
September 24, 2004

ADVICE 1827-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: **Revisions to SCE's DWR Power Charge Remittance Rate**

In compliance with Decision (D.)04-08-050, Southern California Edison Company (SCE) hereby submits for Commission approval revisions to SCE's California Department of Water Resources (DWR) Power Charge.

PURPOSE

Ordering Paragraph No. 3 of D.04-08-050 requires SCE to consult with the DWR to make adjustments to SCE's DWR Power Charge applicable to its Bundled Service customers. In this advice filing, SCE requests Commission approval to return the 2004 DWR Power Charge over-collection that is expected to occur based upon the 2004 interim allocation adopted by the Commission in D.04-08-050 by including it as a revenue requirement reduction in SCE's DWR Power Charge revenue requirement for the period January 1, 2005, through December 31, 2005.

BACKGROUND

In D.04-08-050, the Commission adopted an interim allocation of the supplemental 2004 DWR power charge revenue requirement. The interim allocation will be effective until the Commission adopts a permanent allocation methodology¹. The interim 2004 allocation and associated power charges are retroactive to January 1, 2004. D.04-08-050 requires that the utilities "consult with DWR to adjust their remittance rates, to reflect the power charges adopted in this decision in a manner that is acceptable to DWR."²

SCE proposes not to change the DWR Power Charge remittance rate until the Commission adopts a 2005 DWR Power Charge. Thus, SCE's currently effective DWR Power Charge of \$0.09056/kWh will not be revised until the Commission adopts a 2005 DWR Power Charge.

¹ A Commission decision adopting a permanent allocation methodology is anticipated no later than the 4th quarter of 2004.

² Ordering Paragraph 3 of D.04-08-050.

SCE anticipates that the 2005 DWR Power Charge will be effective on or about January 1, 2005. SCE will work with DWR and the Commission's Energy Division to ensure that the most accurate estimate of the 2004 DWR Power Charge over-collection is used for rate setting purposes in 2005.

SCE currently estimates that its 2004 DWR Power Charge over-collection remitted to DWR will be approximately \$202 million, which reflects the difference between DWR Power Charge revenues based on: 1) the amount of DWR Power Charges that SCE's Bundled Service customers were billed at during 2004; and 2) the amount of DWR Power Charges that SCE's Bundled Service customers should have been billed at during 2004 (using the 2004 DWR Power Charge adopted by the Commission – retroactive to January 1, 2004)³.

DWR has agreed that the estimated over-collection which would result from SCE's proposal would be approximately \$202 million through the end of 2004. If the Commission approves SCE's proposal to apply the 2004 DWR Power Charge over-collection towards reducing SCE's allocation of the 2005 DWR Power Charge revenue requirement, SCE will update the estimated 2004 DWR Power Charge over-collection amount in time for the Commission to implement the allocation of the 2005 DWR Power Charge revenue requirement. SCE proposes to use the estimated 2004 DWR Power Charge over-collection to reduce SCE's 2005 DWR Power Charge revenue requirement adopted by the Commission.

SCE is making its proposal herein in order to reduce the fluctuations in its Bundled Service customers' rates. For instance, if SCE's 2005 Energy Resource Recovery Account (ERRA) revenue requirement forecast (Application No. 04-08-008) is implemented concurrent with: 1) the expected reduction in the 2005 DWR Power Charge revenue requirement, and 2) the refund of the 2004 DWR Power Charge over-collection as described above, SCE's Bundled Service customers' System Average Rate (SAR) will remain relatively stable.

At the earliest, SCE would not be able to implement a revised 2004 DWR Power Charge to its Bundled Service customers until 30 days subsequent to the date that the Commission approves this advice filing⁴. Thus, if the interim 2004 DWR Power Charge is implemented on a prospective basis, only a small portion of the 2004 over-collection could be returned to Bundled Service customers by the end of 2004. The remainder of the 2004 DWR Power Charge over-collection would be returned to Bundled Service customers in 2005 (i.e., the over-collection would be returned over a twelve month period).

SCE considered and rejected two other approaches for implementing the retroactive revenue requirement adopted in D.04-08-050. First, SCE discounted the idea of returning the over-collection for the period January 1, 2004, through October 2, 2004 to customers through a one-time bill credit since it would be costly to SCE to implement and be a very inefficient use of resources. As an example of this fact, SCE is still in the process of fully implementing and

³ See Attachment A to this advice filing for the calculations of the estimated 2004 DWR Power Charge over-collection.

⁴ SCE needs this time in order to perform system implementation testing.

accounting for the one-time bill credit adopted by the Commission in D.03-09-018 (e.g., identifying inactive customers).

A second approach that SCE discounted was to: 1) revise the interim 2004 DWR Power Charge adopted in D.04-08-050 of \$.08055/kWh to be effective 30 days after the Commission approves this advice filing, and 2) return the over-collection for the period January 1, 2004, through the date SCE implements the Power Charge of \$.08055/kWh, to customers over the remainder of 2004. This approach would have the effect of artificially reducing customer rates for a short two to three-month time period only for those rates to significantly increase in 2005 once the over-collection has been returned. This would cause undue confusion and uncertainty for customers, and needlessly result in a "see-saw" effect on their rate levels.

Finally, the Commission stated in D.04-08-050 that it will consider a permanent allocation methodology at its next regularly scheduled meeting. As a result, the 2004 DWR Power Charge could once again be revised retroactive to January 1, 2004. Thus, it does not make sense for SCE to implement the interim DWR Power Charge adopted in D.04-08-050 in the near future, as it will change again in the very near future retroactive to January 1, 2004.

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 will become effective on the 40th calendar day after the date filed, which is November 3, 2004.

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:

Akbar Jazayeri
Director of Revenue and Tariffs
Southern California Edison Company
2244 Walnut Grove Avenue, Quad 3D
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Vice President of Regulatory Operations
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
E-mail: Karyn.Gansecki@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 serving copies of this advice filing to the interested parties shown on the attached Application No. 00-11-038 service list. Address change requests to the attached GO 96-A Service List should be directed to (626) 302-4039 or by electronic mail at AdviceTariffManager@sce.com. For changes to all other Service Lists, please contact the Commission's Process office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

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. To view other SCE advice letters filed with the Commission, log on to SCE's web site at <http://www.sce.com/adviceletters>.

For questions, please contact Doug Snow at (626) 302-2035 or Douglas.Snow@sce.com.

Southern California Edison Company

Akbar Jazayeri

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Enclosures