

ORIGINALDecision 93895 DEC 30 1981

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 energy cost adjustment billing) Application 61027
factors and to make certain changes) (Filed October 30, 1981)
to its present street and area)
lighting tariff schedules.)

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Downey, Brand, Seymour & Rohwer, by Philip A. Stohr, Attorney at Law, for General Motors Corporation, Otis M. Smith, General Counsel, and Julius Jay Hollis, Attorney at Law;
Glen J. Sullivan, Attorney at Law, for California Farm Bureau Federation; Robert W. Parkin, City Attorney, by Richard A. Alesso, Deputy City Attorney, for City of Long Beach;
Overton, Lyman & Prince, by John A. Payne, Jr., Attorney at Law, for Southwestern Portland Cement Co.; Greve, Clifford, Diefenbrock & Papas, by Tom Knox, Attorney at Law, for California Retailers Association; and Robert M. Loch, Thomas D. Clarke, and Nancy I. Day, Attorneys at Law, for Southern California Gas Company; interested parties.
Timothy E. Treacy, Attorney at Law, and Andrew Tokmakoff, for the Commission staff.

O P I N I O N

I. INTRODUCTION

Southern California Edison Company (Edison) requests authority to increase its Energy Cost Adjustment Clause Billing Factors (ECACBF) beginning January 1, 1982. The requested change in the ECACBF would result in a net revenue increase of \$171.7 million for the four-month period under consideration.

Edison also proposes to revise the Street and Area Lighting Tariff Schedules by updating the lamp wattage and lumen^{1/} ratings and by altering the method of determining kilowatt hours applicable to ECAC and other adjustment rates. These revisions would increase net charges to street and area lighting customers by \$1.2 million.

Public hearing was held on November 19 and 20, 1981 before Administrative Law Judge (ALJ) Randolph L. Wu in Los Angeles. Edison presented five witnesses in support of its case. The Commission staff (staff) offered one witness. The City of Long Beach presented one witness solely on the issue of streetlighting. In addition, letters of protest were received from the City of Pico Rivera, the Board of Supervisors of the County of Mono, the City of Lake Elsinore, and four customers of Edison. Application (A.) 61027 was submitted on November 20, 1981 after the receipt of six exhibits and oral argument from the parties.

II. SYNOPSIS

This decision grants Edison a \$171.7 million ECAC revenue increase. The increase is due primarily to higher prices for natural gas charged by Edison's primary

^{1/} A "lumen" is the amount of light which a source of one candle power emits in a unit of solid (spherical) angle.

suppliers, Southern California Gas Company (SoCal) and Pacific Gas and Electric Company (PG&E). The revenue increase is spread among the customer classes on an equal cents per kilowatt-hour (kWh) basis. Within the domestic class, an equal cents per kWh increase is allocated to the lifeline and nonlifeline rates.

III. BACKGROUND

Under the ECAC procedures prescribed in Decision (D.) 92496 in Order Instituting Investigation (OII) 56, Edison may request ECACBF changes three times a year, based on revision dates of January 1, May 1, and September 1. The reasonableness of fuel-related expenses, including Edison's energy mix, is examined in depth once each year; in Edison's case, the annual reasonableness review is associated with the May 1 revision date. The prudence of Edison's energy mix is not at issue in this proceeding. Accordingly, we are obliged to accept Edison's estimated energy mix. We will review only Edison's estimates of energy and fuel prices, the balancing account undercollection, and sales to customers for the period January 1 through May 1, 1982.

IV. APPLICANT'S SHOWING

Edison's direct showing is contained in Exhibit 1, Forecast of Operations of the Energy Cost Adjustment Clause For a January 1, 1982, Revision Date. Exhibit 1 sets forth in seven chapters: (1) an overview of Edison's request, (2) a sales forecast, (3) a forecast of energy mix and expense, (4) estimated fuel energy prices, (5) a proposed fuel oil inventory adjustment, (6) the resulting ECACBF adjustments, and (7) the Street and Area Lighting Tariff Schedules revisions.

Edison would spread the increase among the customer classes in a manner consistent with the rate design adopted by the Commission in Edison's last general rate case decision, D.92549. Approval of Edison's entire request would result in the following increases if done on an annual basis:

<u>Customer Class</u>	<u>Sales</u>	<u>Proposed Increase</u>	
	<u>M² kWh</u>	<u>\$M²</u>	<u>%</u>
Residential			
Lifeline	9,158	58.2	10.2
Nonlifeline	7,662	104.9	15.2
	<u>16,820</u>	<u>163.1</u>	<u>13.0</u>
Agricultural	1,050	10.4	12.1
Commercial	15,840	156.3	12.7
Industrial	17,277	170.5	14.1
Other Public Authority	<u>4,580</u>	<u>45.2</u>	<u>12.6</u>
Total	55,567	545.5	13.2

To derive the additional revenue requirement, Edison first estimated kWh sales to customers in the forecast period. Edison's sales witness testified that Edison should sell 18,800 million kWh to customers from January 1 to May 1, 1982. This estimate excludes contractual sales and interchange energy to other utilities.

Edison then determined what the required energy mix will be in the forecast period. Edison projects the following energy mix for the forecast period:

	<u>M² kWh</u>	<u>%</u>
Oil	5,405	25
Gas	6,954	32
Coal	2,259	11
Nuclear	125	1
SCE Hydro	1,390	6
Purchased and Interchange	<u>5,417</u>	<u>25</u>
Total	21,550	100

If sales to customers decline or increase from the sales forecast of 18,800 million kWh, Edison would respectively reduce or increase the amount of oil burned rather than alter any other energy supply.

Next, Edison estimated energy and fuel prices during the forecast period. For example, Edison estimates the price

of natural gas from its suppliers to be \$4.6689/M² Btu and the price of oil to be \$7.3246/M² Btu on a weighted average basis.

With estimates of sales, energy mix, and energy prices, Edison then can compute the revenue requirement associated with fuel and purchased power costs for the forecast period. After selection of the appropriate estimates, the computation of the revenue requirement is simply an arithmetic exercise.

Edison also estimated that its ECAC balancing account will show an undercollection of \$31.7 million on January 1, 1982. Edison proposes to amortize this undercollection over a four-month period beginning January 1, 1982. Later recorded data introduced during the hearing show that Edison now expects the undercollection balance to be \$56.9 million on January 1, 1982. Edison's total request on an annualized basis would increase by \$80.9 million if these later recorded balancing account data are recognized.

Edison also sponsored revisions to four of its Street and Area Lighting Schedules. The intent of these revisions is to allow Edison to more accurately bill streetlighting customers for their actual kWh usage. Adoption of Edison's proposed revisions would increase charges to some streetlighting customers and would decrease charges to other customers. Edison would receive increased Annual Energy Rate (AER)-related revenue of \$94,500 if its revisions are adopted.

V. STAFF SHOWING

The staff reviewed Edison's filing and made two adjustments. The staff derived a sales estimate for the forecast period of 18,550 million kWh as compared to Edison's figure of 18,800 million kWh. The difference of 250 million kWh lowered the staff's estimate of the required oil burn.

The staff also lowered Edison's estimated price of natural gas from \$4.6680/MBtu to \$4.5173/MBtu. The staff used current prices charged by SoCal while Edison used the prices set forth in SoCal's pending Consolidated Adjustment Mechanism (CAM) filing.

The staff's two adjustments to estimated sales and gas prices would reduce Edison's requested increase.

The staff also reviewed Edison's proposed rate design. Edison, in compliance with Commission directives, applied a uniform cents per kWh increase to each customer group. Within the domestic class, Edison spread the increase to maintain the percentage difference between lifeline and nonlifeline adopted in D.92549. The staff recommends an equal cents per kWh increase to the lifeline and nonlifeline portions of the domestic class. The staff's proposal would reduce the percentage difference in total rates from 43% to 37%.

The staff agreed with all other proposals made by Edison, excluding revision of the adopted base rate revenue level for 1981. The staff did not examine this proposed revision since there is no impact on the ECACBF. Staff will review this revision when and if Edison refunds any excess base rate revenues under Ordering Paragraph 25 of D.92549.

VI. CITY OF LONG BEACH (LONG BEACH)

Long Beach reviewed Edison's revisions to its Street and Area Lighting Tariff Schedules and proposes two additional changes. Long Beach would update the wattage and lumen ratings shown for low pressure sodium vapor lamps. Edison did not revise those ratings as it did not have available to it any updated information on low pressure sodium vapor lamps when it filed A.61027. In addition, Long Beach proposes to change the tariff

schedule ratings of "average initial lumens" to "average mean lumens." Long Beach contends that the latter ratings are more informative and useful to streetlighting customers.

VII. ISSUES

The issues before us are relatively few. Most important, we must derive a revenue requirement using the utility's energy mix, forecasted sales, estimated energy prices, and a balancing account balance estimated for January 1, 1982. Second, we must determine how the increased revenue requirement will be spread among lifeline and nonlifeline sales in the domestic class. Lastly, we must determine what revisions to the Street and Area Lighting Tariff Schedules are appropriate at this time.

A. Revenue Requirement

The intent of established ECAC procedures is to match as closely as possible authorized revenues with expenses likely to be experienced in the forecast period. Edison's request could be reduced somewhat if we recognize that SoCal's pending CAM proceeding will not be resolved before the revision date of January 1, 1982. Edison's request is overstated to the extent it is based on SoCal's CAM filing which will not be decided until some time next year.

However, since the time of the filing of A.61027, an additional month of recorded data has become available. This updated data would increase Edison's request by more than \$80 million, more than offsetting the staff's proposed adjustments. If these more recent recorded data are taken into account, the resulting revenue requirement using Edison's estimates or the staff's adjusted estimate exceeds Edison's request.

Under these circumstances, we find it reasonable to grant Edison the full amount of relief requested. Failure to recognize most recent information will only perpetuate a state of

undercollection for Edison. A mismatch of fuel-related expenses and revenues is to be avoided whenever possible.

Thus, we adopt the average energy cost adjustment rate proposed by Edison of 5.156 cents per kWh as shown in Exhibit 1.

B. Rate Design

Both Edison and the staff abide by our finding in Edison's last general rate case decision, D.92549, that the resulting rate relationships among the customer classes shall be maintained in all subsequent ECAC proceedings. We also stated in D.92549 that we will continue to evaluate the relationship within the domestic class between lifeline and non-lifeline rates.

Staff points out that the percentage difference between total nonlifeline and total lifeline rates already is 43%. For the ECACBF alone, the nonlifeline rate is 113% higher than the lifeline rate. Adherence to this percentage difference in the ECACBF for the domestic class would further increase the 43% difference in total rates to 49%. We agree with staff that further inversion of domestic rates is unnecessary to transmit an adequate conservation signal and may unfairly penalize large residential users in the desert communities. Accordingly, we adopt staff's method of applying an equal cents per kWh increase to the lifeline and nonlifeline rates. The impact on domestic rates is shown in Table 1.

TABLE 1

	12-1-82 Estimated Base Rate	AER	CLMABF	ECACBF	Present Total Rate	Elison		Mopted	
						Change In ECACBF	Total Rate	Change In ECACBF	Total Rate
Domestic									
Lifeline	3.480	.452	.004	2.379	6.315	.644	6.959	.987	7.302
Nonlifeline	3.480	.452	.004	5.068	9.004	1.371	10.375	.987	9.991
Percentage Difference	-	-	-	113%	43%	113%	49%	0%	37%

C. Street and Area Lighting Tariff Schedules

In D.92549, we ordered Edison to simplify its streetlighting schedules and to improve their comprehensibility. Edison subsequently implemented several changes through advice letter filings dated September 4, 1981 and October 28, 1981. The remaining changes affect ECAC revenues and are included in this ECAC application.

All parties agreed that revision of Edison's outdated Street and Area Lighting Tariff Schedules is reasonable. Edison accepts in principle the additional revisions proposed by Long Beach. Edison asserts that updated information should be used in its tariff schedules but rejects Long Beach's proposed revisions since they do not include updated information from all lamp manufacturers. While Long Beach's proposed revisions are drawn from technical specifications provided by one manufacturer, Norelco, reliance upon this single source is reasonable since Long Beach currently purchases 90% of its lamps from Norelco. Accordingly, we will authorize the revisions proposed by Edison as well as the specific revisions for low pressure sodium vapor lamps provided by Long Beach.

Lastly, we are content with the ratings for "average initial lumens" already shown on Edison's tariffs. Long Beach asserts that the rating is potentially misleading and prefers the use of "average mean lumens." We find the distinction to be relatively unimportant and note that Long Beach, the proponent of this change, is not misled and clearly understands the meaning of both terms.

VIII. SCOPE OF ECAC PROCEEDINGS

A remaining matter before us is the staff's attempt to introduce through Edison a time-of-use (TOU) rate design issue into this proceeding. At the staff's request, Edison included with its filing examples of three ways to calculate time-varying ECACBF applicable to Schedule No. TOU-8. These examples flatten the base rate energy charges and place on-peak, mid-peak, and off-peak energy charge differentials in the ECACBF applicable to Schedule No. TOU-8.

The ALJ ruled that the Commission would not receive any evidence or testimony on time-varying ECAC rates in this ECAC

application. The ruling is consistent with our recent pronouncement in PG&E's ECAC decision, D.93628, that rate design issues are more appropriately addressed in general rate proceedings.

After submission of this proceeding, staff filed a Petition to Reopen Proceeding under Rule 20 of the Commission's Rules of Procedure. Presumably, staff intended to file a petition to set aside submission and reopen the proceeding under Article 20, Rule 84 of the Commission's Rules of Practice and Procedure. In its petition, staff renews arguments raised at the hearing that ECAC proceedings are the most expeditious vehicle for the consideration of a TOU rate proposal. Staff again asserts that the Commission may issue an interim decision authorizing increased ECACBF to avoid delay while holding further hearings on the TOU rate proposal.

General Motors Corporation (GM) and the California Retailers Association (CRA) filed responses opposing the staff's Petition to Reopen. GM and CRA favor the Commission's stated policy of addressing rate design issues only in general rate proceedings. Both parties assert that inclusion of rate design issues in ECAC proceedings prolongs the required hearing time, duplicates evidence and testimony received in Edison's general rate cases, and imposes on GM, CRA, and other interested parties the burden of appearing in triannual ECAC proceedings.

In addition a letter has been received from Ameron-Steel and Wire Division supporting consideration of a time-varying ECACBF. Ameron did not file an appearance in this proceeding and was not present when the ALJ excluded Edison's TOU rate proposal. Ameron supports adoption of a time-varying ECACBF claiming that industrial customers need an economic incentive for operating their facilities during off-peak periods.

We are impressed with the staff's initiative in advocating adoption of time-varying ECACBF. However, the staff in its zeal to promote TOU rate design overlooks the impact its action has on the utility and its customers. ECAC proceedings, by definition, are designed to provide timely rate relief to utilities as they experience changing fuel and energy costs. The entanglement of an ECAC proceeding with a complex rate design issue can only increase the likelihood of delay in our decision-making process. Delay in issuing prompt and timely ECAC decisions often aggravates undercollections and increases utilities' financing costs as well as their customers' bills. Further, to undertake substantive revisions in rate structure for certain customer classes, such as TOU rates, in an offset proceeding where individual customer notice is not given or required, is unfair. We also note that staff will have an opportunity to propose fundamental changes in rate design in Edison's pending general rate proceeding.

A general rate proceeding clearly is the best forum to examine and thoroughly consider new rate design proposals. All affected parties receive adequate notice of a general rate proceeding and are given sufficient time to prepare their evidentiary showings. The utilities and the staff also may concentrate on the general rate proceeding in which marginal cost, cost of service studies, and other pertinent data are available. A comprehensive effort in a single general rate case is preferable to several desultory presentations scattered throughout our many offset proceedings. Accordingly, we will affirm the ALJ's ruling and thereby will deny the staff's Petition To Reopen.

Findings of Fact

1. By A.61027 Edison requests authority to change its ECACBF to a rate of 5.156¢/kWh for a net increase of .987¢/kWh.
2. Edison's filing did not include updated balancing account data for the month of October, 1981.
3. Recognition of more recent recorded data would produce an ECAC revenue requirement above Edison's request.
4. Failure to adopt Edison's proposed ECACBF will perpetuate undercollection.
5. Undercollection imposes financial costs on the utility and its ratepayers with no benefit to any party.
6. The amount of Edison's request on an annualized basis is \$545.5 million.
7. Edison's request to increase its ECACBF to yield an additional \$171.7 million for the four-month period is reasonable. ✓
8. It is reasonable to spread the rate changes to preserve the relationships among customer classes adopted in Edison's most recent general rate case, D.92549.
9. Within the domestic class, an equal cents per kWh increase to the lifeline and nonlifeline sales will avoid further inversion of the domestic class rate structure.
10. An equal cents per kWh increase to the domestic lifeline and nonlifeline sales will maintain an adequate conservation signal to domestic customers.
11. Edison's current Street and Area Lighting Tariffs are outdated and should be revised.
12. The revisions proposed by Edison are based on updated information and should be incorporated in the tariff schedules.
13. The City of Long Beach has provided updated information on the wattage and lumen ratings for low pressure sodium vapor lamps; these updated ratings also should be used in Edison's Street and Area Lighting Tariff Schedules.

Conclusions of Law

1. Innovative rate design proposals are beyond the scope of ECAC proceedings and should be addressed in the context of a general rate case proceeding.
2. Staff's Petition to Reopen Proceeding for the purpose of hearing testimony and receiving evidence on TOU rates, should be denied as that matter will be addressed in Edison's next general rate case.
3. To avoid delay in implementing this order by the scheduled revision date of January 1, 1982, the effective date of this order should be today.
4. 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 ordered in this decision, are for the future unjust and unreasonable.
5. The adopted rate design conforms with the criteria set forth in D.92549, Edison's most recent general rate decision.
6. Edison should be authorized to change its rates as set forth in the following order.

O R D E R

IT IS ORDERED that on or after the effective date of this order Southern California Edison Company 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 clause billing factors: lifeline 3.366¢/kWh, nonlifeline domestic 6.055¢/kWh, other than domestic 5.390¢/kWh.
- b. Updated revisions to Street and Area Lighting Tariff Schedules as set forth in Appendix B of A.61027

- c. Updated wattage and lumen ratings for low pressure sodium vapor lamps as set forth in Exhibit 6.

IT IS FURTHER ORDERED that staff's petition to reopen is denied.

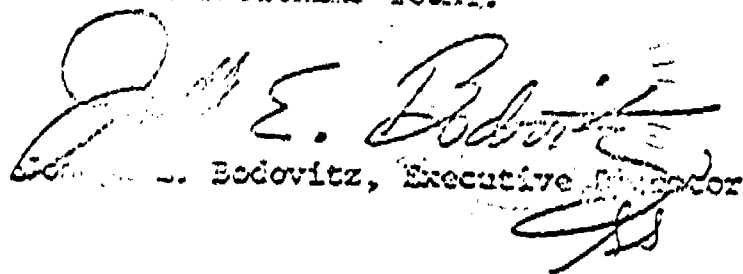
The revised tariff schedules shall be effective not less than five days after filing and in no event before January 1, 1982.

This order is effective today.

Dated DEC 30 1981, at San Francisco, California.

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

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


John E. Bodovitz, Executive Director