

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION
ENERGY BRANCH

RESOLUTION E-3463
NOVEMBER 6, 1996

R E S O L U T I O N

RESOLUTION E-3463. SOUTHERN CALIFORNIA EDISON COMPANY REQUEST TO CLOSE INTERRUPTIBLE RATE SCHEDULES TO NEW CUSTOMERS. THE REQUEST IS GRANTED CONDITIONALLY.

BY ADVICE LETTERS 1163-E AND 1163-E-A, FILED ON APRIL 29, 1996 AND JUNE 14, 1996.

SUMMARY

1. Southern California Edison Company (Edison) requests authority to close five interruptible rate schedules to new customers with two exceptions. The exceptions would be for new customers bringing new load to Edison's service territory and for existing customers who add new load. Existing customers would retain the interruptible rate schedules.
2. National Utility Service, Inc. (NUS), and Utility Resource Management (URM), protested. The former Division of Ratepayer Advocates, now the Office of Ratepayer Advocates [ORA], protested AL 1163-E but withdrew its objection after Edison submitted AL 1163-E-A which adopted DRA's request to open the schedules to new load.
3. This Resolution conditionally grants Edison's request to close the interruptible schedules because it conforms with the events that have transpired since D.96-04-050 [Phase 2 of 1995 GRC]. Those events culminated in Assembly Bill 1890 [Stats. 1996, Ch.854] with the restructuring of electric utilities in California.
4. Parties in General Rate Case Application [A] 93-12-025 not served with AL 1163-E-A shall have an opportunity to protest it. If there is no protest from parties not previously served, AL 1163-E-A will become effective the day after the protest period ends. If a party not served previously files a protest, the Commission will review the merits of the protest at its next regularly scheduled meeting on November 26, 1996.

BACKGROUND

1. Edison's interruptible customers agree to reduce their electrical demand upon notice from Edison. In return, Edison bills the customers at discounted energy and demand charges compared to the otherwise applicable firm tariff.
2. About 1,000 customers, with a 1,300 megawatt demand that is coincident with Edison's system peak, take service under interruptible rate schedules. The interruptible credit presently provides about \$160 million in benefits to the participating customers.
3. Edison would close the following interruptible schedules to new customers:
 - Schedule I-6, Time-of-Use, General Service, Large
 - Schedule RTP-2-I, General Service, Large, Real Time Pricing
 - Schedule TOU-8-SOP-I, Time-of-Use, General Service, Large Super-off-Peak.
 - Schedule AP-I, Agricultural and Pumping
 - Schedule TOU-PA-SOP-I, Time-of-Use, Agriculture and Pumping, Super-off-Peak.
4. Ordering paragraph 18 in Decision 96-04-050, dated April 10, 1996, directed Edison as follows:

Edison shall conduct a study to determine whether interruptible schedules should be closed to new customers in the future and submit the results of this study in its next rate design window proceeding.
5. Three weeks after the issuance of D.96-04-050, on April 29, 1996, Edison filed AL 1163-E asking for closure of interruptible rate schedules to new customers.
6. Despite the order to submit the results of such a study in its next rate design window case, Edison states that it "...believes it is in its customer's best interest to expedite closure of these schedules." [Footnote on page 2 of AL 1163-E-A]. Edison then points to a similar request in a related advice letter filing where the Commission, in Resolution E-3453 dated April 10, 1996, approved the closure of Schedules D-APS and GS-PS to new customers.
7. Edison also requests to revise the Contract part of the tariffs' Special Condition section. The revision would provide explicit contract requirements for customers eligible to take interruptible service under the exceptions provided in AL 1163-E-A. Those customers will be required to comply with all

provisions of a new Contract for Interruptible Service [Form 14-332] within 90 days of the execution of the contract. The contract would restrict customers by denying decreases in their Firm Service level.

8. Edison asserts that its capacity reserve margin will be 20 percent or more through the year 2005. Presently Edison has about 2,350 MW of reserve capacity, which amounts to a margin of about 30 percent.

NOTICE

1. Edison served notices of ALs 1163-E and 1163-E-A by mailing copies to other utilities, government agencies, and parties that requested such information. The advice letters were noticed in the Commission Calendar.

PROTESTS

1. ORA protested AL 1163-E but withdrew its objection after Edison filed AL 1163-E-A which adopted DRA's request to open the schedules to new load. ORA now supports AL 1163-E-A.

2. NUS and URM protested both versions of the advice letter.

DISCUSSION

1. Edison's reasons for its request are:

- o Edison does not require additional generation reserve margin for on-peak load that would be provided by increasing the number of participating customers.
- o Edison has not interrupted customers on these schedules for the past 10 years.
- o Edison's capacity reserve margin will be 20 percent or more through the year 2005.
- o The value of additional interruptible capacity is made less clear by industry restructuring, and
- o According to Edison, if the schedules are not closed, an additional 200 customers who are not adding load are likely to request interruptible service by the end of 1997. This would result in rate increases to non-participating customers without a corresponding benefit.

NUS Protest

2. NUS's protest was untimely; more than a week late. NUS is a utility cost consulting firm representing about 27,000 clients worldwide. NUS states that some of its customers are presently evaluating the feasibility of utilizing interruptible electric services, evaluating what portion of these customers' load could reasonably be interrupted, and surveys are in progress concerning the installation of standby generating equipment at these plants. Edison's proposal would make futile the time and effort invested by NUS's customers who have not yet entered into agreements with Edison, putting them at a disadvantage compared to those who have finalized such arrangements. NUS also asserts that Edison is currently involved in restructuring of its operations to comply with D.95-12-063 and D.96-01-009 and until the process is completed, the margin requirements of the newly restructured Edison would be speculative. Customers, according to NUS, are uncertain as to the direction they should take to meet their future operating needs and cannot make intelligent decisions in this regard until all matters in the two decisions have been finalized. If there are no interruptible rates offered by Edison, NUS customers may elect alternative energy sources, thereby adding more pressure to the stranded cost problem.

3. Edison's answer is that NUS's protest does not provide a substantive basis to reject Edison's request. Edison argues that the interruptible rates have long been open to all eligible customers and allowing additional time for those dilatory customers is not a good reason to keep them open. As for NUS's argument that closing the interruptible schedules to new customers may increase stranded costs, Edison states that the Commission has already determined that the customers of record as of December 20, 1995 are responsible for their appropriate share of the competition transition charge [D.95-12-063].

URM Protest

4. URM Group, Inc. requests that

- a. if Edison's proposal is granted, it should be made effective 45 days after the date of approval to allow customers a reasonable time to respond to the revised rates [as reflected in Edison's Rule 12.c].
- b. if a qualifying customer submits an executed Contract for Interruptible Service [Form 14-315] to Edison prior to the 45 day effective date, the customer will be deemed to have acted on time to switch to interruptible service.
- c. interruptible customers should continue to be permitted to decrease their Firm Service Level
- d. an interruptible customer which is taking service under any one of such rate schedules be permitted to

switch to another interruptible rate schedule, provided that the customer is qualified under the latter rate schedule.

- e. an existing interruptible customer that adds new load should be permitted to make interruptible service for the new load with no increase in the customer's Firm Service Level.

5. Edison's response is as follows:

- a. Edison's Rule 12 does not require a 45 day grace period such as that proposed by URM. Rule 12 requires Edison to bring to customers' attention new or revised rates which have been established by the Commission, not to proposed new conditions of service. According to Edison, Rule 12 would not apply here until a new or revised rate is established.
- b. Edison maintains that there are payment conditions and equipment installations that must be completed under the contract before service may begin at the reduced rate. Edison, in its AL 1163-E-A, requests that those customers that are provided interruptible service, under the exception provisions, be required to comply with all provisions of the Contract for Interruptible Service within 90 days of contract execution. This, according to Edison, will ensure that customers who submit an executed Contract for Interruptible Service will comply with all necessary conditions soon after the closure of these schedules.
- c. Edison believes that an interruptible customer should not be allowed to reduce its Firm Service Level because to do so would increase interruptible load with no benefit to other customers.
- d. Edison disagrees with URM's request that the Commission declare that interruptible customers be able to continue to switch among interruptible rate schedules. The Amendment to Contract for Interruptible Service, attachment to AL 1163-E-A, indicates that customers may be permitted by Edison to change to another interruptible rate schedule, therefore further clarification of these provisions are unnecessary.
- e. Edison states that when an existing interruptible customer adds new load, there is no corresponding effect on their Firm Service Level and such customers would receive the benefit of the interruptible rate on all increased load unless the customer decided to increase its Firm Service Level.

6. We have reviewed AL 1163-E-A and find Edison's request reasonable. Edison has more than enough reserve generation capacity. It has not found it necessary to interrupt customers in the past 10 years. The cost of keeping the interruptible rates, in the form of subsidized lower rates, is borne by non-participating customers, without benefiting them. Moreover, the process for considering Edison's proposal, as laid out in Ordering Paragraph 8 of D.96-04-050, has been overtaken by events. In particular, the enactment of AB 1890 [Stats. 1996, Ch.854] and the rate freeze therein may eliminate the need for a rate design window, at the same time as Edison's role as the provider of generating capacity is reduced both by the Commission's restructuring of the electric industry and by AB 1890 itself. It no longer makes sense to require Edison to pursue this matter in a separate proceeding.

7. AB 3153, amending Section 743.1 of the Public Utilities Code, states that

The Commission shall continue the availability of optional interruptible or curtailable service at least until March 31, 2002. In no event shall the level of the pricing incentive for interruptible or curtailable service be altered from the levels in effect on June 10, 1996 until March 31, 2002.

This Statute applies to the existing interruptible customers and is consistent with the request in AL 1163-E-A.

8. If a qualifying customer has already submitted an executed Contract for Interruptible Service [Form 14-315] to Edison prior to the effective date of this Resolution, the customer shall be deemed to have acted in time to switch to the interruptible service and be exempt from this Resolution.

9. The protestants and their clients have had more than six months to decide whether to join the interruptible services. Concerns of the protestants related to the allowance of time for subscribing to interruptible rates are allayed with this Resolution. The remainder of protests dealing with

- o permission to decrease customer's Firm Service Level, and
- o new loads to be subject to interruptible services with no increase in existing customer's Firm Service Level

are denied for the reasons that are stated in Edison's response to them, namely, that to do so would increase interruptible load without any benefit to other customers. The protest requesting switching among the interruptible rates has already been foreseen in the new Amendment to Contract for Interruptible Service and therefore rendered moot.

10. The Energy Division [ED], however, notes that AL 1163-E-A was not served on all parties in A.93-12-025. ED, therefore, recommends that Edison serve its AL 1163-E-A to all parties in

A.93-12-025 that were not previously served, by overnight mail. Parties should be informed that they have ten days to protest. Edison may respond to the protests in three days. If a party not served before files a protest, then AL 1163-E-A should become effective the day after the protest period ends. If a party protests, the merits of that protest should be addressed at the Commission's meeting on November 26, 1996.

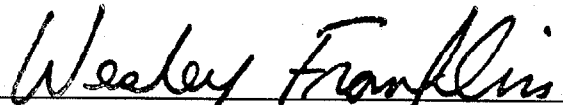
FINDINGS

1. Southern California Edison (Edison) filed Advice Letters (ALs) 1163-E and 1163-E-A on April 29, 1996 and June 14, 1996, respectively, requesting closure of specified interruptible rate schedules. AL 1163-E-A would allow new customers to Edison's service territory and existing customers adding new load to take service under the interruptible schedules.
2. Division of Ratepayer Advocates [now Office of Ratepayer Advocates] protested AL 1163-E but withdrew the protest when AL 1163-E-A was filed.
3. National Utility Service Inc. (NUS) and Utility Resource Management (URM) protested both versions of the advice letter.
4. Edison's filing of AL 1163-E and 1163-E-A is reasonable.
5. Edison's filing should be conditionally approved providing that current qualified applicants with executed Contracts are exempted and the parties in A.93-12-025 not previously served with AL 1163-E-A are done so by overnight mail. Parties thus served should have 10 days to file their protests. Edison should have three days to respond to protests by those who were not served AL 1183-E-A initially.
6. The Protests of NUS and URM not satisfied in this Resolution are denied.

THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company's [Edison] request to close interruptible rate schedules to new customers is conditionally granted.
2. Edison shall serve its AL 1163-E-A to all the parties in its General Rate Case A.93-12-025 that were not previously served. The parties newly served shall have 10 days to protest AL 1163-E-A. Edison shall have 3 days to respond to those protests. The Commission will review the protests, if any, from the parties not previously served with AL 1163-E-A, and decided on their merits, on its next regularly scheduled meeting on November 26, 1996. If there are no protests, then AL 1163-E-A will become effective one day after the protest period ends.
3. Protests not satisfied with this Resolution are denied.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 6, 1996. The following Commissioners approved it:



WESLEY FRANKLIN
Executive Director

P. GREGORY CONLON
President
DANIEL WM. FESSLER
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners