SOUTHERN CALIFORNIA EDISON
An EDISON INTERNATIONAL Company

Donald A. Fellows, Jr.
Manager of Revenue and Tariffs

October 21, 1999

ADVICE 1411-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: SCE's Ratemaking for Market Revenues Associated with Third-Party Sales from Off-System Must-Take Generation that Cannot be Delivered to the PX

Southern California Edison Company (SCE) hereby transmits 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 addresses SCE's ratemaking treatment of market revenues realized in those instances when SCE makes third-party sales from its existing, off system, must-take generation which is bid into the Power Exchange (PX), but for which transmission is unavailable and the energy cannot be delivered to the PX.

INFORMATION

Third Party Sales

On July 14, 1999, the 500 kV transmission system from Arizona and Nevada was de-rated when San Diego Gas and Electric Company's (SDG&E) Imperial Valley-Miguel 500 kV transmission line tripped. In response, the Independent System Operator (ISO) requested the PX reduce its schedules of power from the southwest. The PX, in turn, requested that all schedules be reduced, including SCE's energy generated at the Palo Verde Generating Station (Palo Verde). However, SCE is contractually unable to reduce its Palo Verde generation, and thus, was unable to comply with the ISO/PX request unless it could have sold the power to another entity which did not require the use of the constrained transmission. Although, SCE did not sell the generation to another Southwest entity in that instance, SCE indicated to the California Public Utilities Commission (Commission) on July 14, 1999, that under future such circumstances, it would attempt to sell such power to a third party as described below, and record the net revenue from that sale in the Transition Cost Balancing Account (TCBA). SCE does not believe that these specific circumstances were contemplated by the Commission when it adopted the mandatory buy-sell rule in the Preferred Policy Decision (D.95-12-063 as modified by D.96-01-009).

Ratemaking

Should similar circumstances arise, where off-system power scheduled to be delivered to the PX cannot be delivered due to congestion, or physical transmission constraints, SCE plans to sell, if possible, the stranded must-take generation, to a third party buyer capable of taking delivery at that time. All net revenues that SCE receives from such third party sales will be credited, like all other market revenues, to the TCBA if the sale is associated with Palo Verde generation, and QF generation, or the PX Revenue Memorandum Account (PXRMA) if the sale is associated with Four Corners generation. Included in Attachment A are revisions to SCE's TCBA and PXRMA to reflect the additional entries that are required in order to specifically identify the net revenues which result from the sale of must-take generation to third parties.

No cost information is required for this advice filing.

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

EFFECTIVE DATE

It is requested that this advice filing become effective on the 40th calendar day after the day filed, which is November 30, 1999. No resolution is required for this filing; therefore, approval of this item is not subject to the review and comment provisions of Senate Bill 779.

NOTICE

Anyone wishing to protest this advice filing may do so by sending a letter no later than 20 days after the date of this advice filing. Protests should be mailed to:

IMC Program Manager
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above), and Donald A. Fellows, Manager of Revenue and Tariffs, Southern California Edison Company, 2244 Walnut Grove Avenue, Rosemead, California 91770, Facsimile (626) 302-4829. 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. Address change requests 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

cc: GO 96-A Service List

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 26562-E	Preliminary Statement, Part N	Revised 26325-E
Revised 26563-E	Preliminary Statement, Part JJ	Revised 26326-E
Revised 26564-E	Preliminary Statement, Part JJ	Revised 26327-E
Revised 26565-E	Preliminary Statement, Part JJ	Revised 23303-E*
Revised 26566-E	Table of Contents	Revised 26494-E
Revised 26567-E	Table of Contents	Revised 26552-E

PRELIMINARY STATEMENT
(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

41. Power Exchange Revenue Memorandum Account (Continued)

Entries to the PXRMA for each non "must-run" fossil generating facility shall be made monthly, and shall be determined as follows:

l. CPUC-Jurisdictional going-forward costs (as defined above).

m. Less: payments received from the Power Exchange or other energy market(s).

n. Less: other applicable revenues or offsets, including recorded congestion revenue received as the result of SCE holding Firm Transmission Rights and (T) net revenue resulting from the sale of must-take generation to a third party; (T)

o. Plus: cost of Firm Transmission Right acquisition.

If such calculations produce a net positive amount, such amounts will be debited to the account. If such calculations produce a net negative amount, such amounts will be credited to the account.

Interest shall accrue to the PXRMA on a monthly basis only if the above calculations result in a monthly credit balance. In such an instance monthly interest shall be applied to the Memorandum Account using the Utility's reduced rate of return of 7.22 percent. In no case shall monthly interest expense be computed if such monthly calculations above result in a debit balance.

If, at the end of each calendar year during the 4 year period ending December 31, 2001, there is a cumulative annual calendar year credit balance (revenues in excess of costs) in the Memorandum Account, such credit balance shall be transferred to the Unavoidable Fuel Contract Costs Memorandum Account.

If, at the end of each calendar year during the 4 year period ending December 31, 2001, there is a cumulative annual calendar year debit balance (costs in excess of revenues) in the Memorandum Account such balance shall not be recoverable from the Utility's customers.

The balance in this Memorandum Account shall be set to zero every January 1st of the Rate Freeze Period prior to the completion of market valuation (through divestiture, appraisal, or spin off) of the non "must run" fossil generation facility. After market valuation (through divestiture, appraisal, or spin off), entries to this Memorandum Account shall cease.

(Continued)

PRELIMINARY STATEMENT
(Continued)

JJ. TRANSITION COST BALANCING ACCOUNT (Continued)

6. Current Costs (Category 1) Account (Continued)

a. Qualifying Facilities Subaccount (The Effective Date through December 31, 2001) (Continued)

(3) Operation of the Current Costs (Category I) - QF Subaccount: (Continued)

(c) Plus: Recorded QF costs associated with Commission approved restructuring of existing QF contracts through bilateral negotiations between utilities and QFs. These costs include all costs associated with the buy-out, buy-down, or renegotiation of existing QF contracts;

(d) Plus: Recorded Commission approved shareholder incentive for utilities to restructure QF contracts transferred from the QF Contract Restructuring Shareholder Incentive Subaccount ("QFCRSI") of the Industry Restructuring Memorandum Account (IRMA);

(e) Plus: Recorded costs associated with QF disputes and litigation that result in settlement payments or increased QF payment costs for Edison;

(f) Plus: Recorded administrative costs associated with QF contracts to the extent these costs are not recovered elsewhere;

(g) The sum of items "(a)" through "(f)" multiplied by the CPUC-Jurisdictional Factor;

(h) Less: The recorded PX/ISO revenues associated with QFs;

(i) Less: Recorded net revenue resulting from the sale of (N)
must-take generation to a third party; (N)

(j) Less: Recorded congestion revenue received as the result of SCE holding Firm Transmission Rights; (T)

(k) Plus: Cost of Firm Transmission Right acquisition; (T)

(l) Less: Recorded QF renewable resources revenues received by Edison pursuant to PU Code §§ 381 and 383, to the extent such revenues are applicable to transition costs to be recovered through the Transition Cost Balancing Account; (T)

(m) Less: Recorded refunds received as a result of QF disputes and litigation to the extent such refunds correspond to transition costs to be recovered through the Transition Cost Balancing Account. (T)

(Continued)

PRELIMINARY STATEMENT
(Continued)

JJ. TRANSITION COST BALANCING ACCOUNT (Continued)

6. Current Costs (Category 1) Account (Continued)

f. Palo Verde 1, 2, & 3 ("Palo Verde") Incremental Costs Subaccount (The Effective Date through December 31, 2001) (Continued)

(3) Operation of the Current Costs (Category I) - Palo Verde Incremental Cost Subaccount:

Commencing on the Effective Date, Edison shall make monthly entries to the Current Costs (Category I) - PVIC Subaccount determined from the following calculations:

(a) The sum of recorded CPUC-Jurisdictional Palo Verde Incremental Costs (as defined herein),

(b) Less: Recorded ISO/PX revenues associated with Palo Verde generation;

(c) Less: Recorded net revenue resulting from the sale of must-take generation to a third party; (N)(N)

(d) Less: Recorded congestion revenue received as the result of SCE holding Firm Transmission Rights; (T)

(e) Plus: Cost of Firm Transmission Right acquisition; (T)

(f) Plus: NUIP rewards; (T)

(g) Plus: The amount transferred from the Palo Verde Incremental Cost Balancing Account on the Effective Date. (T)

If such calculations produce a net positive amount, such amounts will be debited to the Subaccount. If such calculations produce a net negative amount, such amounts will be credited to the Subaccount

(4) Incremental Cost Reasonableness Trigger Mechanism

If Edison's recorded Incremental Capital, O&M Expenses and A&G Expenses (as defined herein) exceed the Trigger Total amounts identified in the table below for any calendar year during the Transition Period, Edison must demonstrate that any amounts of these costs (i.e., Incremental Capital, O&M, and A&G) exceeding the amounts in the Table below for that calendar year are reasonable.

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PRELIMINARY STATEMENT
(Continued)

JJ. TRANSITION COST BALANCING ACCOUNT. (Continued)

8. Post 2001 Eligible Costs (Category III) Account. (Continued)

a. Qualifying Facilities Subaccount (January 1, 2002 through the life of the QF obligations). (Continued)

(3) Operation of the Post 2001 Eligible Costs (Category III) - QF Subaccount:

Commencing on January 1, 2002, Edison shall make monthly entries to the Post 2001 Eligible Costs (Category III) - QF Subaccount determined from the following calculations. All entries shall continue to undergo reasonableness reviews:

(a) Recorded QF payments by Edison relating to Standard Offer Nos. 1, 2, and 3, Interim Standard Offer No. 4 and Non-Standard Contracts;

(b) Plus: Recorded QF renewable resources costs incurred by Edison as a result of the implementation of PU Code §§ 381 and 383. The cumulative amounts in "(b)" shall not exceed the cumulative amounts in "(h)" over the duration of the QF Subaccount;

(c) Plus: Recorded QF costs associated with Commission approved restructuring of existing QF contracts through bilateral negotiations between utilities and QFs. These costs include all costs associated with the buy-out, buy-down, or renegotiation of existing QF contracts;

(d) Plus: Recorded Commission approved shareholder incentive for utilities to restructure QF contracts transferred from the QFCRSI Subaccount of the IRMA;

(e) Plus: Recorded costs associated with QF disputes and litigation that result in settlement payments or increased QF payment costs for Edison;

(f) Plus: Recorded administrative costs associated with QF contracts to the extent these costs are not recovered elsewhere.

(g) The sum of items "(a)" through "(f)" multiplied by the CPUC-Jurisdictional Factor;

(h) Less: The recorded PX/ISO revenues associated with QFs;

(i) Less: Recorded net revenue resulting from the sale of (N)
must-take generation to a third party; (N)

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