

Decision 98-07-103

July 23, 1998

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Toward Utility Rate Normalization for
Rehearing of Resolution E-3447
regarding the economic development
rate offered to Douglas Aircraft
Company by Southern California
Edison Company

Application No. 96-04-020
(Filed on April 11, 1996)

ORDER DENYING REHEARING
OF RESOLUTION E-3447

I. INTRODUCTION

In Advice Letter ("A.L.") No. 1101-E, Southern California Edison Company ("Edison") sought a deviation for Douglas Aircraft Company ("Douglas"), a division of McDonnell Douglas Corporation,¹ so that Douglas could qualify to take service under a special rate called the Economic Development Rate ("EDR") for new load from its MD-11 barrel fuselage manufacturing facility. This load was being added to an existing meter at Douglas' Long Beach facility. ("A.L. No. 1101-E, p. 1.)

Douglas decided to locate this manufacturing facility at its existing operations in a Long Beach Enterprise Zone after considerable effort on the part of Edison and others, who persuaded Douglas not to move the facility outside of

¹ McDonnell Douglas Corporation merged with The Boeing Company on August 4, 1997 and is now known only as The Boeing Company. (Klass, *Boeing to Cease Making MD-11 Commercial Jets*, San Francisco Chronicle (June. 4, 1998) pp. D1-D2.)

California. One of the incentives offered by Edison was to try to obtain the EDR discount² for the manufacturing facility. (A.L. No. 1101-E, p. 2.)

In order for Douglas to qualify for the EDR discount, Edison had to request a deviation from Special Condition No. 17 of its Schedule TOU-8. Special Condition No. 17 provided that an EDR could not be given for "(1) electric usage that already existed in California, and (2) incremental increases in electric load at existing operations." (See Resolution E-3447, p. 1.) Edison made its request in A.L. No. 1101-E. No protests were filed, although the Division of Ratepayer Advocates³ did file comments. In Resolution E-3447, we approved this deviation.

Toward Utility Rate Normalization ("TURN")⁴ timely filed an application for rehearing of Resolution E-3447.⁵ A response to TURN's application for rehearing was filed by Edison.

In the rehearing application, TURN alleges that Resolution E-3447 violates Public Utilities Code Section 740.4, which requires that the utility demonstrate ratepayer benefit to obtain a ratepayer-funded discount. (TURN's Application for Rehearing, p. 3.) TURN reasons that since Douglas decided to locate manufacturing facility in Long Beach before we approved the EDR rate, there is no showing that the EDR was necessary to secure the increased load, and thus, there were no benefits to ratepayers. (TURN's Application for Rehearing, pp. 3-4.)

² The purpose of an EDR discount is to offer an incentive to customers who either locate new operations or expand existing operations within the boundaries of enterprise zones and economic incentive areas that were established by the State Legislature. (Resolution E-3280 (June 17, 1992), p. 1; Stats. 1984, chs. 44 and 45.)

³ Now known as the Office of Ratepayer Advocates.

⁴ Now known as The Utility Reform Network.

⁵ Although TURN did not file a protest to A.L. No. 1101-E, or otherwise participate in the A.L. filing, we find that TURN has standing to file the rehearing application as the holder of one share of Edison stock.

We have reviewed each and every allegation raised in the application and find the allegations without merit. Thus, the application shall be denied. "We discuss the benefits to ratepayers issue below.

II. DISCUSSION

The rehearing application claims that the approval of the EDR for use by Douglas contained insufficient evidence in the record of ratepayer benefit. This claim is without merit.

The record supports the fact that giving Douglas the EDR discount for the manufacturing facility in Long Beach was reasonable and resulted in benefits to ratepayers. The affidavit⁶ that Edison filed along with A.L. No. 1101-E, provides evidence that Douglas intended to relocate the manufacturing facility at the end of 1995. (Affidavit, p. 1.) The affidavit further states that Douglas was considering two out-of-state sites in addition to Long Beach, but chose Long Beach in part because Edison agreed to seek EDR approval from the Commission. (Affidavit, p. 2.) It is logical to infer from this evidence that Edison's effort to seek the EDR was a material factor in Douglas' decision to locate its facility in Long Beach. (Affidavit, p. 2.) If Douglas had located its facility outside the state, which the evidence shows that it might have happened but for the possibility of qualifying for EDR discount, the new load would have been lost at the end of 1995. Because the load stayed in California, there were benefits to ratepayers, as well as the creation of 1,000 to 2,000 new jobs in Long Beach. (See Affidavit, p. 2.) Therefore, since there were benefits to the ratepayers, the requirements of Public Utilities Code Section 740.4 are met.

⁶ The affidavit was signed, under penalty of perjury, on February 3, 1995 by Stephen C. Bisset, General Manager of Facilities at Douglas. Edison submitted the affidavit under the protection of Public Utilities Code Section 583 and General Order 66-C for nondisclosure, but it subsequently waived the nondisclosure protection.

For the above reasons, the allegations in TURN's application for rehearing are without merit. Accordingly, we deny rehearing.

IT IS ORDERED that rehearing of resolution E-3447 is hereby denied.

This order is effective today.

Dated July 23, 1998, at San Francisco, California.

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