

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



January 18, 2008

Advice Letter 2179-E

Akbar Jazayeri
Vice President, Regulatory Operations
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

Subject: Establishment of the New System Generation Balancing
Account in Accordance with Decision 07-09-044

Dear Mr. Jazayeri:

Advice Letter 2179-E is withdrawn as indicated in your letter dated
January 16, 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division

November 15, 2007

ADVICE 2179-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Establishment of the New System Generation Balancing
Account in Accordance With Decision 07-09-044

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

PURPOSE

The purpose of this advice filing is to establish Preliminary Statement, Part RR, New System Generation Balancing Account (NSGBA), in accordance with Ordering Paragraph 2 of California Public Utilities Commission (Commission) Decision (D.) 07-09-044.

BACKGROUND

D.06-07-029

In D.06-07-029, the Commission adopted a cost allocation methodology (CAM) to allocate the benefits and costs of non-utility owned or built new generation resources to all benefiting customers¹ in an investor-owned utility's (IOU's) service territory for up to ten years. IOUs procure the new generation through long-term power purchase agreements (PPAs). The capacity and energy from the PPAs are unbundled and the rights to the capacity are to be allocated among all the load serving entities (LSE) in the IOU's service territory.

¹ D.06-07-029 defines "benefiting customers" as all Bundled Service Customers, Direct Access (DA) Customers, Community Choice Aggregation (CCA) Customers, and customers who are located within a utility distribution service territory but take service from a local public-owned utility (POU) subsequent to the date that the new generation goes into service.

Each LSE will share in the capacity according to the LSE's share of the 12-month service area coincident peak, and the LSE can apply the capacity towards its resource adequacy (RA) obligations. LSE's customers receiving the benefit of the capacity from new generation pay for the net cost, determined as the total cost of the PPA less the energy revenues associated with dispatch of the contract. Energy revenues will be determined by periodic auction of the PPA energy rights. The energy auction process and products were established by the Commission in D.07-09-044.

D.07-01-041

In D.07-01-041, the Commission authorized SCE to enter into a 10-year PPA with Long Beach Generation LLC (LBG) for 260 megawatts (MW) of natural gas-fired peaking capacity from Long Beach Generating Facility Units 1, 2, 3, and 4 for delivery from August 1, 2007 through July 31, 2017. D.07-01-041 also directs SCE to apply the CAM adopted in D.06-07-029 and to allocate the benefits and costs of the LBG PPA to all benefiting customers.

Consistent with D.07-01-041, SCE filed Advice 2132-E-A requesting Commission authority to establish a New System Generation Memorandum Account (NSGMA) to record the benefits and costs associated with the LBG PPA during the period between the requested effective date of August 1, 2007 through the effective date of a balancing account that will record the benefits and costs of new generation-related PPAs. On October 4, 2007, the Commission issued Resolution E-4115 (issued in response to SCE's Advice 2132-E-A) authorizing SCE to:

1. Transfer the costs and benefits associated with the LBG PPA that have been recorded in the Energy Resource Recovery Account (ERRA) to the NSGMA;
2. Record ongoing costs and credits associated with the LBG PPA in the NSGMA; and
3. Transfer amounts recorded in the NSGMA into the new balancing account authorized by the Commission in D.07-09-044.

Thus, in accordance with Resolution E-4115, SCE will transfer amounts recorded in the NSGMA to the NSGBA.

D.07-09-044

In D.07-09-044, the Commission adopted a Joint Settlement Agreement (Settlement Agreement) with certain clarification defining the process and products to be included in the energy auctions established by the Commission in D.06-07-029. Ordering Paragraph 2 of D.07-09-044 directs SCE to establish a "balancing account to record costs and benefits (including any associated nonbypassable charges collected) and perform annual true ups for all of its cost-allocation methodology (CAM) identified

resources. In general, the CAM resource account should be divided into sub-accounts that track these costs and benefits for each CAM-identified resource.”

D.07-09-044 also requires that the net costs of each PPA associated with new generation be recovered from all benefiting customers in SCE’s service territory through a non-bypassable wires charge. Criteria for applicability of the non-bypassable charge to various classes of customers will be determined in Track 3 of Order Instituting Rulemaking (R.) 06-02-013.²

Entries to the NSGBA

The NSGBA is established in accordance with Ordering Paragraph 2 of D.07-09-044 and will contain a separate sub-account for each PPA associated with new generation facilities to record:

1. Total costs of each PPA (including capacity and energy costs, applicable proxy energy and fuel costs, and costs incurred in conducting energy auctions);
2. Proceeds from energy auctions (including avoidable cost payments made to SCE by the successful bidder(s) in energy auctions) – or proxy energy and ancillary service revenues during periods in which the new generation facility is not subject to an energy auction contract; and
3. Recorded billed and unbilled revenues from all benefiting customers assessed through a non-bypassable wires charge.

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

TIER DESIGNATION

Pursuant to D.07-01-024, Energy Industry Rule 5.2(2), this advice letter is submitted with a Tier 2 designation.

EFFECTIVE DATE

This advice filing shall become effective upon Energy Division’s determination that the revised tariffs contained herein are in compliance with D.07-09-044.

² D.07-09-044 resolved the determination of net costs and the calculation of the non-bypassable charge. The applicability of the charge to various types of customers is at issue in Track 3 of the ongoing long-term procurement proceeding.

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 no later than 20 days after the date of this advice filing. Protests should be mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: inj@cpuc.ca.gov and mas@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
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Affairs
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 4 of General Order No. (GO) 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B and R.06-02-013 service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-2930. 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 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/AboutSCE/Regulatory/adviceletters>.

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

Southern California Edison Company

Akbar Jazayeri

AJ:pd:sq
Enclosures

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: James Yee

Phone #: (626) 302-2509

E-mail: James.Yee@sce.com

E-mail Disposition Notice to: AdviceTariffManager@sce.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
 PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2179-E

Tier Designation: 2

Subject of AL: Establishment of the New System Generation Balancing Account in Accordance With Decision 07-09-044

Keywords (choose from CPUC listing): Compliance, Balancing Account

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.07-09-044

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement.

Name and contact information to request nondisclosure agreement/access to confidential information:

Resolution Required? Yes No

Requested effective date: Upon approval No. of tariff sheets: -4-

Estimated system annual revenue effect: (%): _____

Estimated system average rate effect (%): _____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statement Part RR and Table of Contents

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

¹ Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
inj@cpuc.ca.gov and mas@cpuc.ca.gov

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Affairs
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

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
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Revised 43188-E Revised 43189-E	Table of Contents Table of Contents	Revised 43001-E Revised 42644-E



PRELIMINARY STATEMENT

Sheet 1

RR. NEW SYSTEM GENERATION BALANCING ACCOUNT (NSGBA)

The purpose of the New System Generation Balancing Account (NSGBA) is to record the benefits and costs of Power Purchase Agreements (PPAs) associated with new generation resources pursuant to D. 07-09-044 and D.06-07-029. Sub-accounts shall be established in the NSGBA for each PPA associated with a new generation resource.

Entries to the NSGBA shall be made as follows:

- a. A debit entry to record costs associated with PPA contracts, including:
 - 1. Capacity and energy costs,
 - 2. Applicable proxy energy and fuel costs, and
 - 3. Applicable costs associated with conducting energy auctions¹;
- b. Credit entries to record:
 - 1. Proxy energy and ancillary service revenues during periods in which the generating facility is not subject to an energy auction contract; or
 - 2. Proceeds from the energy auction, including avoidable cost payments made to SCE by the successful bidder(s);
 - 3. Recorded billed and unbilled revenue from a non-bypassable wires charge applicable to all benefiting customers².
- c. One-time transfer of amounts recorded in the New System Generation Memorandum Account, consistent with Resolution E-4115.

Interest expense shall accrue monthly by applying an applicable interest rate to the average monthly NSGBA balance.

The interest rate shall be one-twelfth of the Federal Reserve three-month Commercial Paper Rate – Non-financial, from the Federal Reserve Statistical Release H.15. If in any month a non-financial rate is not published, SCE shall use the Federal Reserve three-month Commercial Paper Rate – Financial.

1 The principles of the energy auction process and related products are contained in the Settlement Agreement (Appendix A) of D.07-09-044, and are incorporated by reference herein.

2 "Benefiting customers" are defined in D.06-07-029 as all Bundled Service Customers, Direct Access Customers, Community Choice Aggregation Customers, and customers who are located or locate within the distribution territory of an investor-owned utility but take service from a local publicly-owned utility subsequent to the date that the new generation goes into service.

(Continued)

(To be inserted by utility)
 Advice 2179-E
 Decision 07-09-044

Issued by
Akbar Jazayeri
Vice President

(To be inserted by Cal. PUC)
 Date Filed Nov 15, 2007
 Effective _____
 Resolution _____



PRELIMINARY STATEMENT

Sheet 2

(Continued)

RR. NEW SYSTEM GENERATION BALANCING ACCOUNT (Continued):

New System Generation Rate Level Changes:

SCE shall update its New System Generation rate levels to reflect the most current Commission-adopted revenue requirements in its August Energy Resource Recovery Account (ERRA) application. The balance forecast to be recorded in the NSGBA (either over-collected or under-collected on December 31 of the current year), plus an amount for Franchise Fees & Uncollectibles (FF&U), shall be included in the New System Generation revenue requirement to either be returned to, or recovered from, SCE's retail electric customers in New System Generation rate levels. Prior to implementing consolidated Commission-authorized revenue requirements and unfunded rate levels to recover those revenue requirements, the NSGBA balance will be updated to reflect the latest recorded balance available.

Review Procedures:

The recorded operation of the NSGBA for the Record Period (previous calendar year 12-month period) shall be reviewed by the Commission in SCE's annual April ERRA reasonableness application to ensure that the entries made in the NSGBA are stated correctly and are consistent with Commission decisions.

SCE shall provide a monthly report showing the activity in the NSGBA to the Energy Division within 30 days of the end of each month.

(To be inserted by utility)
Advice 2179-E
Decision 07-09-044

Issued by
Akbar Jazayeri
Vice President

(To be inserted by Cal. PUC)
Date Filed Nov 15, 2007
Effective _____
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(To be inserted by utility)

Advice 2179-E
Decision 07-09-044

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Akbar Jazayeri
Vice President

(To be inserted by Cal. PUC)

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