
July 10, 2000

ADVICE 1464-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Emergency Modification to Southern California Edison Company's Air Conditioner Cycling Program For Residential and Non-Residential Customers to Assist in the Shortage of Generating Capacity in the State of California.

Southern California Edison Company (SCE) hereby submits for filing the following changes to its tariff schedules. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

This advice filing proposes to modify SCE's Air Conditioner Cycling Program (ACCP) and its associated tariffs, Domestic-Automatic Powershift (Schedule D-APS) and General Service-Automatic Powershift (Schedule GS-APS), in an effort to help alleviate this summer's shortage of generating capacity in the State of California. Specifically, this advice filing seeks authorization to: (1) implement the revised tariff sheets listed in Attachment A; (2) redirect unspent energy efficiency public purpose program funds to implement ACCP; (3) exempt these program expenditures and budget from the Company's energy efficiency performance award mechanism.

INTRODUCTION

Shortage of Generating Capacity

When operating reserves fell below 5% of forecast demands on June 26, 27, and 28, the California Independent System Operator (CAISO) declared Stage II Emergencies on each of those days. The ISO also requested the implementation of

the Utility Distribution Companies' curtailable load programs. Requests for voluntary load curtailments ranged from 240MW to 1,200MW during these Stage II Emergencies.

During the time frame referenced above, the CAISO experienced loads 6%-7% below their all-time peak. However, the CAISO still found it necessary to curtail load in order to maintain operating reserves. Part of the reason for such shortages under non-peak load conditions is the reduced availability of power imports. Neighboring regions (i.e. the Pacific Northwest and Southwest) have been experiencing high load growth which at times limits the availability of imports into the CAISO controlled grid. This limited import capability along with load growth in California and the lack of new generation contributes to a greater likelihood of electric supply shortages for the CAISO this summer. The CAISO recently reported a 4%-9% probability that they will require firm load curtailments this summer, in light of currently-available resources.

Five new generation projects have been approved by the California Energy Commission and are under construction. Fourteen additional generation projects are in various stages of the licensing process.

However, due to the lead-time for the planning, siting, licensing, and construction of power plants, it is unlikely that a significant amount of new generation will be available before the end of 2001. It is therefore imperative that shorter lead-time options such as energy conservation and demand side management programs be implemented to reduce the likelihood of Stage II and Stage III (rotating outage) emergencies.

PROPOSAL TO ASSIST IN SHORTAGES OF GENERATING CAPACITY

In an effort to help alleviate this shortage of generating capacity, SCE is proposing to increase demand side participation in its service territory by reopening the existing ACCP to allow more residential and non-residential customers to participate in the program. As of April 10, 1996, the tariff schedules that govern service under the ACCP have been closed to new customers, i.e., new accounts, including these at locations where the devices needed to interrupt service to air conditioning units have previously been installed but the customer is currently not eligible to take service on the applicable rate schedules.

In order to accomplish the proposed reopening of the ACCP and to allow additional customers to participate in the program, it is necessary to modify the ACCP's associated tariffs. Specifically, SCE will modify the Applicability Section of the ACCP rate schedules (see Attachment A) to open them to new customers:

- Schedule – General Service Automatic Powershift (Schedule GS-APS)

- Schedule – Domestic Automatic Powershift (Schedule D-APS)

By initiating these changes, SCE anticipates that the revised ACCP will result in increased capacity availability during system peak load periods due to additional customers taking service under these rate schedules. The increased capacity will be immediately available where the appropriate cycling devices have previously been installed and customers choose to take service under these rate schedules. Some increased capacity will also become available in a relatively short time frame where the cycling device must be purchased and installed to service customers who would now be eligible and choose to take service under these tariffs.

New Customer Participation

Reopening of the program will be targeted to: 1) customers who are not currently on the program, yet, who occupy locations where an air conditioner cycling device is presently installed, and 2) customers who do not currently have a cycling device installed at their premises.

a. Reactivation of Existing Cycling Devices

There are approximately 82,000 air conditioner cycling devices are currently installed at customer locations where the occupant is not currently participating in the program. This is the result of customers terminating the program rate option when they relocated to a new home after April 1996, because the rate was closed to new customers or new service addresses. Because the air conditioner cycling device could be deactivated remotely and because the cost of removal exceeded the value of the device, SCE did not retrieve the equipment once a customer was no longer on the program's rate. The potential capacity available from reactivating existing devices is based on activation of 50% of the existing devices installed at customers' premises who are currently not on the rate.

<u>Year</u>	<u>Potential Capacity (MW)</u>	<u>SCE Program Cost</u>	<u>R/P Credits</u>
2000	75 MW	\$0.4 – 2.0 million*	\$1.6 million
2001	75 MW	\$0.2	\$3.2 million

* Program costs range from \$0.4 to \$2.0 million based on number of devices requiring inspection and /or replacement

b. New Customer Participation Requiring Installation of Cycling Devices

Based on program experience, when the program is initially made available to customers it is forecast that as many as 30,000 new customers may participate in the re-offering of the air conditioner cycling program.

<u>Year</u>	<u>Potential Capacity (MW)</u>	<u>SCE Program Cost</u>	<u>R/P Credits</u>
2000	19 MW	\$1.7 million	\$0.8 million
2001	38 MW	\$3.4 million	\$1.6 million

Program Description and Background

The Residential Air Conditioner Cycling program was established in 1983 to provide load relief during excessive system demand. This program is targeted to residential and non-residential customers who agreed to have their air conditioners cycled intermittently when necessary to control peak electrical demand. In return, customers receive a credit on their electric bills from the first Sunday in June through the first Sunday in October. Customers are not charged for the installation of the cycling devices.

From 1983 to 1985, residential customers could choose 50, 67, or 100 percent cycling strategy levels. Starting in 1986, only the 100 percent level was offered to new participants. On April 10, 1996, Schedules D-APS and GS-APS were closed to new customers. Existing D-APS and GS-APS customers continue to be eligible to participate in the program.

On April 30, 1998, the responsibility for calling curtailments under this program was transferred to the Independent System Operator (ISO). The ISO has responsibility for determining when specific pre-determined criteria for initiating an interruption have been met. SCE retains responsibility for administering the load curtailment programs. In the event the ISO determines that an interruption is necessary, it will direct SCE to curtail load and in turn, SCE will activate the Residential and Non-Residential Air Conditioner Cycling Programs.

On June 16, 1999, the tariffs were modified to include criteria for distribution relief relating to category 1, 2, or 3 storm events. The number of times the program can be activated in a single season was not changed and remains at 15 times.

Program Participation and Results

As of May 2000, a total of 123,366 customers were enrolled in the Residential Air Conditioner Cycling program representing a total potential net peak load reduction

of approximately 234MW. In 1999, there was a single ISO Stage II - Emergency which required activation of the cycling signal on September 30, 1999. Through June 2000, there have been two Stage II Emergencies affecting air conditioner cycling customers.

Ratemaking Treatment

This filing will not change the current ratemaking treatment for the ACCP and its associated tariffs. The incentives provided to participating customers result in a reduction in the residual CTC revenues received from those customers.

Measurement and Verification

SCE intends to provide verified results of the demand reductions associated with this program. These results will be reported in SCE's Annual Energy Efficiency Report along with the results of all SCE's Energy Efficiency Programs. Any further measurement required or requested by the Commission with regard to this program will be presented to the California Measurement Advisory Council (CALMAC) for their review.

Cost Effectiveness

The program described above is cost-effective on an ex ante (before-the fact) basis. Such cost-effectiveness has been determined by a comparison of the benefits of providing demand-side resources during the summer peak hours to the costs of developing and delivering the program. The benefits developed in this cost-effectiveness calculation are used to approximate the value of available capacity during all peak hours (i.e., the hours in which a Stage III outage is most likely to occur). A proxy value of \$500 per MWh, representative of the current energy price cap, was utilized in calculation of Total Benefits at Cap (see Table 1 below). These costs were compared to the programs administrative and incentive costs incurred in the development and delivery of the program. The benefits of the program PY2000 total \$11.40 million compared with program costs of \$6.10 million. The benefits of the program of PY2001 demand impacts are \$34.71 million, compared with \$8.40 million in costs in PY2001.

In addition to the resource value attributed to the program's load reductions, the benefits of this program also includes the customer value of uninterrupted service. SCE reported such a value in its March 1999 Customer Value of Service Reliability Study, submitted as part of its Performance-Based Ratemaking Application. This study provided a value of \$5.36 that residential customers would be willing to pay during a summer weekday to avoid an afternoon service interruption and \$97.00 that commercial and industrial customers would be willing to pay during a summer

weekday to avoid a 1-hour afternoon service interruption. Such interruptions could happen as a result of a Stage III outage. While we have not included a service reliability adder as part of this cost effectiveness showing, it is clear that the inclusion of this adder would further enhance the cost-effectiveness of this program.

Table 1

Year: 2000			Costs (\$M)			Summer Peak Hours [1] (g)	Energy Price Cap per MWh (h)	Benefits (\$M)
No. (a)	Program (b)	Summer Capacity Savings (MW) (c)	Cost (d)	Incentive (e)	Total Cost (f = d+e)			Total Benefits at Cap (i = c x g x h)
1	AC Cycling	95	\$ 3.70	\$ 2.40	\$ 6.10	240	\$ 500	\$ 11.40

Year: 2001 (Includes 2000 load impact)			Costs (\$M)			Summer Peak Hours (g)	Energy Price Cap per MWh (h)	Benefits (\$M)
No. (a)	Program (b)	Summer Capacity Savings (MW) (c)	Cost (d)	Incentive (e)	Total Cost (f = d+e)			Total Benefits at Cap (i = c x g x h)
1	AC Cycling	133	\$ 3.60	\$ 4.80	\$ 8.40	522	\$ 500	\$ 34.71

Notes:

[1] (20 Peak days in August, 2000 and 20 Peak days in September, 2000) x 6 peak hours per day

PROGRAM FUNDING SOURCES

Program Administrative Costs

The ACCP's administrative budget is \$2.000 million for PY2000 and \$0.200 million for PY2001. The ACCP load management program will utilize Energy Efficiency Public Purpose Program (EE-PPP) funds. Specifically, the EEPPP funds identified for this activity include: (1) unspent, uncommitted, and unbudgeted PY1998 and PY1999 energy efficiency funds; and (2) PY2000 energy efficiency performance award budget. Unspent PY2000 California Board for Energy Efficiency budget will be utilized for this program. These funds will be identified in a future filing to support additional Market Assessment and Evaluation activities during 2000 and 2001. Any remaining EEPPP funds will be utilized for other program activities to be identified by SCE in future filings.¹

¹ On July 6, 2000, the Commission adopted, as part of its decision on SCE's PY2000 energy efficiency program plans, a process and time line under which utilities and other parties may propose peak mitigation that the Commission would address in time for full implementation for the summer of 2001. However, as explained herein, SCE wishes to implement this program (and others filed concurrently filed with this advice filing) on an expedited schedule in order to allow SCE the opportunity to implement the program in time to produce peak mitigation benefits during the summer of 2000. SCE will file additional energy efficiency program proposals for summer 2001 as part of another advice filing that will be filed with the Commission by July 21, 2000.

Performance Award Mechanism

SCE's PY2000 performance award mechanism allows SCE to apply program expenditures associated with the EEPPP funds towards achievement of the aggressive implementation component of the mechanism. However, SCE proposes to exclude the budget for this program from the basis for establishing SCE's aggressive implementation targets and will exclude any expenditures in the calculation of its performance award achievement.

This advice filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

EFFECTIVE DATE

SCE requests that the Commission approve this advice filing at its August 3, 2000 Commission Meeting. If the Commission does not issue a decision at its August 3, 2000 meeting, the proposed demand reduction efforts will be unavailable to help ameliorate the capacity shortage during a significant part of the summer. To the extent any delay beyond August 3, 2000 contributes to declaration of a Stage III emergency and rotating outages, the public welfare will be harmed. The Commission may reduce the 30-day comment period provided by PU Code § 311(g)(1) for resolutions in accordance with its rules adopted pursuant to PU Code § 311(g)(3). Pursuant to Rule 77.7 (f)(9), SCE requests that the Commission reduce the 30-day comment period due to public necessity.

In order to act by August 3, 2000, the Commission must reduce the protest period, as well as the review and comment period for the draft resolution. In order to accomplish this objective, SCE proposes the following schedule, which incorporates reductions to the normal protest period and to the review and comment period on a resolution.

Action	Due Date
File Advice Letter	7/10/2000
Protests to Advice Letter	7/20/2000
Reply to Protests	7/24/2000
Draft Resolution	7/28/2000
Comments to Draft Resolution	7/31/2000
Reply to Comments	8/2/2000
Final Resolution	8/3/2000

NOTICE

To provide timely and adequate notice, SCE is serving this filing electronically on appearances of record in A.99-09-049, etc. Anyone wishing to protest this advice filing may do so by letter or electronically, either of which must be received by SCE no later than 10 days after the date of this advice filing. Protests should be mailed, and sent via facsimile or electronic mail to:

IMC Program Manager
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200
E-Mail: www.cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile to the attention of:

Donald A. Fellows
Manager of Revenue and Tariffs
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 303
Rosemead, California 91770
Facsimile (626) 302-4829
E-Mail: fellowda@sce.com

Bruce Foster
Vice President of Regulatory Operations
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile (415) 673-1116
E-Mail: fosterbc@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section III, Paragraph G, of General Order No. 96-A, SCE is mailing copies of this advice filing to the interested parties shown on the attached service list and parties of record in A.99-09-049. Address change requests to the attached GO 96-A Service List should be directed to Emelyn Lawler at (626) 302-3985.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing open for public inspection at SCE's corporate headquarters.

Southern California Edison Company

Donald A. Fellows, Jr.

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Enclosures