

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



June 7, 2002

Advice Letter: 1521-E

Akbar Jazayeri
Director of Revenue and Tariffs
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

Reference: Establishment of the Rate of Return Memorandum Account and Develop the Revenue Requirement Associated with the Utility Retained Generation

Dear Mr. Jazayeri:

Advice Letter 1521-E is withdrawn per your letter dated May 30, 2002. A copy of the advice letter is included herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas Long".

Douglas Long
Energy Division

Filed: 3/2/01
Withdrawn

JUN 13 2002

REVENUE & TARIFFS DEPT.

March 2, 2001

ADVICE 1521-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: **Establishment of the Rate of Return Memorandum Account
and Develop the Revenue Requirement Associated with the
Utility Retained Generation**

In compliance with Decision 01-01-061 (D.01-01-061), 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 is made in compliance with D.01-01-061, Ordering Paragraph 11, to: (1) establish the Rate of Return Memorandum Account (RORMA); and (2) develop the revenue requirement associated with a cost-based Utility Retained Generation (URG) rate.

BACKGROUND

On January 31, 2001, the California Public Utilities Commission (Commission) issued D.01-01-061 to, among other things, implement emergency regulations for delivery and payment mechanisms relating to the sale of electric power purchased by the Department of Water Resources (DWR).

On February 27, 2001, SCE, along with Pacific Gas and Electric Company (PG&E) submitted a request to Wesley M. Franklin, Executive Director of the Commission, for an extension of time to comply with Ordering Paragraph No. 11 of D.01-01-061 to establish a cost-based rate for URG. On March 1, 2001, SCE and PG&E's request was denied.

Thus, SCE is submitting this advice letter in compliance with Ordering Paragraph No. 11 of D.01-01-061, and to address the effective date of the CPA as stated in Executive Director's letter^{1/}:

“Thus, it would be helpful to the Commission for the utilities to discuss in their advice letters, or in a supplemental advice letter, the extent to which the periods covered by their advice letters will or will not be covered by the CPA.”

UTILITY RETAINED GENERATION RATE

Ordering Paragraph No. 11 of D.01-01-061 requires that SCE establish a cost-based rate for its retained generation resources using estimated operating expenses of its retained generation as well as a capital-related revenue requirement based upon amounts recorded in its Transition Cost Balancing Account (TCBA). The URG rate is subject to adjustment in a future phase of A.00-11-038.

In ABX1 (effective February 1, 2001) the California legislature authorized (through the creation of Public Utilities (PU) Code Section 360.5) the establishment of a California Procurement Adjustment (CPA). The purpose of the CPA is to derive residually-determined net generation revenue that would be available to the DWR for its purchased power costs incurred on behalf of SCE's bundled service customers. SCE's retained generation costs all purchased power costs, ancillary services expenses incurred, and certain adjustments would be subtracted from SCE's gross generation revenues to arrive at a monthly CPA amount.

Issues associated with the CPA are currently under Commission review in SCE's Rate Stabilization Proceeding (A.00-11-038). As part of Phase I of A.00-11-038, SCE proposed the establishment of a CPA Balancing Account, effective February 1, 2001, in order to comply with PU Code Section 360.5. SCE proposes that the CPA Balancing Account would be effective retroactive to February 1, 2001, and would include recovery of the costs associated with SCE's retained generation as set forth in SCE's testimony filed on February 23, 2001. The current schedule for Phase I of A.00-11-038 anticipates a final Commission decision to be rendered in the first week of April 2001. Phase I issues include, among other things, the calculation methodology associated with the CPA amount.

Because the CPA is effective February 1, 2001, at a maximum, any URG rate as contemplated by the Commission in D.01-01-061 and estimated as shown in the table on the following page would only be effective for the period commencing on January 19, 2001 (the date that SCE terminated its day-ahead bidding with the PX), and ending on January 31, 2001 (the day prior to the effective date of the CPA

^{1/} Letter from Wesley M. Franklin, dated March 1, 2001, page 2, footnote 1.

mechanism). It should be noted that in January 2001, SCE recorded all of its generation-related costs in Commission-authorized regulatory mechanisms (e.g., TRA, TCBA).

On February 28, 2001, SCE and Pacific Gas and Electric Company (PG&E) filed with the Commission their "Joint Application of Southern California Edison Company (U 338-E) and Pacific Gas and Electric Company (U 39E) for Rehearing of D.01-01-061" (Joint Application). In their Joint Application, SCE and PG&E state that the requirement to establish a URG rate in D.01-01-061 is contrary to SB1X-7, and that any URG issues properly belong in the Rate Stabilization Plan proceeding, and not in D.01-01-061.

Concurrent with this advice filing, SCE is submitting its workpapers supporting the estimated 2001 URG revenue requirements under a separate transmittal to the Energy Division. The table below summarizes SCE's estimated 2001 URG revenue requirements and SCE's cost per MWh.

Estimated 2001 URG Revenue Requirement and Cost/MWh

	GWh	(\$000)			\$/MWh		
		Operating Costs	Capital Costs	Total	Operating Costs	Capital Costs	Total
SONGS	12,635	544,569	477,332	1,021,901	43.10	37.78	80.88
Palo Verde	4,545	114,356	305,857	420,213	25.16	67.30	92.46
Four Corners	5,479	102,968	20,285	123,253	18.79	3.70	22.50
Mohave	5,658	126,216	24,830	151,046	22.31	4.39	26.70
Hydro	3,166	45,243	84,543	129,786	14.29	26.70	40.99
Catalina	32	3,276	-	3,276	102.25	-	102.25
Leased Assets	-	-	-	-	-	-	-
Congestion/S&D	-	9,620	-	9,620	-	-	-
Total	31,515	946,248	912,847	1,859,095	30.03	28.97	58.99

The estimated 2001 URG revenue requirements, as developed pursuant to Ordering Paragraph No. 11 of D.01-01-061, were determined based on forecast operating expenses and capital-related costs as currently reflected in the monthly operation of the TCBA and associated generation-related memorandum accounts.

Because D.01-01-061 requires capital-related costs to be based on amounts recorded in the TCBA, the 2001 forecast of SCE's capital-related generation costs is fundamentally different from SCE's forecast of 2001 capital-related generation costs as presented in ABX1 workshops held in early-February 2001 in A.00-11-038. For example, for the ABX1 workshops, 2001 capital-related costs were estimated using GRC-based accounting lives, and a fully authorized rate of return. The 2001

forecast operating expenses as developed pursuant to D.01-01-061 are the same as those presented in the February ABX1 workshops in A.00-11-038.

RATE OF RETURN MEMORANDUM ACCOUNT

In compliance with D.01-01-061, Ordering Paragraph 11, SCE is establishing Preliminary Statement, Part N.68, the RORMA to track the difference in authorized revenue requirements between the fully authorized rate of return on SCE's retained generation assets, and the reduced rates of return adopted in Decision 97-11-074.

ACTUAL DATE THAT SCE STOPPED SELLING POWER TO THE PX

Ordering Paragraph No. 11 of D.01-01-061 requires, among other things, that the Energy Division shall:

“confirm that the effective date requested by the utilities is that actual date that the utilities stopped selling power to the PX.”

In accordance with Ordering Paragraph No. 11 of D.01-01-061, the requested effective date of this advice letter is January 19, 2001 -- the date that SCE stopped bidding its retained generation resources to the PX. Attachment B to this advice filing is a letter from the President and C.E.O. of the Power Exchange to SCE, dated January 16, 2001, stating that the PX would suspend SCE's trading privileges in the PX day-ahead market effective on January 19, 2001.

No cost information is required for this advice filing.

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

This advice filing is effective January 19, 2001, the date that SCE stopped bidding its generation resources in the PX, in compliance with Ordering Paragraph No. 11 of D.01-01-061.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received by the Energy Division and SCE 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
E-mail: jjr@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 or electronically 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: lawlerem@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 all interested parties in Application 00-11-038. Address change requests to the attached GO 96-A Service List should be directed to Emelyn Lawler at (626) 302-3985 (E-mail: Emelyn.Lawler@sce.com).

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.

For questions, please contact Phillip Durgin at (626) 302-6344 (Phillip.Durgin@sce.com).

Southern California Edison Company

Donald A. Fellows, Jr.

DAF:pd/eml

Enclosures

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 28435-E Original 28436-E	Preliminary Statement Part N Preliminary Statement Part N	Revised 28407-E
Revised 28437-E	Table of Contents	Revised 28420-E

PRELIMINARY STATEMENT

Sheet 3

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

2. Definitions. (Continued)

d. Specified Project (Continued)

Section No.	Specified Project	Interest Bearing Memorandum Account*	
(34)	SONGS 2&3 Permanent Closure Memorandum Account	Yes	
(35)	SONGS 2&3 Property Tax Memorandum Account	Yes	
(36)	Palo Verde Permanent Closure Memorandum Account	Yes	
(37)	California Public Utilities (PU) CODE "SECTION 376" - CTC Displacement Tracking Memorandum Account	Yes	
(38)	California Public Utilities (PU) CODE "SECTION 381 (d)" - Renewable Program Tracking Memorandum count	No	
(39)	Rate Group Tracking Memorandum Account	No	
(40)	Independent System Operator Revenue Memorandum Account	Yes**	
(41)	Power Exchange Revenue Memorandum Account	Yes**	
(42)	Unavoidable Fuel Contract Costs Memorandum	Yes	
(43)	Hydro Generation Memorandum Account	Yes**	
(44)	Increased Return on Equity on Divestiture Memorandum Account	Yes	
(45)	Deemed Fossil Inventory Memorandum Account	Yes	
(46)	Jurisdictional Allocation Memorandum Account	Yes	
(47)	Non-nuclear Generation Capital Additions (NGCA) Memorandum Account	Yes	
(48)	Transmission Revenue Requirement Reclassification Memorandum Account (TRRRMA)	Yes	
(49)	Santa Catalina Island Diesel Fuel (SCIDF) Memorandum Account	Yes	
(50)	Streamlining Residual Memorandum Account (SRA)	Yes	
(51)	ISO/PX Implementation Delay Memorandum Account	Yes	
(52)	Direct Access Discretionary Services Costs (DADSC) Memorandum Account (DADSC Memorandum Account)	Yes	
(53)	Affiliate Transfer Fee Memorandum Account	Yes	
(54)	Fuel Oil Inventory Memorandum Account (FOIMA)	Yes	
(55)	Energy Efficiency DSM (EEDSM) Memorandum Account	Yes	
(56)	Block-Forward Market Memorandum Account (BFMMA)	Yes	
(57)	Power Exchange Credit Audit Memorandum Account (PXCA Memorandum Account)	Yes	
(58)	Interim Power Exchange Market Clearing Price (IPXMCP) Memorandum Account	Yes	
(59)	Hourly Pricing Implementation Cost (HPIC) Memorandum Account	Yes	
(60)	Voluntary Power Reduction Credit Memorandum Account (VPRCMA)	Yes	
(61)	Applicant Installed Trench Inspection Memorandum Account (AITIMA)	No	
(62)	Air Conditioner Cycling Memorandum Account (ACMA)	Yes	
(63)	Short-Term Generation Capacity Memorandum Account (STGCMA)	Yes**	
(64)	Near-Term Bilateral Contracts (NTBC) Memorandum Account	Yes	
(65)	Nuclear Claims Memorandum Account (NCMA)	Yes	
(66)	Medium-Term Bilateral Contracts (MTBC) Memorandum Account	Yes	
(67)	Interruptible Programs Excess Energy Charges (IPEECMA) Memorandum Account	Yes	
(68)	Rate of Return Memorandum Account (RORMA)	Yes	(N)

* Interest shall accrue monthly to interest-bearing Memorandum Accounts by applying the Interest Rate to the average of the beginning and ending balance.

** Interest shall accrue monthly to credit balances only. See specific memorandum accounts for more information.

(Continued)

(To be inserted by utility)

Advice 1521-E
Decision 01-01-061

Issued by

John R. Fielder
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Mar 2, 2001
Effective _____
Resolution _____



PRELIMINARY STATEMENT

Sheet 99

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

68. Rate of Return Memorandum Account (RORMA):

a. Purpose:

In accordance with Ordering Paragraph No. 11 of D.01-01-061, the purpose of the Rate of Return Memorandum Account (RORMA) is to track the difference in authorized revenue requirements between the fully authorized rate of return on SCE's generation assets and the reduced rate of return adopted in D.97-11-074.

b. Entries made to the RORMA:

Commencing on _____, an entry shall be made each month to track the difference between:

- (1) The revenue requirement associated with a fully authorized rate of return on SCE's generation assets;
- (2) Less: The revenue requirement associated with the reduced rate of return.

Disposition of amounts recorded in the RORMA shall be reviewed in an applicable proceeding expressly authorized by the Commission.

Interest shall accrue monthly by applying the Interest Rate to the average of the beginning and ending balance.

(Continued)

(To be inserted by utility)

Advice 1521-E
Decision 01-01-061

Issued by
John R. Fielder
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Mar 2, 2001
Effective _____
Resolution _____



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Sheet No.

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(Continued)

(To be inserted by utility)
Advice 1521-E
Decision 01-01-061

Issued by
John R. Fielder
Senior Vice President

(To be inserted by Cal. PUC)
Date Filed Mar 2, 2001
Effective _____
Resolution _____



George Sladoje
President & CEO

January 16, 2001

Mr. John Fielder
Sr. Vice President, Regulatory Policy & Affairs
Southern California Edison
8631 Rush Street
Rosemead, CA 91770

Dear John,

In accordance with Section 1.5 (Revised Sheet No. 59) and Table A (Revised Sheet 59A) of the PX's Tariff Amendment No. 22 to its FERC Electric Tariff, Third Revised Volume No. 1, filed with FERC on January 5, 2001, the recent rating agency downgrade of SCE makes it a requirement that you will need to post collateral for all transactions in the PX Day-Ahead and Day-Of markets. Please notify us immediately if you will be complying with this requirement. If you cannot do so we will suspend your trading privileges in our markets effective for Day-Ahead Friday, January 19, 2001 and Day-Of Thursday, January 18, 2001.

The PX will continue to support your scheduling coordination needs for self-supplied and other including ISO Real-Time through the separate SC ID that has been established in which the PX will serve as your agent to the ISO.

Sincerely,

A handwritten signature in cursive script that reads "George Sladoje".

George Sladoje

cc: John Yurkanin
Lynn Miller
Ken Czarnecki
Clark Cheng