

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4274

October 15, 2009

R E S O L U T I O N

**Resolution E-4274. Southern California Edison (SCE)
PROPOSED OUTCOME: APPROVES SCE's REQUEST to deviate
from Rules 15 and 16, which require advance payments for
Distribution and Service Line Extension, for the Department of
Veterans Affairs' (VA) Bakersfield National Cemetery
Distribution and Service Line Extension project, subject to Federal
Acquisition Regulations (FAR). The Federal Government's
specific "obligated funds" would satisfy the advance requirement.**

ESTIMATED COST: Negligible

By Advice Letter 2365-E Filed on July 22, 2009.

SUMMARY

This Resolution approves SCE's request to offer Distribution Line and Service Extension installations without advanced payment at the Bakersfield National Cemetery of the Department of Veterans Affairs (VA). General Order (G.O.) 96-B, Rule 8.2.3 permits this deviation from Rules 15 and 16 pending a reasonableness review. Funds are payable on completion, and Congress has already obligated them. This Resolution does not extend to projects at other locations.

BACKGROUND

SCE's Rule 15, Distribution Line Extensions sets forth the provisions for extending electric distribution lines of voltages less than 50 kV for purposes of furnishing electric service to customers.

A key provision of Rule 15 is that, where line extension project costs are in excess of the allowance provided, the applicant is required to pay in advance before any

work commences. Additionally, this cash advance requirement applies towards refundable and non-refundable project costs. This pre-payment or "Advance" provision is also contained within Rule 16, Service Extensions; the Contract for Extension of Electric Distribution Line - Rule 15 (Installation by SCE), Form 16-330; and the Contract for Extension of Electric Distribution Line - Rule 15, Installation by Applicant, Form 16-331.3

SCE and the Federal Government negotiated an area-wide contract, the General Service Agreement (GSA), under which the VA is procuring distribution line and service extensions to facilitate provision of electricity to the Bakersfield National Cemetery. SCE has provided the VA with the total estimated installed cost of the project, and the VA has provided SCE a report indicating that funding for the project has been obligated by the United States Congress.

NOTICE

Notice of AL 2365-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter 2365-E was not protested.

DISCUSSION

Energy Division has reviewed SCE's AL.

SCE's Proposal

The provisions of SCE's Rules 15.D. and 16.E.3 which require payment in advance are a problem for Federal Governmental agencies engaging in distribution line and service extension projects with SCE because the policy of the Federal Acquisition Regulations (FAR) is to not pay in advance for services.

SCE proposes to deviate from its advance payment requirements under Rule 15.D and Rule 16.E.3 by allowing the VA, a Federal Government agency subject to the FAR to pay on completion of the project instead. The VA appears to satisfy the criterion for free or reduced rate service under Rule 8.2.3 of G.O. 96-B,

and by extension, the requirement for payment in advance.¹ The AL states that SCE will apply this deviation to a Distribution Line and Service Extension project of the VA at its Bakersfield National Cemetery.

Staff Analysis

G.O. 96-B, General Rule 8.2.3 allows an electric utility to provide service to a government agency for free, or at reduced rates and charges, or under terms and conditions otherwise deviating from its tariff then in effect. However the utility is required to submit an AL to notify the Commission of the deviations. The Commission may later determine, in an appropriate proceeding, the reasonableness of such service.

G.O. 96-B Energy Industry Rule 5.3 (8) specifically requires a utility proposal for service to a government agency pursuant to General Rule 8.2.3 to be submitted as an AL Tier 3 (Effective After Commission Approval).

Any reasonableness review by the Commission will likely include the credit worthiness of the governmental agency, the ratepayer impact, and the reason for deviating from the tariffs.

As to the creditworthiness of the customer in question, few are more able to assure payment than the Federal Government, especially when funds have been obligated for a project already.

The impact on ratepayers in this case is negligible. The utility revenue reduction would be the carrying costs of the delayed advance until the project was completed. Per communication with SCE the Bakersfield project would amount to around \$ 134,000 for a period of 30 days. The impact to ratepayers would be partially offset by the lower burden for all taxpayers, including the ratepayers of SCE.

¹ The FAR system consists of sets of uniform policies and procedures issued by agencies of the Federal Government through which the government purchases/acquires goods and services.

By enacting General Rule 8.2.3, this Commission already took the position that all government agency projects qualify for reduced or free service from the utilities. However it reserved its right to a reasonableness review of deviations from tariffs for specific services instead of granting a blanket approval for GSAs.

Therefore we grant SCE's requested deviation from the tariff as elaborated in AL 2365-E for the Bakersfield National Cemetery Distribution Line and Service Extension project only.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. G.O.96-B, Rule 8.2.3 allows electric utilities to provide services to government agencies at reduced cost or for free.
2. G.O. 96-B, Energy Industry Rule 5.3 (8) requires the utility seeking to provide reduced or free service to a government agency to submit a Tier 3 Advice Letter for the Commission's reasonableness review.
3. SCE requests to deviate from Tariff Rules 15 and 16 with regards to advance payments for Distribution Line and Service Extension installations for the Department of Veterans Affairs' Bakersfield National Cemetery.
4. SCE would accept the Congress approved "obligated funds" as substitute for advance until the completion of the project.
5. There is virtually no credit risk with the VA.
6. Ratepayers are partially compensated for the interest cost for the duration of the project by virtue of being taxpayers as well.
7. The advance would be paid to SCE at the completion of the project.

THEREFORE IT IS ORDERED THAT:

1. The request of SCE in Advice Letter AL 2365-E to deviate from Tariff Rules 15 and 16 is approved specifically for the Bakersfield National Cemetery .

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 October 15, 2009; the following Commissioners voting favorably thereon:

/s/ Paul Clanon
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners