PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3447
March 13, 1996

R E S O L U T I O N

RESOLUTION E-3447. SOUTHERN CALIFORNIA EDISON COMPANY REQUESTS AUTHORITY TO DEVIATE FROM THE TERMS AND CONDITIONS OF SPECIAL CONDITION NUMBER 17, ECONOMIC DEVELOPMENT RATE, AND OFFER SERVICE TO THE DOUGLAS AIRCRAFT COMPANY UNDER THE ECONOMIC DEVELOPMENT RATE OF SCHEDULE TOU-8.

BY ADVICE LETTER NO. 1101-E FILED ON APRIL 21, 1995.

SUMMARY

1. In this advice letter Southern California Edison Company (Edison) requests authority to establish a deviation from the terms and conditions of Special Condition No. 17, Economic Development Rate ("EDR"), of Schedule TOU-8, General Service, Large. Specifically, the filing established that Douglas Aircraft Company (Douglas Aircraft), a division of McDonnell Douglas Corporation, may take service under the EDR for new load being added to an existing meter at its Long Beach facility. The new load does not meet the requirements of Special Condition 17 and in order to accommodate the deviation, an addendum to the EDR Agreement has been submitted by Edison for Commission authorization.

2. Two of the requirements under the terms and conditions of Special Condition 17 are that the EDR discounts cannot be given for:

   a. electric usage that already exists in California; and

   b. incremental increases in electric load at existing operations.

3. In this filing Edison requests a deviation from those two provisions of the tariff in order to provide discounted service to Douglas Aircraft. The service would be incremental at an existing Douglas Aircraft operation and would be replacing load that at the time of the application was being served by San Diego Gas & Electric Company.

4. The filing from Edison does not propose any shareholder sharing of costs related to the discount. All costs associated with the shortfall in income due to the discount would be born by the ratepayers.

5. No protests were filed. The Division of Ratepayer Advocates filed comments that stated that in this particular case no protest was being filed, but that this filing was a further example of special contracts and non-cost based tariffs replacing traditional cost based tariffs and that DRA had already submitted testimony on this matter in Phase 2 of the Edison General Rate Case (GRC). In that testimony DRA argues for shareholder sharing in the value or cost of these types of discounts.

6. This Resolution approves Advice Letter 1101-E.

BACKGROUND

1. Douglas Aircraft assembles the McDonnell Douglas MD-11 commercial aircraft (MD-11) at its Long Beach, California facility and currently takes service under Edison's Schedule TOU-8, Time-of-Use, General Service, Large.

2. One of the major components of the MD-11 is the barrel fuselage. This component has been manufactured by the Convair Division of General Dynamics Corporation ("Convair"), in San Diego, under license from Douglas Aircraft. However, Convair's license to manufacture the barrel fuselage expired at the end of 1995, Douglas Aircraft will then manufacture the barrel fuselage itself in Long Beach.

3. Douglas Aircraft considered numerous locations for its MD-11 barrel fuselage manufacturing operations, which finally included, its Long Beach facility, an off-shore partnership arrangement, and a site in Utah. A group referred to as the "Red Team" was formed to retain the manufacturing facility within California, at the Long Beach facility. The group consisted of representatives from the State of California, the County of Los Angeles, the City of Long Beach, various environmental regulatory agencies, organized labor and utility companies, including Edison.

4. Edison believes that the only rate that provided an incentive for the MD-11 manufacturing was the EDR. The EDR is applicable to new customers who agree to locate new operations (new electric usage) within Enterprise Zones designated by the State of California under the Enterprise Zone Act. Douglas Aircraft's facility is located in such a zone. However, a deviation from the terms and conditions of the tariff is required before Douglas Aircraft can take service because:

a. The EDR is only applicable to new load to the State of California; and

b. The EDR is not applicable to an existing customer who is expanding operations and increasing load.

5. With regard to the first deviation (a), Edison believed that it was appropriate to treat the MD-11 barrel fuselage as

new load because absent the deviation, manufacturing operations and related jobs would be lost.

6. With regard to the second deviation (b), in Edison's view, Resolution E-3280, which authorized Edison's EDR, restricted the EDR to new loads and new customers, because other rate incentives were available to existing customers with load increases. In Edison's opinion those other incentives were insufficient to influence Douglas Aircraft's decision.

7. Edison's position is that by applying the EDR to the new load associated with the manufacture of the MD-11 barrel fuselage and the method of determining the load eligible for the EDR are reasonable because:

a. Without Douglas Aircraft's decision to re-locate MD-11 manufacturing to Long Beach, the load will be lost to California. (Note, Douglas Aircraft has decided to locate in Long Beach, with the knowledge that this advice letter may be either approved or rejected);

b. The purpose of the EDR is achieved because there will be new jobs in Long Beach;

c. All of Edison's ratepayers will benefit by the increased load, and when Douglas Aircraft's EDR expires at the end of three years, its entire load will be billed at full tariff rates.

8. Edison believed that the potential EDR was a material factor in Douglas Aircraft's decision to locate the MD-11 manufacturing in Long Beach. Douglas Aircraft recognized that, to apply the EDR rate to the incremental load in Long Beach, a deviation from existing tariffs was required and that Commission approval was not assured.

9. Edison filed Advice Letter 1101-E on April 21, 1996.

NOTICE

The original Advice Letter was noticed in accordance with section III of General Order 96-A by publication in the Commission Calendar and distribution to Edison's advice filing service list.

PROTESTS

1. No protests have been received by the Commission Advisory and Compliance Division (CACD) for this Advice Letter filing.

2. DRA filed comments on May 11, 1995. DRA did not protest this particular request for a deviation. DRA regarded this filing as a further example of the trend toward special contracts and non-cost based tariffs replacing cost-based tariffs. DRA noted that it had already submitted testimony in

Phase 2 of Edison's GRC wherein it argued for shareholder sharing in the value or cost of these types of discounts.

DISCUSSION

1. Edison correctly recognizes that the incremental load associated with the MD-11 manufacturing facility in Long Beach does not conform to the requirements of Special Condition 17, EDR, specifically, that:

   a. The EDR is only applicable to new load to the State of California; and

   b. The EDR is not applicable to an existing customer who is expanding operations and increasing load.

2. Edison believes that the incremental load at Long Beach should be treated as new load to the state of California because if Douglas Aircraft did not relocate, the jobs would be lost to California.

3. Edison believes that all of Edison's ratepayers will benefit by the increased load, and when Douglas Aircraft's EDR expires at the end of three years, its entire load will be billed at full tariff rates.

4. Obtaining the incremental load associated with the MD-11 facility may provide benefits for both Edison ratepayers and shareholders.

FINDINGS

1. Edison filed Advice Letter 1101-E on April 21, 1995 to request authority to establish a deviation from the terms and conditions of Special Condition No. 17, Economic Development Rate ("EDR), of Schedule TOU-8, General Service, Large. Specifically, the filing established that Douglas Aircraft Company (Douglas Aircraft), a division of McDonnell Douglas Corporation, may take service under the EDR for new load being added to an existing meter at its Long Beach facility.

2. The jobs associated the the MD-11 fuselage manufacturing will be retained by California. The jobs are being moved from San Diego's Convair facility to Douglas Aircraft's Long Beach facility. The jobs and load were at risk of relocation outside the state of California, and the load was previously that of another entity.

THEREFORE, IT IS ORDERED that:

1. Edison is authorized to establish a deviation from the terms and conditions of Special Condition No. 17, Economic Development Rate ("EDR"), of Schedule TOU-8, General Service, Large. Specifically, to establish that Douglas Aircraft Company

(Douglas Aircraft), a division of McDonnell Douglas Corporation, may take service under the EDR for new load being added to an existing meter at its Long Beach facility. Edison is authorized to revise its List of Contracts and Deviations to record an addendum to the EDR Agreement (Form-14-524) submitted in this advice letter as Attachment B and to establish a deviation from Rule 9.A.1, Metered Service, to accommodate the terms and conditions outlined in this advice letter.

2. Advice Letter 1101-E and the accompanying attachments shall be marked to show that they were approved by Commission Resolution E-3447.

3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities commission at its regular meeting on March 13, 1996. The following Commissioners approved it:

Wesley Franklin

WESLEY M. FRANKLIN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
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Commissioners