
December 1, 1999

ADVICE 1420-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Compliance Advice Filing Pursuant to Resolution E-3389
(ACRA/RCRA)

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

PURPOSE

This advice filing informs the California Public Utilities Commission (Commission) of SCE's annual changes to the revenue requirements associated with the Additional Capital Recovery Amount (ACRA) and Reduced Capital Recovery Amount (RCRA) ratemaking mechanism in compliance with Resolution E-3389, dated September 15, 1994. In addition, the Rate Components Tables of each rate schedule are attached hereto and denote changes to the Distribution and Generation rates as a result of updated revenue requirements. There is no overall rate level change to customers in 2000 as a result of the change in rates because the Distribution rate change is offset by an equal and opposite change in the residually-determined Generation rate, thereby maintaining the rate freeze pursuant to Public Utilities Code Section 368.

BACKGROUND

In Decision No. 94-05-068 (D.94-05-068), the Commission adopted the ACRA and RCRA ratemaking mechanism. The adopted ratemaking mechanism provides for

additional annual nuclear depreciation expense of \$75 million, which is offset by reduced annual distribution depreciation expense of \$75 million.

Differences in deferred taxes between the reduced nuclear-related rate base (ACRA related) and the additional distribution rate base (RCRA related) result in annual incremental increases in total rate base over levels which would have resulted without the ACRA/RCRA ratemaking mechanism. SCE would have realized an incremental increase in return on such additional rate base. However, Resolution E-3389 requires SCE to remove the return on the additional rate base in its annual ACRA/RCRA advice filing.

INFORMATION

Resolution E-3389 ordered SCE, among other things to: (1) implement future adjustments to its ACRA/RCRA revenue requirements by filing an advice letter to be effective January 1st of the following year; (2) provide detailed workpapers with each year's advice filing; and (3) identify variables that have changed from the previous year's advice filing.

None of the revenue requirement factors have changed from 1999 in determining the 2000 ACRA and RCRA revenue requirements. Pursuant to Decision No. 96-09-092 (SCE's non-generation PBR decision), the annual RCRA-related revenue requirement is an exclusion from the distribution Performance-Based Ratemaking (PBR) mechanism. Although the 2000 RCRA-related revenue requirement of a negative \$48.940 million is an exclusion from the distribution PBR revenue requirement (that is, it is not subject to the Update Rule and Net Revenue Sharing), it is reflected in the January 1, 2000 total distribution rate component.

Public Utilities Code Section 368, among other things, freezes rates for all customers at the adopted June 10, 1996 levels through the earlier of March 31, 2002, or the date on which the Commission-authorized costs for utility generation-related assets and obligations have been fully recovered for those categories of transition costs that must be recovered by December 31, 2001. Consequently, the incremental RCRA-related revenue requirement increase of \$8.158 million effective January 1, 2000 will not increase customers' overall rate levels. The following tables provide the change in the ACRA/RCRA revenue requirements from 1999 to 2000.

**Annual RCRA-Related Revenue Requirement Change
(\$000's)**

<u>Calendar Year</u>	<u>RCRA</u>	<u>Return Offset</u> ^{1/}	<u>Total</u>
1999 ^{2/}	(55,597)	(1,501)	(57,098)
2000 ^{2/}	(47,149)	(1,791)	(48,940)
2000 Annual Change	8,448	(290)	8,158

^{1/} Per Resolution E-3389, SCE must eliminate the return on incremental rate base associated with the ACRA/RCRA mechanism in determining the annual RCRA-related revenue requirement.

^{2/} Computed at the currently authorized 9.49 percent overall rate of return on distribution rate base.

**Annual ACRA-Related Revenue Requirement Change
(\$000's)**

<u>Calendar Year</u>	<u>SONGS 2&3</u>	<u>Palo Verde</u>	<u>Total</u>
1999 ^{1/}	41,540	20,926	62,466
2000 ^{1/}	37,523	18,902	56,425
2000 Annual Change	(4,017)	(2,024)	(6,041)

^{1/} Computed at the authorized 7.35 percent overall rate of return on nuclear rate base.

The rates contained in Attachment A combine both the rate changes filed in Advice 1414-E-A (filed on November 22, 1999), which reflect the application of SCE's PBR Distribution Rate Adjustment Mechanism and the rate changes necessitated by the change in the 2000 RCRA Revenue Requirement set forth herein.

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 rate schedule or rule.

EFFECTIVE DATE

In accordance with D.94-05-068 and Resolution E-3389, this advice filing shall become effective on January 1, 2000. No resolution is required for this advice 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 and A.93-02-010. Address change requests should be directed to John Montanye at (626) 302-2308.

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.

Attachment A

Available upon Request