

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3452*
April 10, 1996

R E S O L U T I O N

RESOLUTION E-3452. SOUTHERN CALIFORNIA EDISON COMPANY
REQUESTS AUTHORITY TO CLOSE SCHEDULES D-APS AND GS-APS
TO NEW CUSTOMERS.

BY ADVICE LETTER NO. 1139-E FILED ON DECEMBER 21, 1995.

SUMMARY

1. In this advice letter Southern California Edison Company (Edison) requests authority to close Schedules D-APS and GS-APS to new customers as of March 1, 1996 because Edison believes it no longer requires the additional reserve capacity provided by the Automatic Powershift (APS) programs.
2. APS programs allow Edison to turn customer air conditioners on and off via radio control during the summer season whenever Edison determines there is a capacity shortage.
3. There were no protests to Advice Letter 1139-E.
4. This Resolution approves Advice Letter 1139-E, but with an effective date of April 10, 1996. Therefore, Edison is ordered to supplement Advice Letter 1139-E to account for the revised effective date.

BACKGROUND

1. Edison filed Advice Letter 1139-E on December 21, 1995.
2. APS programs, as administered under Schedules D-APS and GS-APS, allow Edison to turn customer air conditioners on and off via radio control during the summer season whenever Edison determines there is a capacity shortage.
3. Customers receive a credit on monthly electric bills during the summer season for having a radio switch installed and available for Edison to cycle off the customers' air conditioning units.
4. The APS experimental residential program was initiated in 1978 in response to the oil embargo, environmental issues, increasing costs of building new generation, and an expanding customer base. In 1983, the program was extended to General Service customers, offering more cycling options than the

residential program.

5. There are currently approximately 148,000 residential and 24,000 General Service customers participating in the APS programs. Edison estimates that these customers receive over \$17 million in credits annually and offer about 380 MW of potential capacity or load reductions.

6. Edison indicates that it has not cycled air conditioners under this program in the last five years. Edison estimates that its capacity reserve margins will be 20 percent or greater through the year 2005, not including the capacity, or load reduction, potentially provided by existing APS customers.

7. Edison anticipates that an additional 25,000 customers will likely be added to the APS program by 1998 resulting in rate increases to non-APS customers for unneeded capacity. Edison states that "the addition of new APS customers would expand ratepayer subsidies without further ratepayer benefit."

8. Edison offers to residential and General Service customers various time-of-use rate schedules which are designed to effect load shifting during peak periods and which can accomplish similar load shifting objectives as the APS programs.

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.

DISCUSSION

1. The central issue raised by Edison's request is whether there is a need for additional capacity, or load reduction ability, as provided by the APS program in the near future.¹

2. A second issue, which is raised by the fact that Edison has not invoked cycling of air conditioning units under the APS program in the last five years, is whether there is a current need for the capacity provided by the APS program as it now exists.

¹ This assumes that under a restructured electric industry the competitive generation market will meet capacity needs.

3. Edison indicates that allowing more customers into the APS program would expand ratepayer subsidies without further benefit. Not only would expansion of subsidies for unneeded additional capacity be of no benefit to ratepayers, but continuing those subsidies to current APS customers in the absence of the need for that capacity would also provide no benefit to ratepayers. That there is no need for the existing capacity provided by the APS program is partially revealed by the fact that Edison has not invoked the air conditioner cycling for the past five years. Further indication that no need exists for the APS program capacity is revealed by Edison's estimate of excess capacity until 2005, which is exclusive of the capacity provided by this program.

4. Ratepayers currently subsidize the APS program rate credits at an annual cost of \$17 million, and have done so for the last five years at a cost of approximately \$85 million² without receiving benefit. According to Edison, even without including the capacity potentially available under APS there is current and future excess capacity on its system.

5. CACD recommends approval of Edison's request to close Schedules D-APS and GS-APS to new customers, primarily because there is excess capacity on Edison's system at present and under restructuring it is assumed capacity will be adequate in the near future. The effective date of this change to the tariffs cannot be March 1, as requested, but should be the date on which this resolution becomes effective.

6. CACD also recommends that the Commission reconsider, in its next rate proceeding involving Edison, the appropriateness of continued availability of Schedules D-APS and GS-APS.

7. In support of its recommendation to reconsider continued availability of the APS program and associated tariffs, CACD observes that the cost effectiveness of the APS program is influenced by gas prices and weather conditions. In the absence of physical need to invoke the air conditioner cycling, there still exists an economic incentive to cycle if the cost of cycling is less than generating an increment of electricity. The cost of generating the incremental electricity during peak hours is largely driven by gas prices. Over the last five years, as the price of natural gas has declined, the APS program has not been utilized. Thus, the APS program has not proven to be more cost effective to Edison than generating or purchasing electricity during summer peak periods. If the APS program had been more cost effective than generating electricity, then Edison would surely have invoked the cycling of air conditioning units in the interest of reducing total operating costs.

2 \$85 million = \$17 million/year x 5 years.

8. Similarly, the summer temperatures of the last five years can be assumed to have been normal to above normal. During this period the APS program was not utilized. Thus, the past, current, and, according to Edison, future capacity reserves have been and will be sufficient to serve Edison customers without the use of the APS program.

9. Furthermore, many of the conditions which motivated the APS program in the 1970's are no longer present. Rising fuel prices driven by the oil embargo have yielded to declining natural gas prices. The facts of increasing cost of new generation and the expansion of the customer base, which characterized the conditions precedent to the formation of the APS program and which would have put pressure on new construction, have significantly changed. Generation has become more competitive and prices have fallen, and the rate of load growth has declined.

FINDINGS

1. Southern California Edison Company (Edison) filed Advice Letter 1139-E on December 21, 1995 to request authority to close Schedules D-APS and GS-APS to new customers as of March 1, 1996 because Edison believes it no longer requires the additional reserve capacity provided by the Automatic Powershift (APS) programs.

2. There are currently approximately 148,000 residential and 24,000 General Service customers participating in the APS programs. Edison estimates that these customers receive over \$17 million in credits annually and offer about 380 MW of potential capacity or load reductions.

3. Edison has not cycled air conditioners under this program in the last five years. Edison estimates that its capacity reserve margins will be 20 percent or greater through the year 2005, not including the capacity, or load reduction, potentially provided by existing APS customers.

4. Edison anticipates that an additional 25,000 customers will likely be added to the APS program by 1998 resulting in rate increases to non-APS customers for unneeded capacity. Edison states that "the addition of new APS customers would expand ratepayer subsidies without further ratepayer benefit."

5. Edison offers to residential and General Service customers various time-of-use rate schedules which are designed to effect load shifting during peak periods and which can accomplish similar load shifting objectives as the APS programs.

6. The continuation of the APS program would provide no benefits to ratepayers, while retaining a subsidy to participating APS customers at a cost to all remaining customers. Therefore, CACD recommends that the Commission reconsider, in its next rate proceeding involving Edison, the appropriateness of continued availability of Schedules D-APS and GS-APS.

April 10, 1996

THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company (Edison) is authorized to close Schedules D-APS and GS-APS to new customers as of the effective date of this resolution.
2. Edison is ordered to supplement Advice Letter 1139-E to account for the revised effective date.
3. Advice Letter 1139-E and the accompanying attachments shall be marked to show that they were approved by Commission Resolution E-3452.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities commission at its regular meeting on April 10, 1996. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

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