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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Item #20 (Rev. 1)
Agenda ID 12944
RESOLUTION E-4626
May 15, 2014

R E S O L U T I O N

Resolution E-4626. Southern California Edison Company (SCE) requests a limited deviation in the approved method of calculating departing load for Los Angeles County Sanitation District (LACSD), pursuant to Decision (D.) 12-02-024.

PROPOSED OUTCOME: This resolution grants SCE's request, pursuant to D.12-02-024, for a limited deviation in the SCE Schedule Direct Access - Cost Responsibility Surcharge (DA-CRS) method of calculating departing load as basis for computing the CRS for Los Angeles County Sanitation District (LACSD).

SAFETY CONSIDERATIONS: This Resolution has no incremental impact on safety.

ESTIMATED COST: No impact on utilities' authorized revenue requirements.

By SCE Advice Letter 2914-E Filed on June 12, 2013.

SUMMARY

This Resolution grants the limited deviation SCE requests in AL 2914-E for determining the departing load of the Los Angeles County Sanitation District (LACSD) used to compute Cost Responsibility Surcharges (CRS).

In D.12-02-024, the Commission granted Stanford University a limited deviation to the PG&E tariff method of calculating departing load. SCE's customer, LACSD, is in a similar situation as Pacific Gas and Electric Company's (PG&E's) customer, Stanford University. SCE's customer LACSD, like PG&E's customer, Stanford University, has Direct Access (DA) service accounts that were once served by self-generation exempt from CRS. D.12-02-024 provided that in the

event customers are in a similar situation as PG&E's customer, Stanford University, the utility may request a similar deviation from its tariff by means of a Tier 3 advice letter.

In AL 2914-E, SCE established that its customer, LACSD, is in a similar situation to that of PG&E's customer, Stanford University, to which D.12-02-024 granted a limited deviation to the tariff method of calculating departing load. Therefore, SCE's request for a limited deviation to the tariff method of calculating departing load that is used in computing the CRS for LACSD is granted.

BACKGROUND

Cost Responsibility Surcharges (CRS) are imposed on customers that depart utility procurement service to keep the utility's remaining procurement customers financially indifferent to customers' departing.

CRS are imposed on departing customers, including Direct Access (DA) customers and customers that self-generate (customer generation or CG), because (a) costs were planned for at a time when those customers took utility procurement service, and (b) related costs continue to be incurred after such customers depart utility procurement service. CRS are designed to recover costs that would otherwise become stranded and imposed on the utility's remaining customers, when customers depart utility procurement service. In D.03-04-030, the Commission adopted policies and mechanisms related to CRS applicable to CG departing load.

D.03-04-030 is silent on what cost responsibility applies to a CG customer exempt from CRS that switches to DA service. Even though CRS is imposed to recover costs that customers leave behind when they depart utility procurement service, D.03-04-030 and the utility tariffs that implement this decision do not explicitly retain a CG customer's CRS exemption when that CG customer later switches to DA service.

D.12-02-024 adopted a limited deviation from the CRS tariff for PG&E's customer, Stanford University, and also provided for similarly-situated customers to receive a similar deviation from the CRS tariff by a Tier 3 advice letter request.

To provide regulatory direction specific to Stanford University, D. 12-02-024 granted a limited deviation from the method for computing departing load in PG&E's DA-CRS tariff. In the Stanford University situation, Stanford University was: 1) self-generating most of its load, predating CRS; 2) in the process of reducing self-generation and substituting DA service for that reduced self-generation; and 3) also taking stand-by service from its Electric Service Provider instead of from PG&E.

In D.12-02-024, Conclusion of Law 17, the Commission provided the regulatory direction that if similarly situated utility customers presented themselves, the utility may request, on behalf of its customer, a deviation from its tariff by means of a Tier 3 advice letter.¹

SCE filed AL 2914-E on June 12, 2013, to request a deviation to its tariff method of computing departing load for calculating CRS applicable to its customer, LACSD pursuant to D.12-02-024.

On February 12, 2013, LACSD requested that SCE file a Tier 3 advice letter requesting a deviation from the SCE CRS tariff method of computing departing load. The proposed deviation would affect CRS charges on two of its LACSD accounts going forward and also require a refund on the amount of CRS LACSD paid to date on load previously served by self-generation. SCE agrees that LACSD is similarly-situated to Stanford University and thus believes similar relief is appropriate under D.12-02-024.

SCE in AL 2914-E describes the situation of PG&E's customer, Stanford University that it relies on to request that the CPUC grant LACSD the same tariff deviation.

Beginning in 1987, PG&E's customer, Stanford University, had virtually the entire load of its main campus supplied by a self-generation unit that was CRS-exempt. PG&E provided backup service for the generator. In March 2011,

1. Conclusion of Law 17 of D.12-02-024 states, "17. If a utility is presented with a customer whose situation seems similar to that of Stanford, the utility may file a request for deviation for its tariff by means of a Tier 3 advice letter, which should be served on all parties to the then-current, or more recent, ratemaking designated to address direct access and departing load issues, in addition to any other required service."

pursuant to the rules governing the limited re-opening of DA, Stanford University switched to DA service.

Under these specific circumstances absent the requested deviation, Stanford University would be responsible for CRS not only on (a) the quantity of electricity that it formerly got from PG&E which switched to DA service, but also on (b) the quantity of electricity that it formerly self-generated, and also switched to DA service. Pursuant to its tariff, PG&E increased the amount of departing load charges in direct relation to the increased load on the PG&E revenue meter. Stanford University did not object to paying CRS on the amount of backup power formerly provided by PG&E, but did object to paying additional CRS on load that was never actually supplied by PG&E or the California Department of Water Resources (DWR) through DWR's procurement during the California energy crisis. Requiring Stanford University to pay CRS on this latter load violates the principle of customer indifference, because none of the costs that are recovered through CRS were ever incurred to serve that self-generated load.²

Under the limited deviation granted PG&E's customer Stanford University in D.12-02-024, the Commission allowed PG&E to compute CRS on Stanford University's historical purchases from PG&E, calculated by averaging the quantity of power actually delivered to Stanford University for the 36 months prior to the month it switched to DA service. Because Stanford University took only stand-by service from PG&E, the Commission determined it appropriate to look at service over a long enough period to capture the variability of stand-by usage.

2. In general terms, the basis for exempting self-generation customers like PG&E's Stanford and SCE's LACSD, who later switch to DA service, from charges designed to recover costs incurred by the California Department of Water Resources (DWR) to procure electricity during the California energy crisis is that the self-generation load of these special situation customers was never served by utility procurement during or after the energy crisis. Therefore, DWR was not procuring electric power to serve this load of these special situation customers.

SCE in AL 2914-E explains how LACSD's situation is similar to that of Stanford University; and requests the same tariff deviation that the Commission granted Stanford University in D.12-02-024, which will result in both an adjustment of LACSD's CRS payments going forward and a refund of CRS charges already paid.

In 1986, LACSD installed a 27.2 Megawatt (MW) combined-cycle biogas generator and a 5.5 MW steam turbine at its Carson facility to supply the entire connected load at the facility. In 1987, LACSD installed a 400 kilowatt digester gas fueled internal combustion engine to serve a portion of the connected load at the Valencia facility. SCE provided standby service to both facilities. In 1999, LACSD switched both the Carson and Valencia facilities' standby to DA service. In 2000, both the Carson and Valencia facilities returned to SCE standby service. In October 2001, both facilities returned to DA standby service. LACSD paid CRS on the amount of load formerly supplied by SCE that switched to DA service, based on the amount of electricity registered by SCE's revenue meter. LACSD did not dispute these CRS charges. Pursuant to D.03-04-030, the load served by the generators at both Carson and Valencia was exempt from CRS.

The dispute arose after LACSD's generators stopped serving load, and that load switched to DA service. First, in April 2008, the 5.5 MW steam turbine at Carson failed and became non-operative. By July 2008, LACSD's ESP began supplying additional power to cover the load previously provided by the 5.5 MW generator. As a result, the amount of electricity shown on SCE's revenue meter increased because SCE was now delivering the power supplied by the ESP that LACSD formerly generated on site. Under SCE's Schedule DA-CRS, Direct Access Cost Responsibility Surcharge tariff, SCE charged CRS based on the total amount of electricity registered on the meter. Second, in January 2009, LACSD de-commissioned the 400 kilowatt generator at Valencia, and an ESP began serving the entire load of the facility. As with Carson, when the amount of electricity delivered by SCE increased, so did the CRS charges. LACSD did not dispute these charges until February 2013.

It is not possible to disaggregate LACSD's current metered load into (1) the portion that was previously supplied by SCE and (2) the amount added when the generator failed or was taken out of service, because both the previous amount (pre-generator failure) and the current amount vary by month. Noting the Commission approved tariff deviation for Stanford University in D.12-02-024, SCE agrees with LACSD's recommendation and requests to use the average load

supplied by SCE over the 36 months prior to the change in generation at LACSD's Carson and Valencia facilities as the basis for the amount of CRS to be charged going forward. Pursuant to SCE's Rule 17, Adjustment of Bills and Meter Tests, SCE states that it will use this method to rebill LACSD for a period of three years from the date LACSD requested the deviation, February 12, 2013 (rebilling for the prior 3 years). Effective on the date of approval of this advice letter, SCE states that it will begin charging LACSD's DA-CRS based on the average of the 36 months prior to the month in which LACSD's generation status changed.

NOTICE

Notice of AL 2914-E was made by publication in the Commission's Daily Calendar on June 17, 2013. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B as well as to parties on the Rulemaking 07-05-025 service list. Pursuant to Conclusion of Law 17 of D.12-02-024, SCE's request in AL 2914-E was to be served on all parties to the then-current, or more recent, ratemaking designated to address direct access and departing load issues, in addition to any other required service.

PROTESTS

Advice Letter AL 2914-E was not protested.

DISCUSSION

The limited deviation SCE requests in AL 2914-E for LACSD is in accordance with D.12-02-024 and as such, is granted.

D.12-02-024 provides that if a utility is presented with a customer whose situation seems similar to that of Stanford University, the utility may file a request for deviation for its tariff by means of a Tier 3 advice letter (Conclusion of Law 17). SCE filed the tier 3 AL 2914-E, requesting a limited deviation for LACSD pursuant to D.12-02-024. SCE in its AL described the similarities between Stanford University and LACSD, both switching load that had been served by a self-generation unit exempt from CRs to DA service. Therefore, as SCE concludes, the same relief is appropriate and is hereby granted.

Pursuant to SCE's Rule 17, Adjustment of Bills and Meter Tests, SCE shall use its proposed method to rebill LACSD for a period of three years from the date LACSD requested the deviation, February 12, 2013. In addition, effective on February 12, 2013, LACSD's CRS shall also be based on the average of the 36 months of load prior to the month in which LACSD's generation status changed. SCE shall adjust its billing accordingly. The Commission's Fiscal Office shall also disburse the impound funds LACSD submitted to the Commission, pending resolution of this matter.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on April 15, 2014, and was placed on the Commission's May 15, 2014 Agenda. Comments were due on May 5, 2014. Only SCE submitted comments.

SCE supports approval of the limited deviation for LACSD as adopted and urges prompt approval of the Draft Resolution.

SCE in its comments states that within 45 days of the effective date of approval of AL 2914-E, it will charge LACSD's DA-CRS using the new methodology approved by this Draft Resolution from February 12, 2013, the date LACSD requested the deviation. SCE also states that it will use this method to rebill LACSD for a period of three years prior to this date.

FINDINGS

1. COMMISSION DECISION 12-02-024 provided that in the event customers similarly situated to Stanford University present themselves, the utility may on behalf of its customer, file a Tier 3 Advice Letter to request a limited deviation from the approved method of computing departing load for Cost Responsibility Surcharges (CRS).

2. SCE in AL 2914-E established that Los Angeles County Sanitation District (LACSD), like Stanford University, has load served by DA that was previously served by a customer generator exempt from CRS under D.03-04-030.

THEREFORE IT IS ORDERED:

1. The request of SCE in AL 2914-E for a limited deviation for LACSD is granted as explained in the ordering paragraphs below.
2. Within 45 days from the effective date of this resolution, SCE shall implement appropriate changes to LACSD's prospective CRS billings from February 12, 2013 and also adjust LACSD's prior payments under Schedule DA-CRS for a period of three years prior to that date. For its Carson and Valencia facilities, LACSD shall pay CRS based on the average of the 36 months prior to the change in generation status for all charges shown in Schedule DA-CRS.
3. Granting this limited deviation resolves LACSD's dispute about computation of its departing load for purposes of calculating its Cost Responsibility Surcharges; thus the impound funds held by the CPUC shall be disbursed to LACSD.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on May 15, 2014; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director