PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3395
November 9, 1994

R E S O L U T I O N

RESOLUTION E-3395. SOUTHERN CALIFORNIA EDISON COMPANY (EDISON) REQUESTS ADDITION AND APPROVAL OF TWO SEPARATE SERVICE ADJUSTMENT AGREEMENTS WITH TAMCO STEEL, INC. AND TWO OTHER POTENTIAL CUSTOMERS TO ITS LIST OF CONTRACTS AND DEVIATIONS.

BY ADVICE LETTER 1068-E, FILED ON AUGUST 10, 1994.

SUMMARY

1. Southern California Edison (Edison) requests authority to modify its List of Contracts and Deviations to establish two separate Service Adjustment Agreements (Service Agreements), executed on July 22, 1994 between Edison and Ferromet, Inc. (Ferromet)/Tamco Steel, Inc. (Tamco) and between Edison and Tamco/Industrial Wire Products, Inc. (Industrial Wire). The Service Agreements contain a deviation from Special Condition 16 of Schedule TOU-8, General Service-Large, which will allow Edison to individually meter electrical service to Ferromet and Industrial Wire through the electrical distribution facilities owned by both Edison and Tamco.

2. The terms and conditions of the Service Agreements are economically reasonable. They will allow Edison to accomplish what it could not achieve prior to the execution of the Service Agreements without substantial cost to the prospective customers. CACD agrees with Edison that it is prohitively expensive to individually meter and deliver direct service to Industrial Wire and Ferromet.

3. Edison proposes to list the Service Agreements in its List of Contracts and Deviations.

4. This resolution grants Edison's request because it offers a reasonable solution to a unique problem.

BACKGROUND

1. Tamco, Ferromet, and Industrial Wire have consented to have Edison provide individually metered service to Ferromet and Industrial Wire through the electrical distribution systems owned by both Edison and Tamco. The Agreements essentially

provide for adjustment of electric bills of Tamco, Ferromet, and Industrial Wire so that cost of service can be allocated to each company.

2. Edison serves Tamco in Etiwanda California from a 66/12 kV Added Facilities installed in 1988 at Tamco's request. Ferromet and Industrial Wire are not Edison's customers, however, they receive electrical power through the electrical distribution facilities owned by Tamco. Tamco's operations used to include that of Industrial Wire and Ferromet when Tamco was operated as a single entity prior to Industrial Wire and Ferromet disposition. Despite this, Tamco continues to supply electrical power to both companies. Edison believes Tamco submetered sections of its operations prior to selling off certain parts in order to identify operational costs. Edison also believes that "...the practice of submetering may have continued as a convenience to all Parties." However, this is in violation of Edison's Rule 18, Supply to Separate Premises and Use by Others, which prohibits resale of electrical power by a customer. Edison states that when it became aware of the submetering, it notified Tamco of the provision of Rule 18. Tamco, therefore, requested Edison to provide cost estimates to individually meter service to Ferromet and Industrial Wire. Tamco finds itself in this situation because its operations evolved in this way since 1957.

3. Prior to 1974, Ameron Corporation (Ameron) formed Tamco's predecessor, Etiwanda Steel Producing Division with a 10 MW arc furnace and billet casting operation. This operation eventually grew into a wire making operation and pipe mill in the same location. Ameron, however kept the ownership of the land on which the operations were located separate to itself.

4. In 1974, Tamco was formed as a joint venture between Tokyo Steel, Ameron, and Mitsui Corporation, taking over Etiwanda Steel Producing Division operations, with Ameron remaining as 50% owner. Ameron continued to separately own the land. In 1984, the wire making operation ceased under Tamco and was sold to Industrial Wire Products Inc. (Industrial Wire). Ameron kept the ownership of the land. As other parts of Tamco's operations changed, another building, now occupied by Ferromet, Inc. (Ferromet) was sold without the land. Since Tamco was originally built as a single entity, Ferromet and Industrial Wire continued to receive their electrical power needs from Tamco.

5. Edison said that it received a request from Tamco several years ago to provide cost estimates for direct service to Ferromet and Industrial Wire. However, "Because the estimates indicated that the cost to provide individually metered service in the traditional sense was economically prohibitive, Edison was requested to explore alternative methods of providing service."

6. Edison represents that if it were to provide direct service to Ferromet and Industrial Wire from its 12kV system it would require "... an expensive transformer bank increase at a nearby 66/12kV distribution substation and a substantial amount of 12kV

line rebuild in order to bring sufficient line capacity into the area." In addition to the above, Edison further represents that "... the size of Ferromet's motor load is so large that it is doubtful if Edison can serve that load from its 12kV system because of the voltage flicker." Therefore, Edison believes that a lower cost alternative to the above expensive approach is to utilize existing electrical distribution facilities on the property, owned by Tamco, which can currently provide ample service to all the companies. Tamco is a party to the Service Agreements and has accepted Edison's proposition and the provisions of the agreements.

7. On July 22, 1994, Tamco with Edison executed two separate Service Adjustment Agreements (Service Agreements) with Industrial Wire and Ferromet. Under the terms and conditions of the Service Agreements, Tamco, Industrial Wire and Ferromet consented to have Edison individually metered service to Industrial Wire and Ferromet through the electrical distribution facilities owned by Tamco and Edison. Edison represents that this method of service will require Edison to establish individual accounts for each entity and to electronically subtract Ferromet's and Industrial Wire's loads from Tamco's total meter reading. This will mean that each customer's demand and energy consumption readings will be adjusted based on the information obtained from the loss compensating devices to be installed by Edison to account for line and transformer losses. The method of determining loss factors will be established at Edison's discretion. Each company will be billed separately. Industrial Wire and Ferromet will receive service under Edison's Tariff Schedule I-6, Interruptible Service and be bound by Special Condition 16 of Schedule TOU-8.

8. The provision for line and transformer losses devices to account for line losses also calls for bill adjustment of Tamco, Industrial Wire and Ferromet by Edison. However, this deviates from Special Condition 16, Compensated Metering, of Schedule TOU-8. Special Condition 16 is applicable to service metered and delivered at voltages above 50kV. Where customer requests service above 50kV, Edison and customer may agree to install a transformer loss compensating device acceptable to Edison. The customer pays for the device and the related equipment pursuant to Rule 2, Section H, Added Facilities. Edison requests Commission approval for the deviation.

9. The Service Agreements also provide that Ferromet and Industrial are to pay their percentage share of the Added Facilities, which Tamco now solely pays, since they have elected to receive service at 66kV from Edison. Industrial Wire and Ferromet shares are 13.4% and 21.9% based on the ratio of their electrical demand to the total electric demand at Tamco's meter as of June 1, 1994. The ratios are subject to periodic review by Edison. Industrial Wire and Ferromet individual share amount will be used to reduce Edison's current charges of $6,607 per month to Tamco.

10. Additionally, Industrial Wire and Ferromet individually signed the following standard Tariff contracts with Edison:

a. Application and Contract for Electric Facilities, Permanent Service - Capacity in excess of 2,000 KVA, Edison Form CSD 393.

b. Contract for Interruptible Service, Form 14-315.

c. Added Facilities Agreement - Edison Financed, Form 16-308.

d. Absolving Service Agreement, Form CSD 436.

NOTICE

1. Public notice of this filing has been made by publication in the Commission's calendar and by mailing copies to interested parties specified in Section III-G of General Order 96A.

PROTESTS

1. Commission Advisory and Compliance Division (CACD) has received no protests to Advice Letter 1068-E.

DISCUSSION

1. The normal practice when a customer elects to receive service at a voltage higher than ordinarily available is for the customer to own or purchase from the utility any transformers needed. Industrial Wire and Ferromet desire to take service from Edison at 66kV. Edison represents that it can not readily provide service at this voltage from its 66/12kV substation without requesting the potential customers to incur millions of dollars in power transformation equipment and distribution line upgrade. Edison believes it would be unreasonable to require the potential customers to spend millions of dollars to install additional facilities where there is already adequate existing line and substation capacity available in the area to serve the load. These are Tamco's electrical distribution facilities. Tamco is a party to the agreement and it has agreed that Edison can use its electrical distribution facilities without compensation other than what has been provided for in the agreement to serve Industrial Wire and Ferromet.

2. Edison further states:"The method of service established by the Agreements ... is not one which would normally be offered to customers requesting such service. Instead, it represents a low cost solution to a unique problem." CACD agrees with Edison on this point because the other feasible alternative is prohitively expensive. If the expensive alternative is forced on the potential customers, production costs could substantially increase and as a result affect prices of manufactured products. This result can make the companies less competitive with other producers and consequently drive them out of business. CACD therefore, supports the "low cost solution to a unique problem" and recommends the approval of Advice Letter 1068-E as requested by Edison.

FINDINGS

1. Edison filed Advice Letter 1068-E requesting authority to modify its Lists of Contracts and Deviations and for approval to deviate from Condition 16 of Schedule TOU-8.

2. The proposed Service Agreements will allow Edison to individually provide metered service to Tamco, Ferromet, and Industrial Wire without asking the potential new customers to incur substantial sums of money on transformers and electrical distribution upgrade.

2. The Service Agreements will not cause an increase in rates, withdrawal service, or create more restrictive service conditions other than what the Service Agreements required.

3. The deviation from Edison's Condition 16 under Schedule TOU-8 is reasonable.

THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company is hereby authorized to revise its Lists of Contracts and Deviations and to deviate from Condition 16 under Schedule TOU-8 as requested by Advice Letter 1068-E.

2. Advice Letter 1068-E and the accompanying tariff sheets shall be marked to show that they were approved by Commission Resolution E-3395.

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 9, 1994. The following Commissioners approved it:

Neal J. Shulman

NEAL J. SHULMAN
Executive Director

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