

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3340  
November 2, 1993

R E S O L U T I O N

RESOLUTION E-3340. SOUTHERN CALIFORNIA EDISON COMPANY REQUESTS APPROVAL TO IMPLEMENT AN EXPERIMENTAL OPTIONAL DOMESTIC RATE, SCHEDULE D-SC, APPLICABLE TO ITS COACHELLA VALLEY CUSTOMERS.

BY ADVICE LETTER 993-E, FILED ON MARCH 10, 1993.

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SUMMARY

1. Southern California Edison Company (Edison) requests Commission approval to implement an optional domestic rate schedule, Schedule D-SC. Schedule D-SC would be an experimental rate schedule applicable only to domestic customers in Coachella Valley (Palm Springs area) and is designed to test the acceptance of a residential customer charge. Customers in the Coachella Valley area would have the option of either remaining on the current residential rate schedule (Schedule D) which does not have a customer charge, or switching to experimental Schedule D-SC, which would consist of a customer charge of \$5 per month but a lower energy rate than Schedule D. Customers with higher usage would receive lower bills under the proposed schedule.
2. The revenue impact as a result of adoption of Schedule D-SC, would be recovered from all rate groups in revenue allocation in the subsequent year through the ERAM balancing account. This would result in an impact on other customers (including customers outside the Coachella Valley district) of about \$2 million dollars. The proposed experiment would not provide any useful information regarding ratepayer acceptance of the customer charge.
3. This resolution denies Edison's request.

BACKGROUND

1. In SDG&E's 1983 general rate case, D. 83-12-065, the Commission eliminated its residential customer charge. SDG&E's residential customer charge was reinstated in D. 87-12-069 in the interest of marginal cost-based rate design, but was repealed again in D. 88-07-023 in response to an outpouring of ratepayer opposition.

2. Southern California Edison Company (Edison) filed advice letter 993-E to implement an optional domestic rate schedule, Schedule D-SC.

3. Edison proposes to test approximately 90,000 domestic customers in Coachella Valley for their acceptance and understanding of a customer service charge by means of Schedule D-SC. Edison states that Schedule D-SC will also be a tool for customers in Coachella Valley to help manage their high electric bills. All customers in the area would have the option of signing up for Schedule D-SC, or remaining with the current residential Schedule D. Customers signing up for Schedule D-SC would pay a customer charge of \$5 per month but would receive lower energy rates than they would on Schedule D (i.e., \$0.10250 per kWh instead of 0.11095 per kWh for baseline service).

4. Edison estimates that approximately ten percent of the Coachella Valley customers would see a reduction in their current bill of at least five percent if they switch from current schedule D to Schedule D-SC and therefore are likely to sign up for this schedule. Customers using more than 582 kWh per month would see lower electric bills. It would take a usage of 1,580 kWh per month to see a reduction of 5% in the customer's bill under the experimental schedule. The remaining ninety percent of Coachella Valley customers are not expected to sign-up for Schedule D-SC because their rates would be higher under this new schedule.

5. Adoption of Edison's proposal would result in a revenue shortfall of \$2 million in Edison's authorized revenue requirement because of the lower energy bills paid by Schedule D-SC participants. This \$2 million shortfall would ultimately be recovered from all other customers through operation of the ERAM account.

6. Edison bases its request to conduct this experiment on two recent general rate case decisions, Pacific Gas and Electric Co. (D. 93-060-087) and San Diego Gas and Electric Co. (D. 93-06-088). In these decisions the Commission separately ordered both PG&E and SDG&E to develop and implement plans for evaluating the customer acceptance of a residential customer charge. Each utility's residential customer charge proposal would be included in its next general rate case application. Although neither Commission decision ordered Edison to develop a similar proposal, Edison is proposes to test the acceptance of a customer charge through this advice letter.

**NOTICE**

Public notice of advice letter 993-E was made by publication in the Commission's calendar on March 12, 1993.

### PROTESTS

CACD received no protests on Advice Letter 993-E.

### DISCUSSION

1. The Commission has continually grappled with the desirability of imposing a customer charge upon residential customers. Residential customers are the only customer class which does not currently have a customer charge. In SDG&E's 1987 general rate case, D. 87-12-069, the Commission adopted a customer charge for residential service but subsequently rescinded the customer charge in D. 88-07-023 in response to significant customer opposition. Proponents of a customer charge believe that it better reflects in rates the costs incurred by the utility in providing service to its customers, and that customers will make their electricity purchases consistent with their understanding.

Opponents of a customer charge note that there appears to be widespread public opposition to the charge, and that since residential customers have no alternative to utility service, it is unclear how a customer charge will significantly change a customer's overall energy usage patterns.

In both PG&E's and SDG&E's last general rate cases (D. 93-06-087 and D. 93-06-088 respectively), the Commission again debated the merits of adopting a residential customer charge. In both general rate cases the Commission decided not to adopt the customer charge, but did direct both utilities to test the understandability and customer acceptance of a customer charge before filing their next general rate case.

Although not required by any Commission decision, Edison is also proposing to test the acceptability of a customer charge through its advice letter filing.

2. Edison's proposed experimental Schedule D-SC would test the acceptance of a residential service charge by the domestic residents of Coachella Valley. This area's 90,000 customers would have the option of signing up for Schedule D-SC, which contains a service charge, or remain on their current Schedule D. Edison estimates that about ten percent of its Coachella Valley domestic residents would benefit by at least five percent of their current bills on Schedule D-SC. If everyone of these customers switched to Schedule D-SC, and sales to these customers remained at 1992 levels, Edison estimates that its revenues would be about \$2 million less than if the D-SC rate was not available and customers remained on Schedule D. The revenue shortfall associated with schedule D-SC would be reflected in the ERAM balancing account, and ultimately would be collected from all other ratepayers.

3. PG&E (D. 93-06-087 page 45) and SDG&E (D. 93-06-088 page 13) were both directed by the Commission to devise strategies for

overcoming customer acceptance problems associated with a residential customer charge.

As the Commission stated:

...the benefits of (a customer charge) are outweighed by the unresolved problems relating to customer acceptance. These problems include a lack of a viable plan to achieve reasonable customer acceptance, the uncertain costs of such a plan, an incomplete analysis of the full bill impact of full phase-in of a residential customer charge, and need for more comprehensive integration with other energy efficiency goals....(D. 93-06-088, page 13)

Edison is proposing to attempt to answer these same concerns expressed by the Commission in its advice letter filing. However, Edison fails to meet the Commission's criteria as discussed below.

4. The major and insurmountable problem with Edison's plan is that only customers who benefit will sign up for the optional program. Low-usage customers would pay more and high-usage customers would pay less. Under the proposed Schedule D-SC, if a customer uses 1,580 kWh or more, the customer's bill would decrease by about five percent. Furthermore, the proposed service charge in Schedule D-SC, unlike the existing minimum charge in Schedule D, would be a fixed fee on top of any kilowatt-hour (kwh) energy charges otherwise assessed. Edison's proposed experiment would only collect usage information on the ten percent of customers in the area who are expected to sign up for the program because these customers' rates would be lower than they are now. The remaining 90% of customers are not expected to sign up for Schedule D-SC. As a result, no usable information would be provided for the remaining ninety percent of the customers in the Coachella Valley area. These customers would still be dissatisfied because their rates would either increase or remain at the same level. Failure to collect any usable information on these 90% of the customers in the area makes it difficult to apply the results of Edison's program system-wide. Therefore, it is not reasonable to adopt Edison's proposed optional customer charge because of the problem of adverse selection.

5. Edison also lacks a viable plan in achieving reasonable customer acceptance. Edison performed neither a preliminary study outlining the goals of the plan nor a complete analysis of the full phase-in of a residential customer charge system-wide, including the date of implementation. Edison also neglected to state its intentions of utilizing any of the "findings" of this experiment. Edison does not plan to implement the program in its next general rate case. Furthermore, Edison did not propose methods of identifying why the remaining ninety percent of customers would not sign up for the program or identify ways to overcome their opposition to a customer charge.

6. Edison's program is identical (except that it's done on a smaller scale) to the optional customer charge program that the Commission already rejected in the recent PG&E general rate case (D. 93-06-087). The primary reason for not adopting an optional customer charge was the problem of adverse selection, namely that only customers who benefit sign up for the optional program. Although Edison was not ordered by the Commission to develop a similar proposal, Edison is proposing to test the acceptance of a customer charge through this advice letter.

7. The \$2 million dollar cost of the experiment is a significant amount to pay by all of Edison's customers to only benefit a few customers within one district. The program would not help in solving the issue of customer acceptance and understandability of a residential customer charge.

#### FINDINGS

1. Edison's request for authorization to implement optional experimental Schedule D-SC lacks a viable plan for achieving reasonable customer acceptance. Edison's proposal would only gather data on the ten percent of customers likely to sign up for its proposed rate schedule and would not provide any useful information on the remaining ninety percent of Edison's customers and why they chose not to participate in Edison's program. The results of the program are therefore difficult to apply system-wide.

2. Edison's proposed experimental schedule D-SC does not provide useful information that assists the Commission in reaching a decision on the acceptance of a customer service charge.

3. Edison's program is identical (except that it's done on a smaller scale) to the optional customer charge program that the Commission already rejected in the recent PG&E general rate case (D. 93-06-087).

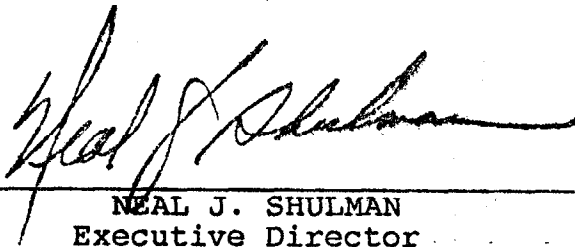
4. The cost of Edison's program of \$2 million, to be recovered through operation of the ERAM balancing account, are not justified due to the lack of usable data that would be gathered by Edison's proposal.

**THEREFORE, IT IS ORDERED that:**

1. Southern California Edison Company's request to implement experimental Schedule D-SC as filed by Advice Letter 993-E is denied.
2. Advice Letter 993-E shall be marked rejected and returned to the utility.
3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 2, 1993.

The following Commissioners approved it:



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NEAL J. SHULMAN  
Executive Director

DANIEL Wm. FESSLER  
President  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
P. GREGORY CONLON  
JESSIE J. KNIGHT, JR.  
Commissioners