

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3398
January 24, 1995

R E S O L U T I O N

RESOLUTION E-3398. SOUTHERN CALIFORNIA EDISON COMPANY,
ORDER AUTHORIZING REVISED UNIT COSTS FOR ELECTRIC LINE
EXTENSIONS.

BY ADVICE LETTER 1042-E, FILED MARCH 3, 1994
AND BY SUPPLEMENTAL ADVICE LETTER 1042-E-A FILED
JULY 19, 1994.

SUMMARY

1. By Advice Letter 1042-E, filed March 3, 1994 and Supplemental Advice Letter 1042-E-A filed July 19, 1994, Southern California Edison Company (Edison) requests authorization to revise the unit cost charges for electric line extensions specified in Electric Tariff Rules 15 and 15.1. For electric overhead main extensions beyond the free length, Edison proposes to increase the filed unit cost as set forth in Rule 15 from \$9.25 per foot to \$17.07 for each foot of line. For electric underground main extensions beyond the free length, Edison proposes to increase the filed unit cost as set forth in Rule 15.1 from \$14.23 to \$16.07. These costs include Contributions-In-Aid-of-Construction (CIAC) gross-ups.
2. The Energy Branch of the Commission Advisory and Compliance Division received a protest dated March 25, 1994 to Edison's Advice Letter 1042-E and another protest to Supplemental Advice Letter 1042-E-A dated August 4, 1994, from the Western Mobilehome Park Owners Association (WMA). A response to WMA's original protest was received from Edison on April 1, 1994. A response to WMA's second protest was received from Edison on August 12, 1994. WMA protests that Edison's study did not include new business orders for mobile home parks. While it is true that no mobile home park business orders were made during the sample period, WMA makes no persuasive arguments why the presence of such business orders would skew the results. CACD recommends denial of the protest.
3. Southern California Edison Company's request is authorized by this Resolution.

BACKGROUND

1. Edison's Tariff Rules 15 and 15.1 set forth provisions for extensions of electric distribution lines necessary to furnish permanent electric service. The changes would set new charges for overhead and underground line extensions which exceed the free footage allowance.
2. Tariff Rule Sections 15.E.2 and 15.1.E.2 and Commission Decision 85-08-043 require Edison to review annually its known and estimated costs of construction of line extensions and to submit a tariff revision when the unit cost changes more than 10 percent. The unit costs have changed more than ten percent when compared to current unit costs.
3. Rule 15 and 15.1 unit costs were revised pursuant to the above provisions effective September 7, 1983. The Rule 15 cost per foot was revised from \$6.00 to \$6.90 and Rule 15.1 cost per lot front foot was revised from \$4.75 to \$5.55.
4. As a result of Decision 83-10-042 in Case 83-05-04, a new method of measurement was established and a study was performed in 1984 to update Edison's underground unit costs in subdivisions and developments. This study showed an increase in the Rule 15.1 underground cost per lot front foot from \$5.55 to \$10.62. This revision was filed by Advice Letter 659-E Supplemental and became effective September 5, 1985.
5. In 1989, Edison began using a computerized data gathering system for both its overhead and underground construction cost studies which increased its accuracy of estimating costs. The system allowed for a significant increase in the work order sample available for analysis over the number previously used in Edison's studies. As a result, studies of Rule 15 and 15.1 work orders showed an increase of greater than 10% for both overhead and underground unit costs. According to utility personnel, Edison contemplated filing updated unit costs at that time. However, because of the pending merger with San Diego Gas & Electric Company (SDG&E), the utility decided to delay the filing.
6. Subsequently, new studies were performed by Edison in 1993. Overhead and underground construction cost studies were conducted on a sampling of 10 geographically diverse areas within Edison's service territory. The study involved work orders opened in 1991 and excluded: (1) transformer, meter, and service costs; (2) underground costs in overhead work orders; and (3) overhead costs in underground work orders. The costs were escalated to reflect 1993 estimated costs.
7. The Rule 15 study includes the installed cost of 769 overhead line extension work orders representing 391,260 feet of line extensions. Another study for overhead line extensions was done by Edison at the Energy Branch's request which provided overhead cost based on the length of an average overhead line extension (600 feet). This study showed a unit cost of \$17.07

beyond the free length and includes CIAC gross-ups. This unit cost represents an 85% per cent increase over the present unit cost of \$9.25 established in 1983. This unit cost was reduced from Edison's prior request of \$18.67 based on use of criteria other than cost sampling.

8. The Rule 15.1 study includes the installed cost of 253 underground line extension work orders in residential subdivisions and developments representing 441,323 feet of line extensions. Based on these results, this filing increases the cost per lot front foot, in Rule 15.1 Section C.1 to \$11.99 per foot of property fronting on streets within a subdivision or development. With CIAC gross-ups, this comes to a cost per foot of \$16.07 beyond the free length. This cost represents an 13% increase over the current unit cost of \$14.23 established in 1985, well under the inflation rate.

NOTICE

1. Notice was provided by Edison to other utilities and interested parties in compliance with Section III, Paragraph G of General Order 96-A. It was publicized in the Commission Calendar.

PROTESTS

1. WMA filed a protest to Edison's Advice Letter 1042-E on March 25, 1994. WMA inquired of Edison "... whether any construction in mobilehome parks has been included in the study work leading to these proposed revisions and a determination made that the revisions reasonably relate to mobilehome park construction...WMA asserts that, until Edison can confirm that construction in mobilehome parks has been considered in the study work leading to these proposed revisions, the revisions should not apply to construction on mobilehome parks. Thus, there should be no change in the rules with respect to mobilehome parks."

2. In an April 1, 1994 letter, Edison responded that "...Edison's Rule 15.1 states that (in its study of Rule 15.1 [rule on underground subdivisions and developments] work orders) it is applicable to all new single-family and/or multifamily residential subdivisions of five or more lots. Edison believes that these rules consider mobile home parks with five or more lots as residential subdivisions and require line extensions within new residential subdivisions to be provided in accordance with Rule 15.1. Also, the Periodic Review provision (Section E.2) of Rule 15.1 does not require a particular type of subdivision be identified or sampled in these studies."

3. "Moreover, in the study supporting Edison's Rule 15 and Rule 15.1 average unit cost revenues, a total of 769 Rule 15 work orders and 253 Rule 15.1 work orders were sampled. This represents approximately 90 percent and 55 percent of the total system Rule 15 and Rule 15.1 work orders, respectively. Such sample sizes should minimize any potential bias toward or against any particular type of subdivision."

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4. On September 20, 1994, representatives of WMA, Edison, and the Commission Energy Branch staff met to discuss the validity of Edison's statistical sampling methods in the proposed increase of Edison's Tariff Rule 15.1, "Underground Extensions Within New Residential Subdivisions". WMA argued that Edison's sampling was invalid because it did not include mobile home park new business orders for the year of the study, 1991. Energy Branch staff requested that Edison provide information about the number of mobile home park new business orders in 1991, and new business orders for 1994 involving mobile home park starts. By a data request reply of October 19, 1994, Edison asserts that no mobile home park related line extension work orders opened in 1991 or from January 1994 through September of 1994. It appears that since there were no mobile home park starts in 1991 that WMA's claim that the sampling by Edison for new business orders did not include mobile home parks is accurate, but does not affect the validity of the sample.

DISCUSSION

1. Edison proposes to revise the unit costs for electric extensions specified in Electric Tariff Rules 15 and 15.1. Edison used a computerized data gathering system for both overhead and underground line extension cost studies.

2. The proposed underground subdivision costs increased from \$14.23 per foot in 1985 to \$16.07 per foot currently (a 13% increase). This was an increase percentage much less than Data Resources, Inc. (DRI) business inflation costs which increased by 33.5% over the same period of time. The Commission Advisory and Compliance Division (CACD) notes that Edison's standard installation is by direct burial of line, rather than another method involving installation of conduit and subsequent pulling of cable through the conduit. According to Edison, this installation practice makes it possible for underground installations to cost less than overhead (i.e. \$16.07 per foot vs. \$17.07 per foot).

3. The cable-in-conduit method for burial of electric line involves excavation, placement of conduit, backfill, and the subsequent pulling of cable through the conduit. This more labor intensive method is why other utilities' undergrounding costs are higher than overhead costs. Also, in comparison with the undergrounding costs of other electric utilities, Edison's overhead unit cost is high (even though its proposed overhead unit cost was reduced to \$17.07 per foot).

4. The initially proposed overhead unit cost of \$18.67 appeared to be excessive when compared to other regulated utilities. For example, SDG&E's unit cost is \$10.92. Therefore, the Energy Branch staff requested that Edison conduct further studies by developing unit costs for a typical electric line extension new construction. These studies supported an overhead line unit cost of \$17.07 per foot beyond the free footage length (including CIAC). This unit cost is \$1.60 per foot less than Edison's original request. This revision

necessitated Edison's filing of Supplemental Advice Letter 1042-E-A.

5. Edison's proposed line extension unit costs have been reviewed and compared to other electric utility unit costs and the rate of inflation. The proposed increase in the unit cost of underground line extensions in subdivisions and developments is below the inflation rate for the same time period. By comparison, the proposed increase in overhead unit costs exceeds both the rate of inflation and extension costs of other regulated utilities. This initiated further review by CACD personnel. Edison's initial request was for an overhead unit cost of \$18.67, based on its sampling methodology. After review and discussion, Edison agreed to file for the unit cost in its supplemental filing, \$17.07, a reduction of \$1.60 per foot beyond the free length. This figure was determined based upon Edison's cost for a typical 600 foot extension. The cost components supporting the \$17.07 are derived from and can be related to costs presented by Edison in its general rate cases. These rate case costs are subject to the scrutiny of the Division of Ratepayer Advocates and other interested parties. Because the supplemental unit cost was less than originally requested and because it was derived from information that is subject to review by interested parties, CACD is of the opinion that it represents a reasonable extension unit charge.

6. CACD has reviewed WMA's protest to Advice Letter 1042-E. Edison's data request response showed no mobile home park new business starts in 1991, the year of Edison's statistical sampling. This reply adequately responded to WMA's protest that there was inadequate representation of mobilehome parks. Also, while no mobile home parks were present in the sample, the construction cost increases experienced by Edison would apply to all customers requiring extensions, including mobilehome parks. CACD therefore recommends rejection of WMA's protest.

7. Edison's proposed overhead unit cost increase is 85%, far greater than the 10% increase or decrease required in its tariffs to initiate a filing for revision. When extension costs change, they should be reflected in the utility's tariffs to provide accurate price signals to applicants for service. We note that the application of Edison and SDG&E to merge would have impacted the combined utility's unit costs. Also, our investigation into the line extension rules (R.92-03-050) has been in progress since 1992. We will therefore, in this particular instance, waive Edison's prior filing requirement.

8. We recently adopted a Stipulation and Settlement Agreement submitted by Edison and other parties, setting forth proposed uniform line extension and service rules (Decision 94-12-026 in R.92-03-050). The Periodic Review provision, effective July 1, 1995, for electric utilities in the agreement is as follows:

PERIODIC REVIEW. Utility will periodically review the factors it uses to determine its residential allowances, non-refundable discount option percentage rate, Unit Cost, and Cost of Service Factor stated in this rule. If such

review results in a change of more than five percent (5%), Utility will submit a tariff revision proposal to the Commission for review and approval. Such proposed changes shall be submitted no sooner than six (6) months after the last revision.

We expect Edison and the other respondent utilities to diligently apply these new rules when they go into effect.

9. CACD considers that the underground line extension unit cost proposed by Edison in Advice Letter 1042-E and the overhead line extension unit cost proposed in Advice Letter 1042-E-A are reasonable.

FINDINGS

1. Edison's requested increase in overhead line extension unit costs (Tariff Rule 15) is based on the cost of a typical line extension for new construction. Edison's requested increase in underground subdivision line extension unit cost (Tariff Rule 15.1) is based on recorded expenditures for 1991 new business orders. Edison's underground expenses have increased at less than the inflation rate for the same time period.

2. WMA's protest that no mobile home park new business were included in Edison's 1991 statistical sampling for Edison's Tariff Rule 15.1 is not applicable since there were no mobile home park new business orders in 1991. WMA's protest should be denied.

3. Edison and other utilities should file their unit cost revisions on a timely basis, per Decision 94-12-026 and line extension tariff rules.

4. A waiver from the filing requirement (after a 10% or more change in unit costs) is herein granted to Edison.

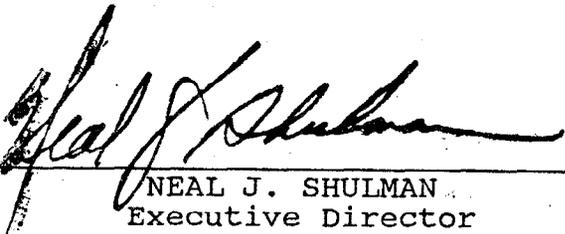
5. Edison's request to revise line extension unit costs is reasonable. Edison's proposed increases in Supplemental Advice Letter 1042-E-A for overhead unit cost increases and Advice Letter 1042-E for underground subdivision unit cost increases should be authorized.

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THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company's request in Advice Letter 1042-E to increase the unit cost for Tariff Rule 15.1 and in Supplemental Advice Letter 1042-E-A to increase the unit cost for Tariff Rule 15 is authorized.
2. Advice Letter 1042-E and Supplemental Advice Letter 1042-E-A and accompanying tariff sheets shall be marked to show that they were authorized by this Resolution E-3398.
3. The Western Mobilehome Park Association protest is denied.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 24, 1995. The following Commissioners approved it:


NEAL J. SHULMAN
Executive Director

NORMAN D. SHUMWAY
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
Commissioners

President Daniel Wm. Fessler,
being necessarily absent, did
not participate.