PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
ENERGY BRANCH

RESOLUTION E-3280
JUNE 17, 1992

R E S O L U T I O N

RESOLUTION E-3280. SOUTHERN CALIFORNIA EDISON REVISION IN TARIFF SCHEDULES TOU-8 AND TOU-8 SOP TO ESTABLISH AN OPTIONAL ECONOMIC DEVELOPMENT RATE WITHIN THE BOUNDARIES OF ENTERPRISE ZONES AND ECONOMIC INCENTIVE AREAS.

BY ADVICE LETTER 937-E, FILED ON MARCH 26, 1992.

SUMMARY

1. Southern California Edison Company (Edison) requests a revision to its existing TOU-8 and TOU-8 SOP tariffs to establish an optional economic development rate within the boundaries of enterprise zones and economic incentive areas. Enterprise zones and economic incentive areas were established by state legislation to encourage and promote job development and retention in distressed and declining urban areas.

2. Edison is proposing to offer an incentive rate to customers who either locate new operations or expand existing operations, within enterprise zones. This incentive rate would be good for three years and offer discounts off of the otherwise applicable TOU-8 or TOU-8-SOP rates of 15% the first year, 10% the second year, and 5% the third year.

3. This Resolution grants Edison's request to offer an incentive rate, but limits the offering to new customers only. Existing customers are already eligible for incentive rates from Edison that offer substantially the same savings that would be available under Edison's proposed economic development rate. This Resolution also imposes several additional requirements upon Edison's proposal.

BACKGROUND

1. Enterprise zones and economic incentive areas were established by state legislation passed in 1984 (Statutes 1984, Ch. 44 and 45). The purpose of the legislation was to identify economically distressed areas and then provide targeted government assistance, tax breaks, and economic incentives to promote and retain businesses within these areas.

2. Assembly Bill 2054 (Statutes 1991, Ch. 852) added Section 740.4 to the Public Utilities Code (PU Code). This section states that "The Commission shall authorize public utilities to engage in programs to encourage economic development....(and that)...incentives <u>may</u> be provided for businesses and entities located within the boundaries of enterprise zones or economic incentive areas (emphasis added)."

3. In its Advice Letter filing, Edison is proposing to establish an incentive rate to customers who either locate new operations or expand existing operations within enterprise zones and economic incentive areas. This incentive rate would be called the "Economic Development Rate Discount."

4. The Economic Development Rate Discount would be available to all customers who are currently eligible for service under the existing TOU-8 (General Service Large) and TOU-8-SOP (General Service Large -- Super Off-Peak) tariff schedules. These customers could receive the Economic Development Rate Discount for any new or incremental electric usage occurring within enterprise zones and economic incentive areas. Customers participating in this rate will receive discounts off of the otherwise applicable TOU-8 or TOU-8-SOP rates of 15% the first year, 10% the second year, and 5% the third year.

5. Customers participating in this program would be required to enter into a written contract with Edison and must certify that the electric load for which they are receiving the Economic Development Rate Discount is truly incremental and not the result of a shift in load from elsewhere in California. Edison is proposing to limit the program to either a maximum of 50 qualified participants or a combined net load addition for all participants of 200 megawatts, whichever comes first.

6. PU Code 740.4 states that the expenses associated with economic development programs shall be recovered in rates to the extent that ratepayers derive benefits from the programs. In its Advice Letter Edison is proposing that any revenue shortfall resulting from the Economic Development Rate Discount program shall be borne by all ratepayers through the operation of the appropriate balancing accounts.

<u>PROTESTS</u>

1. The Division of Ratepayer Advocates (DRA) originally protested adoption of Edison's Advice Letter.

2. Procedurally, DRA believed that the Advice Letter process is the inappropriate forum to consider complex rate design issues. Instead, Edison's request should be considered in Edison's next Rate Design Window Proceeding which was specifically established by the Commission (D.89-01-041) to address rate design issues raised outside of the normal General Rate Case and ECAC proceedings.

3. Substantively, DRA believes that Edison has not met its burden of proof that the Economic Development Rate Discount is either needed to attract new business to enterprise zones or that the program benefits ratepayers as required under PU Code 740.4. DRA notes that PU Code 740.4 only requires that the Commission may, but is not required to, authorize incentive rates and that Edison's filing should show how ratepayers benefit from the program.

4. DRA is also concerned that any discounts offered to businesses are truly needed to attract new business to the enterprise zone. If the Commission approves Edison's proposal, DRA requests that several conditions be added to limit the amount of discounts to the minimum needed to attract business. These conditions would include: 1) demonstrating that each customer's load is truly incremental; 2) requiring individual applications for each program recipient rather than offering the discount as a tariffed rate; and, 3) that Edison shareholders should incur 50% of any foregone revenues resulting from the program.

5. Subsequent to the civil disturbances occurring in the Los Angeles area, DRA withdrew its protest, noting that the disturbances had resulted in "Federal and state announcements of intentions to enhance employment prospects in the Los Angeles region." DRA's withdrawal of its protest is subject to Edison's agreeing to four conditions in its application. Edison has agreed to all but one of DRA's conditions.

6. Two of the conditions that Edison and DRA agree on are that 1) enrollment in the program be closed as of December 31, 1993 and that the program expire, unless renewed by the Commission, on December 31, 1998; and, 2) each customer must have at least 500 kW of new demand before qualifying for the discount.

7. DRA's third condition is that Edison's program be limited solely to new customers locating in enterprise zones. Existing customers are already eligible for rate discounts for incremental increases in load under Edison's existing TOU-8-CR1 tariff. This tariff offers rate discounts of at least 10% per year for incremental increases in electric load regardless of the customer's location. This level of discount is essentially the same as, if not greater than, the discounts being proposed in Edison's Economic Development Rate Discount program. The Proposed Decision in Phase 2 of Edison's General Rate Case (A.90-12-018 et al., p. 78-81) has recommended continuation of the TOU-8-CR1 rate schedule. Edison agrees with this recommendation provided that the TOU-8-CR1 credit is approved by the Commission in its final decision in Edison's GRC. Edison and DRA both agree that governmental entities should be excluded from the program.

8. DRA's fourth condition, and the only one upon which agreement was not reached, is that the program initially be limited to only 8 customers or 20 MW of net load addition.

DISCUSSION

Commission and Legislative Intent

1. The Commission approved an economic development rate for Pacific Gas & Electric (PG&E) in its last General Rate Case (D.89-12-057) that had terms and conditions similar to those being proposed by Edison. In the PG&E GRC, the Commission specifically rejected DRA's request to require individual applications for service under the proposed tariff and allowed PG&E to recover foregone revenues through the appropriate balancing accounts. The Commission also "encourage(d) other California utilities to investigate economic development rates for any special enterprise zones in their service territories" (D.89-12-057, p. 343 mimeo).

2. PU Code 740.4 does not require the Commission to offer incentive rates to businesses located in enterprise zones. However, the legislature has identified the promotion of business investment in enterprise zones as a valid public policy goal promoting the public welfare. Consistent with that finding, the Commission should assist business development in enterprise zones to the extent that there are ratepayer benefits as required under PU Code 740.4.

Procedural Issues

3. DRA is correct in noting that the Advice Letter process is not the preferred forum for addressing complex rate design issues, and that such issues are better addressed in other forums such as the Rate Design Window proceeding. Edison, for example, could have proposed its economic incentive rate as part of its current GRC proceeding. Edison states that it filed its Advice Letter in response to the current recession in California. While there may be unplanned events that require the use of Advice Letters to address rate design issues, in the future Edison is strongly urged to pursue these issues through the appropriate Commission proceeding.

4. DRA should be commended for withdrawing its protest in response to the disturbances in Los Angeles, thereby allowing for Edison's program to be expeditiously implemented.

Conditions

5. The program restrictions and conditions to which Edison and DRA have agreed strengthen and improve upon the program's design. These conditions include the establishment of a closing date for program eligibility, an expiration date for the program, and the exclusion of governmental entities from discounted rates.

6. Edison and DRA were not able to reach agreement on the size of the program to be authorized. DRA wants a limit of either 8 customers or 20 mW of net load addition, Edison wants 50 customers or 200 mW of net load. We are less concerned with the

number of customers than with the effect that the program ultimately might have in affecting long-term resource needs. Towards that end, we will cap the program at 50 customers or 50 mW, whichever comes first. This is an appropriate size for a new program, specifically as we are limiting the program to new customers only. Should the program prove sucessful and Edison wishes to expand the program's size, Edison may file by Advice Letter with the Commission to do so.

Applicability to New Customers Only

7. Edison and DRA agree on limiting the Economic Development Rate Discount to new customers only. Existing customers are already eligible for Edison's existing TOU-8-CR1 rate schedule which offers rate discounts that are essentially the same as, if not greater than, the rate discounts Edison is currently proposing.

Informing Customers of Cost-Effective Conservation and Load Management Measures

8. In adopting PG&E's economic development rate, the Commission "instructed PG&E to take advantage of the opportunity presented by this experiment to ensure that these customers are informed of cost-effective conservation and load management measures they may take to reduce their electric bills and the load they place on the system" (D.89-12-057, p. 343 mimeo). We believe a similar instruction should apply to Edison as well.

FINDINGS

1. The Commission approved an economic development rate for Pacific Gas & Electric (PG&E) in its last General Rate Case (D.89-12-057) that had terms and conditions similar to those being proposed by Edison.

2. In PG&E's last General Rate Case the Commission also "encourage(d) other California utilities to investigate economic development rates for any special enterprise zones in their service territories" (D.89-12-057, p. 343 mimeo).

3. PU Code 740.4 allows but does not require the Commission to offer incentive rates to businesses located in enterprise zones.

4. The legislature has identified the promotion of business investment in enterprise zones as a valid public policy goal promoting the public welfare.

5. Edison's existing TOU-8-CR1 rate schedule offers existing customers an incentive to increase their incremental load which is essentially the same, if not greater than, the incentives that existing customers would receive under Edison's proposed Economic Development Rate Discount program.

6. Edison's Economic Development Rate Discount program should be limited to new customers only; should be closed to new customers as of December 31, 1993; should expire unless renewed by the Commission on December 31, 1998; should exclude government entities from being eligible for rate discounts; and should require a minimum increase in load of 500 kW for program participation.

7. The appropriate size of Edison's program is initially 50 customers or 50 mW of net load addition, whichever occurs first.

8. Any revenue shortfall resulting from the Economic Development Rate Discount program shall be borne by all ratepayers through the operation of the appropriate balancing accounts.

9. The preferred forum for addressing complex rate design issues is not the Advice Letter process as such issues are better addressed in other forums such as the Rate Design Window proceeding, General Rate Cases, and ECAC proceedings.

10. Edison should notify any customer participating in the Economic Development Rate Discount program of the cost-effective conservation and load management measures they may take to reduce their electric bills and the load they place on the system.

THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company (Edison) is authorized to establish an Economic Development Rate Discount program for new customers locating in enterprise zones or economic incentive areas subject to the restrictions outlined in this Resolution.

2. Edison should submit, within six days, corrected tariff sheets to Advice Letter 3280-E with the following changes:

- o Establishing a closing date of December 31, 1993 for program participation and a program expiration date of December 31, 1998.
- o Excluding existing customers and governmental entities from program participation.
- o Requiring a minimum increase in load of 500 kW for program participation.
- o Limiting the net load addition resulting from the program to 50 mW.
- o Adding under Section VIII (Customer Affidavit) of the "Economic Rate Development Agreement" the following language: "(c) Customer has discussed with Edison the cost-effective conservation and load management measures the customer may take to reduce their electric bills and the load they place on the utility system."

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3. This Resolution is effective as of the date that Edison files the corrected tariff sheets as required in Ordering Paragraph 2.

4. Upon receipt of the corrected tariff sheets, Advice Letter 933-E shall be marked to show that it was approved by Commission Resolution E-3280.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 17, 1992. The following Commissioners approved it:

Neal J. Shulman

NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners