

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

Southern California Edison Company

Docket Nos. ER03-549-000
and ER03-549-001

ORDER ACCEPTING AND SUSPENDING PROPOSED RATE
REVISIONS AND ESTABLISHING HEARING AND
SETTLEMENT JUDGE PROCEDURES

(Issued May 16, 2003)

1. In this order, the Commission accepts and suspends service agreements between Southern California Edison Company (SoCal Edison) and five of its customers,¹ to become effective April 23, 2003, subject to refund. Under these revised agreements, which provide for what is known as Wholesale Distribution Access Tariff (WDAT) service, SoCal Edison seeks to revise rates and update real power loss factors. As discussed below, we will accept and suspend these agreements, make them effective subject to refund, and establish hearing procedures, but hold the hearing in abeyance pending settlement judge procedures. This order benefits customers because it ensures that rates to SoCal Edison's customers will be reasonable and not unduly discriminatory rates.

I. Background

2. For the past five years, SoCal Edison has provided WDAT service to the Cities and SCWC under individual service agreements, pursuant to the terms of SoCal Edison's WDAT. These agreements govern transmission service from the California Independent System Operator Corporation (ISO) controlled grid to various points of receipt on SoCal Edison's system. The rates charged for this service were frozen pursuant to transitional

¹These customers include: City of Azusa (Azusa), City of Banning (Banning), City of Colton (Colton), City of Riverside (Riverside) (collectively, Cities), and Southern California Water Company (SCWC).

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rate moratoriums for the Cities and SCWC that terminated on January 1, 2003 and January 1, 2002, respectively.

3. In the instant filing, SoCal Edison proposes to amend the service agreements to: (1) increase the various cost-based rates to reflect current costs, (2) revise the pricing methodology to be consistent with the methodology used for rates to other WDAT customers, (3) update real power loss factors, and (4) revise certain pricing terms and conditions of service.

II. SoCal Edison's Proposed Revisions

4. Pursuant to Section 21 of the WDAT, a customer is charged an allocated share of the costs of specific facilities used to provide WDAT service from the ISO grid to its load.² In the instant filing, SoCal Edison proposes to increase the rates under each customer's service agreement, which will result in approximately \$1.2 million of additional revenues to SoCal Edison. In deriving the proposed rates, SoCal Edison conducted load flow studies to identify facilities used to serve each customer's load and each customer's proportionate share of the total load served by the facilities.

5. SoCal Edison has also proposed changes to certain terms and conditions related to the facilities charges, including the referencing of facilities charges from other agreements. Accordingly, SoCal Edison states that, in addition to the charges for directly assignable facilities, the facilities charges for Azusa, Banning, and Colton also reference facilities charges provided for under other agreements.³ Additionally, under SCWC's WDAT service agreement, SoCal Edison states that SCWC's facilities charge will continue to be collected under the 33 kV Facilities Agreement and Transmission Service Agreement with SoCal Edison. Riverside's facilities charge references the charge under its Interconnection Facilities Agreement with SoCal Edison.

6. Additionally, SoCal Edison proposes that, in order to account for behind-the-meter generation that these customers have already added or plan to add in the future, "the higher of the monthly Metered Demand or the Contract Demand" should be used as the billing demand for these customers.

²Each service agreement contains the customer's annual revenue requirement and three monthly charge types: customer charge, demand charge and facilities charge.

³For example, Azusa's facilities charge is \$5,035.05/month plus the applicable monthly charge under its Substation Agreement (Rate Schedule FERC No. 352).

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III. Notice of Filing and Pleadings

7. Notice of SoCal Edison's original filing was published in the Federal Register, 68 Fed. Reg. 10223 (2003), with protests and interventions due on or before March 4, 2003.

8. The Cities filed a timely joint motion to intervene and protest, alleging that SoCal Edison did not provide sufficient cost support for its proposed rate increases nor did it comply with the Commission's rate filing requirements. Accordingly, the Cities request the Commission to order SoCal Edison to submit supporting workpapers, or, in the alternative, to suspend the proposed revisions for the maximum five-month suspension period.

9. SCWC also filed a timely motion to intervene and protest. SCWC claims that, with respect to its service agreement with SoCal Edison, certain facilities have been added to rate base that do not support WDAT service and that these facilities have been improperly included in the facilities charge. SCWC further alleges that SoCal Edison's proposed change in computing the billing demand contradicts the underlying tariff provisions. Accordingly, SCWC requests summary disposition of these issues, or alternatively, a hearing and maximum suspension.

10. On March 27, 2003, SoCal Edison filed, in Docket No. ER03-549-001, revisions to the service agreements with SCWC and Colton. Notice of this filing was published in the Federal Register, 68 Fed. Reg. 17622 (2003), with protests and interventions due on or before April 10, 2003. On April 15, 2003, SCWC filed out-of-time in response.

IV. Discussion

A. Procedural Matters

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2002), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Commission's Determination

12. Our preliminary analysis indicates that SoCal Edison's proposed revisions have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. Therefore, we will accept the

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revised service agreements for filing, suspend them and make them effective subject to refund, and set them for hearing, as discussed below.

13. In West Texas Utilities Company, 18 FERC ¶ 61,189 (1982), we explained that where our preliminary examination indicates that proposed rates may be unjust and unreasonable, but may not be substantially excessive, as defined in West Texas, we would generally impose a one-day suspension. Here, our examination suggests that the rates may not yield substantially excessive revenues. Therefore, we will suspend the proposed tariff revisions for one day, to be effective April 23, 2003, subject to refund.⁴

14. In order to provide the parties an opportunity to resolve certain matters among themselves, we will hold the hearing ordered in this case in abeyance and direct settlement judge procedures pursuant to Rule 603 of the Commission's Rules of Practice and Procedure.⁵ If the parties desire, they may, by mutual agreement, request a specific judge as the settlement judge in this proceeding; otherwise, the Chief Judge will select a judge for this purpose.⁶ Within 60 days of the date of this order, the settlement judge shall file a report with the Chief Judge and the Commission on the status of settlement discussions. Based on this report, the Chief Judge shall provide the parties with additional time to continue settlement discussions, if appropriate, or assign the case to a presiding judge for trial-type evidentiary hearing.

1. Rate Filing Requirements

15. The Cities argue that SoCal Edison's filing is patently deficient because it does not include Period II estimated cost data. The Cities claim that SoCal Edison's total proposed rate increase (\$1.2 million) exceeds the \$1 million limit as provided for under our filing regulations at 18 C.F.R. § 35.13(a)(2)(ii)(A) (2002) for the filing of Period I data.

⁴Consistent with Central Hudson Gas and Electric Co., 60 FERC ¶ 61,106, reh'g denied, 61 FERC ¶ 61,089 (1992), we will allow the proposed service agreements to become effective after 60 days from the date the filing originally was tendered.

⁵See 18 C.F.R. § 385.603 (2002).

⁶If the parties decide to request a specific judge, they must make their joint request to the Chief Judge by telephone at (202) 502-8500 within five days of this order. The Commission's website contains a list of Commission judges and a summary of their background and experience. (www.ferc.gov - click on Office of Administrative Law Judges).

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16. We disagree with the Cities that SoCal Edison's proposed rate increase should be viewed as an aggregate rate increase for all customers under the WDAT.⁷ To the contrary, SoCal Edison has provided individual cost-of-service analyses for service to each of the five customers represented in the instant filing. Each customer's stand-alone rate increase represents a separate rate schedule change and, thus, a separate rate increase. Therefore, Period II data is not required under these circumstances.

17. We also find that, in revising the revenue requirements for each customer, SoCal Edison has correctly followed the Commission's rate filing requirements, which require only Period I, actual cost data to support rate increases of this magnitude, and SoCal Edison's filing includes Period I, actual cost data.⁸

2. Proposed Rate Increase

18. SoCal Edison states that it filed to amend the service agreements with the aforementioned customers to reflect updated cost-based rates developed in accordance with the rate methodology specified in Sections 10 and 21 of SoCal Edison's WDAT. As a result, the rates for Azusa will increase from \$329,793 to \$492,621, for Banning from \$174,402 to \$407,863, for Colton from \$206,508 to \$402,400, for Riverside from \$958,386 to \$1,485,500, and for SCWC from \$983,087 to \$1,096,967.

19. The customers object to, among other things, a claimed unsupported return on equity of 11.6% and capital structure, and inflated cost-of-service components. SCWC also objects to the inclusion of SoCal Edison's Goldhill Substation in deriving the proposed rates. Additionally, Colton claims that it has been assessed losses on specific transmission line segments for which it receives no allocation of costs.

20. SCWC argues that SoCal Edison has included references to directly assignable non-WDAT costs in SCWC's WDAT service agreement. Specifically, Section 11.3 of SCWC's WDAT service agreement provides that the Monthly Facilities Charge will be "the applicable monthly charges under the Added Facilities Agreement (FERC Rate Schedule No. 349.4) and the Transmission Service Agreement (FERC Rate Schedule No. 349.3)." Accordingly, SCWC requests the Commission to summarily reject from the proposed service agreements the inclusion of references to costs found in non-WDAT agreements.

⁷Approximately forty customers currently take service under the WDAT.

⁸SoCal Edison states that its Period I data was taken from its 2001 FERC Form 1.

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21. We find that issues of material fact have been raised that we cannot summarily decide based on the evidence before us, but that are best addressed in the evidentiary hearing ordered above. We also note that SoCal Edison, in its amendment, acknowledges that it misstated Colton's loss assessment and, therefore, filed a revised loss factor and associated workpapers. In addition, the amendment filed by SoCal Edison removes the Goldhill Substation from the cost of service and rates under the service agreement with SCWC.

3. Proposed Change to Billing Demand

22. SoCal Edison's proposed revision in each customer's service agreement uses billing demands that will be "the higher of the Metered Demand or the Contract Demand" to recover the allocated fixed costs. SCWC argues that Section 21 of the WDAT explicitly states that Metered Demand is to be used for billing demands. Thus, SCWC argues that SoCal Edison's proposed changes to the service agreements are inconsistent with the tariff provisions and must be rejected. Intervenors also express concern that SoCal Edison may be using coincident peak rather than non-coincident peak demands as the billing determinants, which they argue would be a violation of the tariff.

23. These are matters best addressed in the hearing ordered below.

The Commission orders:

(A) The Commission hereby accepts the proposed service agreements, as revised, and suspends them for one day to become effective April 23, 2003, subject to refund.

(B) Pursuant to the authority contained in and subject to the jurisdiction conferred upon the Federal Energy Regulatory Commission by Section 402(a) of the Department of Energy Organization Act and the Federal Power Act, particularly Sections 205 and 206 thereof, and pursuant to the Commission's Rules of Practice and Procedure and the regulations under the Federal Power Act (18 C.F.R. Chapter I), a public hearing shall be held concerning the justness and reasonableness of the proposed service agreements. As discussed in the body of this order, we will hold the hearing in abeyance to provide time for settlement judge procedures.

(C) Pursuant to Rule 603 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.603 (2002), the Chief Administrative Law Judge is hereby directed to appoint a settlement judge within 15 days of the date of this order. Such settlement judge

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shall have all powers and duties enumerated in Rule 603 and shall convene a settlement conference as soon as practicable after the Chief Judge designates the settlement judge.

(D) Within 60 days of the date of this order, the settlement judge shall file a report with the Chief Judge and the Commission on the status of the settlement discussions. Based on this report, the Chief Judge shall provide the parties with additional time to continue their settlement discussions, if appropriate, or assign this case to a presiding judge for a trial-type evidentiary hearing, if appropriate. If settlement discussions continue, the settlement judge shall file a report at least every 30 days thereafter, informing the Chief Judge and the Commission of the parties' progress toward settlement.

(E) If the settlement judge procedures fail, and a trial-type evidentiary hearing is to be held, a presiding judge to be designated by the Chief Judge shall convene a conference in this proceeding to be held within approximately 15 days of the date the Chief Judge designates the presiding judge, in a hearing room of the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426. Such conference shall be held for the purpose of establishing a procedural schedule. The presiding judge is authorized to establish procedural dates and to rule on all motions (except motions to dismiss), as provided in the Commission's Rules of Practice and Procedure.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.