
November 20, 1998

ADVICE 1351-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Establishment of the Fuel Oil Inventory Memorandum
Account

Southern California Edison Company (SCE) hereby transmits for filing the following changes in its tariff schedules. The revised tariff sheets highlighted on Attachment A are attached hereto.

PURPOSE

In this advice filing SCE proposes to establish a new memorandum account, the Fuel Oil Inventory Memorandum Account (FOIMA), in SCE's Preliminary Statement Part N, Memorandum Accounts. The purpose of the FOIMA is to record:

1. Fuel oil inventory carrying costs; and
2. Gains and losses on the sale of fuel oil inventory.

BACKGROUND

A. Fuel Oil Inventory Carrying Costs

In Decision No. 97-11-074 (D.97-11-074) (SCE's Phase 2 Transition Cost Decision), at Section 11.3.4., the California Public Utilities Commission (Commission) stated:

It is appropriate to defer consideration of the transition cost recovery of fuel oil inventory pending the determination of the ISO as to whether those inventories are needed for system reliability...We will defer ruling on the eligibility of transition cost recovery for fuel oil inventories for 1998. The utilities may apply the 3-month commercial paper rate to the unamortized balance of the fuel oil inventory.

In Finding of Fact No. 29 of D.97-11-074 the Commission further stated:

For 1998 only, the utilities may apply the 3-month commercial paper rate to the unamortized balance of the level of fuel oil inventories. (Emphasis added)

During the period January 1, 1998, through March 31, 1998, SCE recorded its fuel oil inventory carrying costs in the ISO/PX Implementation Delay Memorandum Account. Commencing April 1, 1998, SCE recorded its fuel oil inventory carrying costs in its Transition Cost Balancing Account (TCBA).

As of the date of this advice filing, the ISO has not determined whether SCE's fuel oil facilities are needed for system reliability. It is not likely that a final determination by the ISO on this issue will be made prior to year-end 1998. Therefore, SCE is proposing the establishment of the FOIMA in order to record fuel oil inventory carrying costs, commencing January 1, 1999, pending a determination by the ISO as to the need for SCE's fuel oil facilities for system reliability. In D.97-11-074 the Commission authorized the recording of fuel oil inventory carrying costs only through December 31, 1998.

Fuel oil inventory carrying costs recorded in the FOIMA can be reviewed by the Commission in the applicable Annual Transition Cost Proceeding (ATCP).

B. Gains and Losses on Sale of Fuel Oil Inventory

As noted above, the Commission deferred consideration of the transition cost recovery of fuel oil inventory pending the determination of the ISO as to whether SCE's fuel oil facilities are needed for system reliability. In its gas-fired fossil divestiture application (A.96-11-046) SCE proposed to retain and maintain, for an interim period, all of its fuel oil and tank facilities pending the determination of system reliability issues by the ISO. In Decision No. 97-09-049 the Commission adopted SCE's proposed accounting and ratemaking for the divestiture of its gas-fired fossil stations.

As of the date of this advice filing SCE has divested all of its gas-fired fossil stations. SCE has retained ownership of its fuel oil and tank facilities. As a result, there is no Commission-authorized balancing account or memorandum account in which gains or losses on the sale of fuel oil inventory can be recorded. Therefore, SCE proposes to include any recorded gains or losses on the sale of fuel oil inventory in the FOIMA commencing on the effective date of this advice filing. SCE will justify entries made to the FOIMA in the applicable ATCP.

No cost information is required for this advice filing.

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

EFFECTIVE DATE

It is requested that this advice filing become effective on the 40th calendar day after the date filed, which is January 1, 1999. Since this advice filing proposes the establishment of a new memorandum account, a resolution is required for approval.

NOTICE

Anyone wishing to protest this advice filing may do so by sending a letter no later than twenty (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 to 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, as well as A.96-08-007/A.96-08-071. 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.

DAF:jhn:Fuel.doc
Enclosures

cc: CPUC, SF - Attn: Elena Schmid, ORA

<u>Cal. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancelling Cal. P.U.C. Sheet No.</u>
Revised 25441-E Original 25442-E	Preliminary Statement, Part N Preliminary Statement, Part N	Original 23199-E* -----E
Revised 25443-E	Table of Contents	Revised 25431-E



PRELIMINARY STATEMENT
(Continued)

N. MEMORANDUM ACCOUNTS (Continued)
2. Definitions. (Continued)

d. Specified Project (Continued)

<u>Section No.</u>	<u>Specified Project</u>	<u>Interest Bearing Memorandum Account*</u>	
(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" - Restructuring Implementation Tracking Memorandum Account	Yes	
(38)	California Public Utilities (PU) CODE "SECTION 381 (d)" - Renewable Program Tracking Memorandum account	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)	ISO/PX Implementation Delay Memorandum Account	Yes	
(47)	Jurisdictional Allocation Memorandum Account	Yes	
(48)	Fuel Oil Inventory Memorandum Account (FOIMA)	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)

PRELIMINARY STATEMENT

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

48. Fuel Oil Inventory Memorandum Account

The Utility shall maintain a Fuel Oil Inventory Memorandum Account (FOIMA) as authorized by the Commission in Resolution E-____. The purpose of the FOIMA is to record:

- a. Fuel oil inventory carrying costs, and
- b. Gains and losses on the sale of fuel oil inventory.

Entries will be made to the FOIMA until such time that the Independent System Operator (ISO) determines if SCE's fuel oil facilities are needed for system reliability purposes, and the Commission determines the disposition of amounts recorded in the FOIMA.

Amounts recorded in the FOIMA shall be on a CPUC-jurisdictional basis calculated in accordance with the Commission-authorized methodology used in SCE's Transition Cost Balancing Account (TCBA).

Entries to the FOIMA shall be made on a monthly basis, and shall be determined as follows:

- a. The average recorded fuel oil inventory value for the month, multiplied by the Interest Rate;
- b. Plus: Gains and losses on the sale of fuel oil inventory recorded during the month;
- c. The sum of "(a) and "(b)" multiplied by the applicable CPUC jurisdictional factor.

Interest shall accrue to the FOIMA on a monthly basis by applying the Interest Rate to the average of the beginning-of-month and the end-of-month balances.

The disposition of the balance in the FOIMA, subsequent to a determination by the ISO for the need for SCE's fuel oil facilities for system reliability, will be made after the Commission's review of the entries made to the FOIMA in the Annual Transition Cost Proceeding (ATCP).



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January 12, 2000

California Public Utilities Commission
505 Van Ness Avenue, Room 4005
San Francisco, CA 94102

Attn: Jerry Royer
Energy Division

Re: Substitute Sheets for Advice 1351-E and 1351-E-A

Dear Mr. Royer:

Enclosed are Attachment A and substitute Sheet Nos. 25441-E*¹ for Advice 1351-E and 25442-E* for Advice 1351-E-A. These substitute sheets are necessary due to advice letters becoming effective out of chronological order. As a result, the Preliminary Statement section number on each tariff has been revised.

Please replace the enclosed sheets in your master Advice 1351-E and 1351-E-A file. If you have any questions, please contact Renee Vazquez at (626) 302-2077.

Sincerely,

Enclosure

1351-E+EAsub.doc

¹ Asterisk denotes a substituted sheet.