

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3160  
JULY 19, 1989

R E S O L U T I O N

RESOLUTION E-3160, PACIFIC POWER & LIGHT COMPANY AUTHORIZED TO REVISE ITS OPTIONAL RESIDENTIAL SCHEDULE DC-7, EXPERIMENTAL CLEAN AIR/WOOD HEAT MONTHLY CREDIT.

BY ADVICE LETTER 217-E-A, FILED JUNE 19, 1989.

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SUMMARY

1. Pacific Power & Light Company's (PP&L) existing Optional Residential Schedule DC-7, Experimental Clean Air/Wood Heat Monthly Credit experiment has, by its filed terms, terminated on May 31, 1989.
2. By Advice Letter 217-E-A, filed June 19, 1989, PP&L requests authorization to conduct another experiment, similar in its terms, for a three-year period using the same tariff designation.
3. This Resolution authorizes the request, but with a different identification.

BACKGROUND

1. By Resolution E-3007 of September 4, 1986, Schedule DC-7, Residential Service Experimental Clean Air/Wood Heat Monthly Credit, was established to provide a reduced electric space heating rate for customers who have the capability of utilizing wood as well as electricity for space heating. The intent of the experiment was to determine how much of the electric load lost to customers who use wood space heating instead of electric space heating can be regained with a competitive electric rate.

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2. Schedule DC-7 was an experimental program, referred to as the Winter Saver Program, and was in effect through three heating seasons, 1986-87, 1987-88 and 1988-89. The average customer enrollment was a little over 5,000 during the first season, just under 5,000 during the second season, and about 4,500 during the third season. Total participation was 6,519, which includes those who, for various reasons, did not complete all three seasons. PP&L has utilized the results of the initial experiment to restructure Schedule DC-7 and the monthly credit to make it more financially viable. PP&L requests that Schedule DC-7, as revised, be available on an experimental basis for the next three heating seasons beginning in October, 1989 and ending in May, 1992. All residential customers who have lived at the same location for a minimum of 12 months prior to entering the program and who also have the capability of heating their residences using both electricity or wood may participate.

3. The previous experimental program lost revenues of approximately \$73,000 in the first season and \$96,000 the second season. Results for the third season are not yet available, though it appears that they will be similar. Apparently, many participants signed up for the experiment, but did not actually use increased electric energy for heating.

4. Public notification has been made by supplying copies of this filing to other utilities and parties requesting notification of advice filings.

#### PROTESTS

1. No protests to this advice letter have been received by CACD.

#### DISCUSSION

1. PP&L has restructured Schedule DC-7 in order to simplify the program as well as to make it more financially sound. PP&L had a similar program in Montana which included a \$5 monthly fee. PP&L found that a monthly fee will reduce total participation but encourage participation of those who have a definite intention of using more electric heat. The fee tends to discourage those who do not intend to employ their electric heat to a greater extent, but are aware of the potential for a windfall gain. Based on the 1987-88 kWh results, using proposed prices, PP&L estimates that about 64% of the 1987-88 participants in California would save at least \$2 per month average from continued Winter Saver participation. PP&L expects the program to at least break even.

2. The effect of the Winter Saver Program is to reduce the price of incremental usage above Base Period usage. The price is discounted through application of a credit to the customer's monthly bill as determined through PP&L's standard tariff. The credit is available during the winter heating season. Incremental usage is determined by comparing a customer's monthly electrical use to that of the same month in that customer's Base Period. The Base Period is defined as the winter heating season months during the year immediately preceding customer enrollment in the program. If the Base Period for a customer was established as the heating season in 1986-87, monthly electrical use in later years would be compared to monthly usage levels in the 1986-87 period. Any monthly use which exceeds that of the same month in the Base Period is priced at the reduced level. For example, assume February 1990 usage of 1,000 kWh for a hypothetical household is compared to usage in February of the home's 1987 Base Period of 900 kWh. Assume also that the baseline quantity is 950 kWh. The credit would be applied to 100 kWh. The monthly credit to be applied to incremental usage is enough to bring the net price to a level of 4.5 cents per kWh at current rates. For baseline use, the monthly credit is 2.045 cents per kWh, and for non-baseline use, the monthly credit is 3.681 cents per kWh. The customer's savings would be \$1.02 for incremental baseline usage and \$1.84 for non-baseline usage. His total savings would be \$2.86.

3. PP&L has two major reasons for implementing these changes: customer good will, and the Company's price stability commitment. First, with respect to customer relations, the Winter Saver Program has been well received in its first three years. Even with the proposed modifications, PP&L believes that the program will continue to be popular among eligible customers. Second, PP&L is committed to maintaining overall prices at current levels through 1992. An important way to achieve this end is to lower its per-unit costs by increasing sales. Winter Saver is seen as a vehicle through which customers can be encouraged to use electrical space heat instead of wood. The previous program was successful from a customer perspective, but not for PP&L. The new proposal provides PP&L with an opportunity to refine the program and test an option which promises to be successful both for PP&L and its customers.

4. The Commission Advisory and Compliance Division (CACD) has reviewed this filing and believes that it is reasonable because it supports PP&L's commitment to maintain overall price stability in California through 1992. It encourages the participation of those who have a definite intention of using more electric heat and would save the participants an average of \$2 per month. CACD recommends, and PP&L agrees, that the rates be reviewed in PP&L's next General Rate Case for a Test Year 1991, and, if necessary,

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revised annually. CACD also recommends that, in order to avoid confusion with the previous experiment, PP&L provide another designation for the tariff sheets used in this experiment. Those customers who participated in the previous experiment should be allowed to participate in the new experiment as well.

5. Except as noted above, this filing will not increase any rate or charge, conflict with other schedules or rules or cause withdrawal of service.

6. PP&L has requested, in compliance with Section IV.B of General Order 96-A, to make this filing effective 40 days after the date filed. This will allow PP&L the necessary time required to notice, qualify, and place customers on the schedule prior to the upcoming heating season. Billings incorporating the monthly credit will commence with service in Del Norte County on October 1, 1989, when its heating season begins, and in all other areas served by PP&L on November 1, 1989, when their heating season begins.

#### FINDINGS

1. PP&L's request to offer a revised Optional Residential Schedule DC-7, Experimental Clean Air/Wood Heat Monthly Credit through the 1991-1992 heating season, as discussed above is reasonable.

2. About 64% of the 1987-88 participants would save an average of at least \$2 per month from continued Winter Saver participation.

3. The rates in Schedule DC-7 shall be subject to review in PP&L's next General Rate Case for a 1991 Test Year and, if necessary, revised annually.

4. To avoid confusion of this experiment with the prior experiment, PP&L should provide another designation for the tariff sheets used in this experiment.

5. Except as noted above, this filing will not increase any rate or charge, conflict with other schedules or rules or cause withdrawal of service.

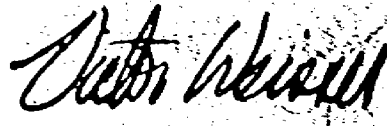
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THEREFORE, IT IS ORDERED that,

1. Pacific Power & Light Company is authorized to file its revised Optional Residential Schedule DC-7, Experimental Clean Air/Wood Heat Monthly Credit, for the 1989-90 through the 1991-92 Heating Seasons.
2. The rates authorized for this experimental schedule shall be subject to review in Pacific Power & Light Company's next General Rate Case for a 1991 Test Year, and, if necessary, revised annually.
3. Pacific Power & Light Company shall file revised tariff sheets with a different designation for this experiment.
4. Advice Letter 217-E-A shall be marked to show that it was approved by Commission Resolution E-3160.
5. This Resolution is effective today.

I certify that Resolution E-3160 was adopted by the Public Utilities Commission at its regular meeting of July 19, 1989. The following Commissioners approved it:

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

  
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Executive Director

Commissioner Patricia M. Eckert,  
being necessarily absent, did  
not participate.