ECAC calculation, the resulting revenue requirement exceeds Edison's request.

In these circumstances the prudent regulatory action is to grant Edison the full amount of relief requested. Failure to recognize the SoCal increase to the extent possible will only aggravate the certain undercollection that will occur during the forecast period. We have previously found that undercollection should be avoided to the extent possible.

As stated above, Edison expressed its request in terms of present rates and as if Edison's rates proposed in A.60321 are adopted. Our action today is to adopt the average energy cost adjustment rate proposed by Edison - 4.171 cents per kilowatt-hour (¢/kWh), as displayed in Exhibit 4. The actual revenue effect is derived by subtracting the average rate adopted in the decision in A.60321 from the average rate adopted in this proceeding, multiplied by estimated sales:

$$\begin{array}{r} 4.171 \\ \underline{-3.735} \end{array}$$

.436 x 53,733 + $234.2 million

The combined revenue effect of these two decisions ($234.2 + $83 = $317.2 million) must be compared to the $331 million requested by Edison in this application.

IV. Rate Design

As stated, the average energy cost adjustment rate is 4.171¢/kWh, an increase of .436¢/kWh over the average energy cost adjustment rate adopted in the decision in A.60321. Based on rate design principles adopted in Edison's last general rate case, D.92549, this increase is spread among customer classes on a uniform-cents-per-kilowatt-hour basis. Within the domestic class, a different allocation is made between lifeline and nonlifeline sales.

Domestic rate design issues are discussed in the decision in A.60321, where we found that Edison provided a reasonable method for spreading the increase. We apply that same method to the domestic class in this decision. The derivation of the ECAC billing factors is shown in Table 1.

We note that this method of calculating the domestic rates imposes a higher rate on nonlifeline sales. This is a matter of concern to larger users, in particular those in hotter areas who use substantial electricity for air conditioning. This problem is presently before the Commission in OII 77 and will be addressed in a decision in that matter.

Table 1

Domestic	Present Average Rate ¢/kWh	Adjusted Average Rate ¢/kWh*	Change in ECABF ¢/kWh	Adopted Average Rate ¢/kWh	% Change Present	% Change Adjusted
Lifeline	5.462	5.589	.355	5.944	8.8	6.4
Nonlifeline	8.144	8.334	.529	8.863	8.8	6.4
Total	6.666	6.821	.436	7.257	8.8	6.4

*Adjusted Average Rate is average rate adopted in the decision in A.60321.

V. Catalina Island

By D.93129 dated June 2, 1981, this Commission adopted major changes in the ratemaking treatment of Edison's Catalina Island (Catalina) electric service, by providing for integrated fuel cost accounting. Edison's showing in this matter includes Catalina sales and fuel costs. By the decision in A.60321 Edison is authorized to make changes in base rates, the Annual Energy Rate, and ECAC billing factors intended by D.93129. The ECAC billing factors applicable to Catalina are again adjusted by this decision.

By D.93129 Edison was also directed to file a surcharge on all Catalina electric sales to amortize the balance in the Catalina Energy Cost Adjustment Account. The amount of the surcharge specified was 2¢/kWh. Edison proposes a surcharge of 3.69 cents. Staff supports the 2-cent surcharge.

The issue is actually the amortization period. Edison relies on our stated intent to amortize the balance over two years. At the present level of undercollection, the amortization would take four years at the 2-cent rate. In order to balance the burden on the ratepayers with the need to recover the balance, we find that three-year amortization is reasonable. The corresponding amount of the Catalina surcharge is 2.593¢/kWh.

VI. Fuel Collection Balance

The Fuel Collection Balance Adjustment (FCBA) was implemented by Advice Letter 477-E and made effective January 1, 1979. The factor was calculated to result in three-year amortization of the balance. Edison has recalculated the factor in order to amortize the remaining balance by the end of this year. The new factor is .143¢/kWh. This factor replaces the .132¢/kWh factor adopted in the decision in A.60321.

VII. Other Matters

The revenue requirement adopted in this decision does not reflect certain adjustments adopted in the decision in A.60321. These include the ECAC treatment of Mono Power and fuel oil inventory carrying charges. These are minor matters that are appropriately reflected in the balancing account pending Edison's next ECAC filing.

Findings of Fact

1. By A.60713 Edison requests authority to make changes in its ECAC billing factors to reflect an average fuel and purchased power rate of 4.171¢/kWh.

2. Edison's application does not include the effect of a rate increase granted to SoCal in A.60867 by an interim decision this same day.

3. Recognition of the SoCal rate increase yields an ECAC revenue requirement exceeding Edison's request.

4. Failure to adopt Edison's proposed average rate will aggravate certain undercollection.

5. Substantial undercollection imposes financial burdens on the utility and its ratepayers with no benefit to any party.

6. Based on the average fuel and purchased power rate adopted in the decision in A.60321 this same day, the amount of Edison's request is about $234 million.

7. Edison should be authorized to increase its ECAC billing factors to yield an additional $234 million.

8. The rate changes are reasonably spread based on uniform-cents-per-kilowatt-hour basis to maintain the relationships adopted in Edison's most recent general rate case, D.92549.

9. Within the domestic class the rate changes are reasonably spread to preserve the lifeline and nonlifeline relationships adopted in Edison's most recent general rate case, D.92549.

10. The Catalina surcharge should be amortized over three years.

11. The remaining balance in the FCBA should be amortized over the rest of 1981 and the remainder calculated in the ECAC balancing account.

12. In order to allow these changes to coincide with the changes provided for by the decision in A.60321 and to avoid further delay, the effective date of this order should be today.

13. The increase in rates and charges authorized by this decision is just and reasonable; the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

Conclusions of Law

1. The adopted rate design conforms to the criteria adopted in Edison's most recent general rate case, D.92549.

2. Edison should be authorized to change its rates as set forth in the following order, these rates are just and reasonable.

O R D E R

IT IS ORDERED that on or after the effective date of this order Southern California Edison Company (Edison) is authorized to file with this Commission, in conformance with the provisions of General Order 96-A, revised tariff schedules reflecting the following changes:

a. Energy cost adjustment billing factors: lifeline 2.379¢/kWh, nonlifeline domestic 5.068¢/kWh, other than domestic 4.403¢/kWh.

b. Fuel collection balance adjustment - .143 cents per kilowatt-hour.

c. Catalina Energy Cost Balancing Account surcharge - 2.593 cents per kilowatt-hour.

The revised tariff schedules shall be effective not less than 5 days after filing and shall apply only to service rendered on or after the effective date thereof.

This order is effective today.

Dated OCT 20 1981, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

I certify that this decision was approved by the above Commissioners today.

Joseph E. Bodovitz