

Decision 97-11-082 November 19, 1997

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Southern California Edison to Adopt A
Performance-Based Ratemaking (PBR)
Mechanism Effective January 1, 1995.

A.93-12-029
(December 23, 1993)

ORDER DENYING REHEARING OF DECISION NO. 96-09-092

By Decision No. (D).96-09-092, we adopted a Performance - Based Ratemaking (PBR) mechanism for Southern California Edison Company (Edison) for recovery of its transmission and distribution or non-generational based revenue requirements. The distribution only PBR extends from January 1, 1997 to December 31, 2001. The Decision also adopted values for productivity and for service reliability which increase over the term of the PBRs, and adopted a progressive sharing of net revenue allowing ratepayers to share in cost savings achieved by Edison. The Decision further adopted both the nongenerational and distribution-only PBRs within the system rate cap adopted in the Electric Restructuring Decision, D.95-12-063. Toward Utility Rate Normalization (TURN) has filed an Application for Rehearing of D.96-09-092.

TURN first complains of the process by which the Decision was adopted. Specifically, TURN objects to the fact that we did not adopt the Proposed Decision of the ALJ, alleging that the Decision was "supported by every active party save Edison." (Application, page 2.) First, TURN provides no authority for the proposition that the refusal of the Commission to adopt an ALJ's Proposed Decision constitutes legal error. Second, the record shows that three out of

twenty-one active parties filed initial comments opposing the ALJ's Proposed Decision. Edison, PG&E and SoCalGas opposed the Decision; whereas TURN, the Office of Ratepayer Advocates (ORA) and the Agricultural Energy Consumers Association supported it. (Response of Edison, page 2.) The argument is therefore without merit.

TURN next argues that the Commission erred in granting Edison an increase in nongeneration base rates because the company was denied any prospective attrition relief in its last general rate case, D.96-01-011. However, the Commission specifically stated, at page 259 of that decision:

"If Edison believes that extraordinary circumstances arise which require rate increases before a form of PBR is implemented, Edison can file an application (not an advice letter) to make this request with specificity and to state how the request is compatible with its other requests and our other pending proceedings."¹

As we further noted, the General Rate Case Decision on attrition relief was "...interim, until this issue is addressed again in Edison's PBR application."² Finally, in D.96-09-092 we said: "In D.96-01-011, we required Edison to file an Application if it requested an adjustment for inflation. We will treat Edison's PBR Application as an application for this purpose and will allow Edison to apply the CPI-X update rule effective January 1, 1997, nongeneration rates effective in 1997."

It is apparent that the Commission did not intend to foreclose my future rate increases by the lack of an attrition mechanism in the general rate case decision. Rather, it provided a specific mechanism therefor. The argument is without merit.

¹ D.96-01-011, p. 259; see also Ordering Paragraph No. 31, p. 302.

² *Id.*, p. 260.

TURN next complains that the Decision is in violation of Assembly Concurrent Resolution No. 143, dated September 15, 1994. The resolution provides that no further decisions should be issued in this application unless certain criteria are met, including a reduction in electric rates toward the national average. Any electric rate increase would therefore appear to violate this resolution. There is no doubt that the Commission should give great weight to Assembly Concurrent Resolutions. However, such resolutions are advisory only and do not have the force of law. Even assuming, arguendo, that TURN's contention is correct, it does not constitute legal error and the argument is without merit. Further, the effect of the Decision should be an eventual lowering of electric rates because of the incentives provided to improve productivity.

Finally, TURN argues that there is no evidentiary support for the Commission's adopted productivity factors of 1.2% for 1997, 1.4% for 1998 and 1.6% for 1999 though 2001. However, the record demonstrates that long-term studies for both Edison and the electric industry show that total factor productivity around 1% is achievable. (Exhibit 3, page II - 2,4,6; T. 2037; Edison's Response, page 3). Similarly, TURN complains that there is no explanation nor evidentiary support for the sharing bands of 50 basis points for gains and losses associated with routine operations and 600 basis points to represent the outer boundary of the sharing mechanism. Applicant does not allege the bands are in error, nor does it offer different figures, and its argument does not allege legal or factual error. Further, the Commission explained that it was balancing the interests of ratepayers, shareholders and employees in its decision. The argument is without merit.

In conclusion, Applicant has demonstrated no legal or factual error in the Decision. Rehearing should therefore be denied.

IT IS ORDERED THAT:

1. Rehearing of D.96-09-092 is denied.
2. This Order is effective today.

Dated November 19, 1997, at San Francisco, California.

P. GREGORY CONLON
President
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners