

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
ENERGY BRANCH

RESOLUTION E-3449
APRIL 19, 1996

R E S O L U T I O N

RESOLUTION E-3449. SOUTHERN CALIFORNIA EDISON COMPANY REQUESTS A THREE YEAR EXTENSION TO THE ECONOMIC DEVELOPMENT DISCOUNT PROVISION IN THE SPECIAL CONDITIONS OF SCHEDULES TOU-8, TOU-8-SOP, TOU-8-RTP AND TOU-8-SOP-RTP

BY ADVICE LETTER 1116-E, FILED ON AUGUST 23, 1995.

SUMMARY

By Advice Letter 1116-E, filed August 23, 1995, Southern California Edison Company (Edison) requests an extension of its Economic Development Rate Discount Provision (EDRD) in the Special Conditions of Schedules TOU-8, TOU-8-SOP, TOU-8-RTP and TOU-8-SOP-RTP. Specifically, Edison requests (1) the date when the Special Condition is closed to new customers be extended to December 31, 1998; and (2) the expiration date be extended to December 31, 2003.

This resolution grants Edison's request because the program has created jobs in economic development zones and added new load to the system, thereby reducing rates for all ratepayers. In addition, it notifies Edison that the Commission will be examining shareholder participation for economic development discounts in the future and that up to 100 percent shareholder participation may be required after January 1, 1998.

BACKGROUND

Public Utilities Code Section 740.4 requires the Commission to authorize public utilities to engage in economic development programs to encourage job growth in economically disadvantaged areas. According to the code, the authorized economic development programs can be ratepayer funded to the extent that ratepayers benefit. Public Utilities Code Section 740.7 expanded the economic development programs to include military bases scheduled to be closed.

In Resolution E-3280, effective June 17, 1992, the Commission authorized Edison to establish a 3 year declining electric discount (15%, 10%, 5%) for new firms locating in enterprise zones and economic incentive areas. The discounts cannot be used for existing California load, and customers are required to maintain a minimum of 500kW net new load in order to be eligible. EDRD was ratepayer funded, but limited to 50 MW total

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load or 50 participants, whichever was reached first. In response to Public Utilities Code Section 740.7, Resolution E-3373 expanded the discount to include new customers located within a federal military base that is scheduled for closure. Resolution E-3373 also extended the program, with a new closing date of December 31, 1995 and a program expiration date of December 31, 2000.

There are currently five firms served under EDRD. Edison states those firms created 340 new jobs and have a load of 22 MW. Edison believes that if EDRD is extended five new customers will locate in economic incentive areas creating 1,145 new jobs and a total new load of 6.4 MW.

In Advice Letter 1116-E, Edison requests an extension of its EDRD for 3 years, closing its availability to new customers after December 31, 1998 and expiring on December 31, 2003.

The proposed extension will overlap with the implementation of Electric Restructuring. Decision 95-12-063 as modified by D.96-01-009 continues the existing guidelines for funding requests of economic development programs. Electric Restructuring can affect the funding of economic development programs by changing the benefits that accrue to ratepayers from these programs. In addition, D.95-12-063 as modified by D.96-01-009 encourages the legislature to consider modifying current economic development program funding.

NOTICE

Notice of Advice Letter 1116-E was made by publication in the Commission's calendar, and by mailing copies of the filing to adjacent utilities and interested parties.

PROTESTS

No protests were filed.

DISCUSSION

This advice letter raises two issues: 1) are the benefits of EDRD sufficient to extend the program; and 2) how will electric restructuring (D.96-01-009) affect this program.

The purpose of the economic development program is to encourage new firms to locate in economically depressed areas and thereby create jobs. Since its inception ERDR has helped locate five companies in economically depressed areas, creating 340 jobs. Ratepayers benefit from the EDRD because increased load at revenues that exceed marginal cost provide a contribution to fixed costs, reducing rates to all ratepayers.

Although CACD believes economic development discounts benefit ratepayers under the current regulatory environment, it is concerned that ratepayer benefit from these discounts may be diminished or eliminated after electric restructuring is implemented. At that time generation and distribution services

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will be charged separately. Customers of Edison's monopoly distribution services should not have to finance any of the cost of encouraging new load for Edison's competitive generation services. On the other hand, economic development discounts may still be appropriate if tied to distribution rates and marginal costs.

CACD, therefore, recommends extending the discounts on the condition that they be subject to revision or shareholder participation after electric restructuring is implemented. The Commission has not fully reviewed this issue and cannot determine the appropriate level of shareholder participation that may be required, but Edison's shareholders should be prepared to fund 100 percent of economic development discounts after restructuring is implemented.

FINDINGS

1. Edison filed Advice Letter 1116-E on August 23, 1995, requesting a three year extension to the Economic Development Rate Discount Provision of Schedules TOU-8, TOU-8-SOP, TOU-8-RTP and TOU-8-SOP-RTP.
2. Edison's economic development program has helped create 340 jobs and add 22 MW of new load.
3. By increasing load at rates above marginal cost, Edison's economic development program reduces the rates of all ratepayers.
4. When electric restructuring takes place the benefit to ratepayers of Edison's economic development program may be diminished, necessitating ratepayer funding be reduced or eliminated.

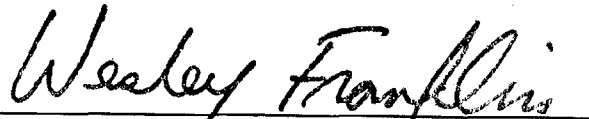
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THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company's Advice Letter 1116-E is approved subject to future shareholder funding of discounts if ordered by this Commission. Southern California Edison Company is hereby noticed that shareholders may be required to fund the economic development discounts, contained in any contract filed pursuant to the Economic Development Rate Discount Provision of Schedules TOU-8, TOU-8-SOP, TOU-8-RTP and TOU-8-SOP-RTP, for load delivered after electric restructuring is implemented.

2. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 19, 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
Commissioners

Commissioner Josiah L. Neeper,
being necessarily absent, did
not participate.