

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy BranchRESOLUTION E-3143
April 12, 1989R E S O L U T I O NRESOLUTION E-3143, SOUTHERN CALIFORNIA EDISON
COMPANY (EDISON). AUTHORIZATION TO RECORD IN A
MEMORANDUM ACCOUNT COSTS RESULTING FROM A GAS
USERS' TAX ASSESSED BY CITY OF EL SEGUNDO.

BY ADVICE LETTER 827-E, FILED MARCH 24, 1989.

SUMMARY

1. Edison requests Commission approval to record in an interest bearing memorandum account costs resulting from a gas users' tax assessed by the City of El Segundo (City) for gas purchased by Edison to generate electricity at its previously exempted El Segundo Generating Station. Loss of the exemption is projected to cost Edison about \$1.2 million annually.
2. This Resolution authorizes the request but puts Edison on notice that eventual recovery of the costs from ratepayers is not assured.

BACKGROUND

1. City assesses a 2% utility users' tax on gas and electricity consumed by commercial and industrial customers within El Segundo. Edison collects almost \$2 million per year in taxes for City under this provision. Prior to April 4, 1989 Edison was exempted from this tax for gas used at its El Segundo Generating Station.
2. Granting of such exemptions for electric utilities is the usual practice of local governments throughout California.
3. On April 4, 1989 City removed Edison's exemption, effective immediately. Edison projects that loss of the exemption will cost the utility about \$1.2 million annually.

4. By Advice Letter 827-E filed March 24, 1989 Edison seeks authority to record its costs paid to City in an interest bearing memorandum account.

DISCUSSION

1. Edison believes that ratepayers residing outside El Segundo should not be required to bear the cost of a users' tax that benefits a single city. Therefore Edison seeks authorization from the Commission to establish a memorandum account in which to record the gas users' tax paid by Edison to City. In the future Edison intends to seek recovery of the amounts booked into the memorandum account. The Commission Advisory and Compliance Division (CACD) warns that such recovery should be sought by formal application, not by advice filing.

2. Edison's Preliminary Statement G.3.j.(2) defines the allowable natural gas expenses that can be debited to Edison's Electric Cost Adjustment Clause (ECAC) balancing account, stating that, "Gas Expense shall be the expense associated with the gas estimated to be consumed for generation during the Forecast Period." CACD interprets this clause to exclude any gas users' tax of the type imposed by City. Therefore Edison may not book the users' tax directly into its ECAC account, whether or not the requested memorandum account is authorized.

3. The memorandum account would preserve Edison's opportunity to seek recovery of the users' tax costs through a future request. The account would accrue interest at the same rate as that applied to Edison's ECAC account. No request for recovery is included in Advice Letter 827-E.

4. It is the Commission's general policy to reject utility requests for minor changes to authorized expenses between general rate cases, except as allowed by the attrition mechanism. Rates are set using a forecast test period, and forecasts cannot be perfect. There would be an inherent unfairness to such authorizations, as utilities would have the incentive to seek recovery of cost increases without offsetting expense decreases in other areas. The Commission should therefore be reluctant to grant Edison's request absent special circumstances.

5. At the same time, the Commission cannot signal local governments that California's public utilities are a convenient source of new revenue. The Commission now authorizes increased San Diego Gas and Electric Company rates for residents of the City of San Diego because San Diego's franchise fees exceed statewide norms. The Commission also has pending Investigation 84-05-002, which addresses ratemaking treatment of local taxes and fees. The City of El Segundo should be aware that matching of costs and benefits of utility service continues to be a

Commission priority, and that assignment of its gas users' tax to El Segundo utility customers may be considered as part of any Edison request to recover those costs in rates.

6. In balancing the opposing policy considerations above, we will grant Edison's request to establish a memorandum account. This is done to preserve Edison's rights to seek recovery of the users' tax expenses and to track the information that would be needed to allocate any potential rate increase due to this tax to the ratepayers in El Segundo. This Resolution does not grant express or implied authority to actually recover the expenses through customer rates, .

7. Edison requests that Advice Letter 827-E be handled in less than the regular notice period because City's gas users' tax is already effective.

8. Advice Letter 827-E will not increase any rate or charge, cause the withdrawal of service or conflict with any schedules or rules.

9. Public notification has been made by supplying copies of Advice Letter 827-E to other utilities and parties requesting notification of advice filings.

PROTESTS

1. On April 4, 1989 the Division of Ratepayer Advocates (DRA) protested Advice Letter 827-E, claiming that the increased local tax expense is relatively minor and should be addressed in Edison's next general rate case.

2. On April 10, 1989 Edison replied to the protest, arguing that public policy considerations should lead the Commission to grant the request. Edison believes that imposition of taxes and fees similar to City's could result in substantial burdens on all of California's ratepayers.

3. Although in other circumstances the Commission might not approve the proposed memorandum account treatment, for the reasons discussed above DRA's protest is rejected. Edison is not yet seeking a rate change; when that occurs DRA may restate its objections.

FINDINGS

1. Edison's present tariffs do not allow booking of local gas users' taxes into the ECAC balancing account.


2. City has removed its previous exemption from gas users' tax for Edison's El Segundo Generating Station.
3. Edison projects that loss of the exemption will cost Edison about \$1.2 million annually.
4. For the reasons discussed above, Edison's request to record in an interest bearing memorandum account costs resulting from City's gas users' tax is reasonable.
5. Approval of Edison's request will not increase or decrease any rate or charge, cause the withdrawal of service or conflict with other schedules or rules.

THEREFORE, IT IS ORDERED that:

1. In accordance with Section 491 of the Public Utilities Code, Southern California Edison Company is authorized to record in an interest bearing memorandum account costs resulting from a gas users' tax assessed by the City of El Segundo for gas purchased to generate electricity at the El Segundo Generating Station.
2. Advice Letter 827-E shall be marked to show that it was approved by Commission Resolution E-3143.
3. This Resolution is effective today.

I certify that Resolution E-3143 was adopted by the Public Utilities Commission at its regular meeting of April 12, 1989. The following Commissioners approved it:

G. MITCHELL WILK
President
STANLEY W. HULETT
JOHN B. OHANIAN
Commissioners



Executive Director

Commissioner Frederick R. Duda
being necessarily absent, did
not participate.

Commissioner Patricia M. Eckert
present but not participating.