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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3005
August 6, 1986

RESOLUTION

ORDER AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY (SCE) TO ESTABLISH A NEW TARIFF SCHEDULE ENTITLED SCHEDULE NO. TOU-SOP - GENERAL SERVICE LARGE - SUPER OFF-PEAK, AS AN OPTIONAL RATE SCHEDULE FOR GENERAL SERVICE CUSTOMERS.

By Advice Letter 729-E, filed June 9, 1986, Southern California Edison Company (SCE) requests authority to establish a new tariff schedule entitled Schedule No. TOU-SOP - General Service Large - Super Off-Peak, as an optional rate schedule for general service customers. The facts as presented by SCE are as follows:

1. This new tariff schedule is being offered as an additional option for both heavy-industry customers and other customers currently billed under SCE's present general service rate schedules: 1) GS-2 - General Service; 2) TOU-8 - Time-of-Use - Large and (3) PA-2 - Power - Agricultural and Pumping (Demand Basis).
2. The time periods in Schedule TOU-SOP differ from the time periods in SCE's other time-of-use tariffs and reflect SCE's current off-peak operating conditions.
3. The off-peak hours in this schedule of midnight to 6 a.m. encompass the highest concentration of minimum load hours, and result in rate levels that more closely reflect the average cost of economy energy purchases and SCE generation during those hours. Also, the demand charges have been designed to more accurately reflect marginal costs.
4. Schedule TOU-SOP differs from the other time-of-use rate schedules in two other respects: 1) the summer on-peak billing period has been narrowed to 1 p.m. to 5 p.m.; and, 2) the off-peak energy charges reflect kWh per on-peak kW load factor blocking.
5. The shorter summer on-peak billing period will make off-peak cooling more attractive to customers because less investment in storage capacity will be required in order to avoid operating cooling equipment during the higher priced billing period.

6. The load factor blocking for off-peak energy purchases is intended to both discourage on-peak period usage and encourage off-peak period usage. Customers can take advantage of the lower energy charge for usage above 125 kWh per kW of on-peak demand by reducing their on-peak demand, increasing their off-peak energy usage, or both. Average usage for the class in the off-peak period is 125 kWh per kW of on-peak demand. For usage above 125 kW per on-peak kW, customers are billed an energy charge which reflects the marginal cost of energy during minimum load hours.

7. Schedule TOU-SOP is designed to be revenue neutral for large general service customers with better-than-average load profiles. Because Schedule TOU-SOP is being proposed as an optional rate, only those customers who will benefit from transferring to Schedule TOU-SOP and those who are willing to shift their load in response to the TOU-SOP rate are expected to transfer to the new tariff schedules.

8. Schedule TOU-SOP is expected to produce a \$3.65 million revenue shortfall for 1986. This revenue shortfall will be offset, in part, by capacity and energy benefits associated with anticipated load shifting in response to the TOU-SOP rate. Additionally, SCE plans to file an application within the next one to two months to increase its standby charges. If approved, the increased standby charge revenue will more than offset the \$3.65 million revenue deficiency noted herein.

9. By letters dated June 30, 1986 and July 7, 1986 SCE advised the staff that the proposed rate will result in a revenue deficiency of \$3.65 million if an estimated 197 customers migrate from Schedule No. TOU-8 to TOU-SOP. If these customers shift some of their load to off-peak, an additional revenue shortfall of up to \$5.83 million might occur. However, if the estimated load shift occurs, SCE's costs will be reduced by \$6.61 million thus partly offsetting the revenue deficiency. SCE also advises that it intends to recover the rest of the estimated revenue shortfall by increasing the standby rates by a separate application filing in the very near future.

10. Our experience has been that predictions of customer migration between schedules as well as the load shifting from on-peak to partial peak or off-peak periods expected to result from the adoption of new tariff proposals have been generally inaccurate. Often such predictions greatly exceeded the results subsequently reported. Using such inflated predictions in the design of rates for classes of customers has, resulted in overcollection of revenues significantly in excess of the amount authorized to be received from the customer group by the tariff schedule.

11. In approving these rates, we will not accept the assumption that a given load shift or decrease in usage will occur, which may in turn require increases in other rates or charges. Accordingly, we will not recognize the above \$5.83 million revenue shortfall or any other shortfall until such time when SCE can show by actual sales data that such revenue shortfall has in fact occurred. To

the extent that there is any revenue shortfall resulting from the implementation of Schedule TOU-SOP, that is greater than the corresponding reduction in expenses occurring as customers shift their loads, the revenue shortfall shall not be spread to other classes of customers in subsequent ECAC, ERAM, AER or other general rate adjustment proceedings.

12. Except as noted above, this filing will not increase any rate or charge, cause the withdrawal of service, nor conflict with other schedules or rules.

13. This filing has been reviewed by the Staff of the Energy Branch of the Evaluation and Compliance Division. The Staff recommends authorization and the filing is presented herewith to the Commission for its approval. No protests have been received in this matter, and one letter of support was received from Transphase Sysms, Inc., a manufacturer of thermal energy storage systems.

THEREFORE:

1. Southern California Edison Company is authorized under Section 455 of the Public Utilities Code and by Section X.A. of General Order 96-A to place the above advice letter and accompanying tariff sheets into effect today.

2. SCE shall report, for the time periods covering three, six and nine months after the rates approved herein become effective, the actual recorded sales and revenues for customers served under Schedule No. TOU-SOP showing the billing determinants along with the actual sales and revenues for the same customers for the same periods occurring the preceding year. SCE shall file, an original and one copy of the reports, within 45 days after each period set forth above, with the Chief of the Energy Branch of the Evaluation and Compliance Division.

3. Advice Letter No. 729-E and the accompanying tariff sheets shall be marked to show that they were approved for filing by Commission Resolution E-3005. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 6, 1986. The following Commissioners approved it:

DONALD VIAL
President
VICTOR CALVO
PRISCILLA C. GREW
FREDERICK R. DUDA
STANLEY W. HULETT
Commissioners



Executive Director