
December 3, 1999

ADVICE 1421-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Revision to the Transition Cost Balancing Account

In compliance with the California Public Utilities Commission (Commission) Resolution E-3633, 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 revises SCE's Preliminary Statement, Part JJ, Transition Cost Balancing Account (TCBA), to reflect the changes ordered in Resolution E-3633 relating to divestiture and valuation transaction costs.¹ The changes conform the tariffs to both the more detailed tariff language of Pacific Gas and Electric Company as well as the guidance provided in Resolution E-3633.

BACKGROUND

On November 18, 1997, Advice 1262-E was filed in order to modify and expand SCE's Preliminary Statement, Part N, Memorandum Account, No. 21, Divestiture of Fossil Generation (DFG) Memorandum Account, by: (1) changing the name of the account to the Divestiture/Market Valuation of Fossil and Hydro Generation (DMVFHG) Memorandum Account; (2) establishing the Divestiture/Market Valuation of Fossil Generation (DMVFG) Subaccount of the DMVFHG Memorandum Account to record all costs, including SCE labor, for divestiture and/or market valuation activities associated with SCE's fossil fuel generation assets starting January 1, 1998; and (3) establishing the Divestiture/Market

¹ As defined on Page 12 of Resolution E-3633. Such costs would include, but not limited to, items such as appraisal fees and bidding package preparation costs.

Valuation of Hydro Generation (DMVHG) Subaccount of the DMVFHG Memorandum Account to include all costs, excluding SCE labor, incurred in the market valuation efforts associated with Commission Decisions 95-12-063, 96-01-009, and 96-03-022.

On November 4, 1999, the Commission adopted Resolution E-3633. Pursuant to Finding No. 6 of Resolution E-3633 and consistent with Decision No. 97-11-074, any expenses associated with market valuation will be offset against the value of the asset at the time that the valuation occurs. Accordingly, at the time of SCE's market valuation of its generation assets, SCE will record appropriate transaction costs incurred after January 1, 1998, as potential offsets to Competition Transition Charge (CTC) Revenues and CTC Costs.² Further, SCE shall include only those costs associated with SCE's role as an impartial seller or valuer of generation assets as transaction costs.³ Any transaction costs that SCE seeks to recover at the time of market valuation must be found reasonable by the Commission. This is consistent with Ordering Paragraph 2 of Resolution E-3633.

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

EFFECTIVE DATE

In compliance with Resolution E-3633, SCE requests that this advice filing become effective on the 40th calendar day after the day filed, which is January 12, 2000. No resolution is required for this 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

² Page 13 of Resolution E-3633 authorizes SCE to revise both the CTC Revenue and CTC Cost Account sections of its TCBA as needed to conform to the Resolution.

³ As discussed on Page 12 of Resolution E-3633.

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. 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:eml:1421e.doc
Enclosures

cc: GO 96-A Service List

| Cal. P.U.C. Sheet No. | Title of Sheet | Cancelling Cal. P.U.C. Sheet No. |
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| Revised 26844-E | Preliminary Statement, Part JJ | Original 23245-E* |
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| Revised 26846-E | Preliminary Statement, Part JJ | Original 23248-E* |
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| | | Revised 26834-E |

PRELIMINARY STATEMENT
(Continued)

JJ. TRANSITION COST BALANCING ACCOUNT (Continued)

5. Revenue Account

a. Purpose:

The purpose of the CTC Revenue Account is to record CTC revenues, the Fixed Transition Amount ("FTA") revenues, and the imputed revenues associated with the 10 percent rate reduction for residential and small customers, entries associated with the market valuation of certain generation assets, and any other Commission authorized revenues and offsets. (T)
(T)

b. Definitions:

(1) CTC Revenues

CTC Revenues are determined as set forth in Part W, Competition Transition Charge Responsibility, of the Preliminary Statement.

(2) Ten Percent Rate Reduction

Ten Percent Rate Reduction Amount shall be defined as the difference between the residential and small commercial customer revenues actually billed and the residential and small commercial customer revenues that would have been billed absent the rate reduction in accordance with AB 1890.

(3) Fixed Transition Amount Charge (FTAC):

The FTAC is a nonbypassable per kWh charge, set forth in the Rate Schedule Summary Section of Part I of the Preliminary Statement for the applicable Domestic and General Service customers.

(Continued)

PRELIMINARY STATEMENT
(Continued)

JJ. TRANSITION COST BALANCING ACCOUNT (Continued)

5. Revenue Account (Continued)

c. Operation of the CTC Revenue Account (Continued)

(8) Plus: Recorded billing lag . . . (Continued)

(c) Less: The Generation-related recorded Level of Base Rate Revenue for service rendered on and after January 1, 1997;

(d) Less: The amount of revenue billed during the month under the Electric Revenue Adjustment Billing Factor (ERABF);

(e) Less: The amount of revenue billed during the month under the Energy Cost Adjustment Billing Factor (ECABF).

(9) Plus: An appropriate entry at the time of market valuation of generation assets (except for sales of fossil generation assets to third parties that are recorded in the Fossil Sunk Costs Subaccount) shall be made as follows: (N)

(a) Market value of each plant;

(b) Less: The net book value of each plant;

(c) Less: Transaction costs and other costs authorized for recovery through the market value process, pursuant to D.97-11-074, D.97-12-039, and Resolution E-3633. In accordance with Resolution E-3633 only costs associated with SCE's role as an impartial seller or valuer of its generation assets should be included as transaction costs. (N)

(10) Plus: Any other amounts as authorized by the Commission. (T)

6. Current Costs (Category 1) Account

a. Qualifying Facilities Subaccount (The Effective Date through December 31, 2001)

(1) Purpose:

The purpose of the Current Costs (Category I) - Qualifying Facilities ("QF") Subaccount is to record the monthly differences between CPUC-Jurisdictional contractual payments to QFs and other QF costs and PX/ISO revenues associated with QF's from the Effective Date through December 31, 2001.

(Continued) (L)



PRELIMINARY STATEMENT
(Continued)

JJ. TRANSITION COST BALANCING ACCOUNT (Continued)

6. Current Costs (Category 1) Account (Continued)

a. Qualifying Facilities Subaccount (The Effective Date through December 31, 2001) (Continued)

(2) Definitions:

(a) Standard Offer No. 1 ("SO-1") Contracts:

SO-1 contracts are currently available for QFs of 100 kW or greater in size that want to sell their capacity and energy to Edison on an as-available basis.

(L)

(b) Standard Offer No. 2 ("SO-2") Contracts:

SO-2 contracts were available for QFs to deliver contract capacity and energy on a firm basis. Issuance of SO-2 contracts was suspended on March 19, 1986.

(L)

(c) Standard Offer No. 3 ("SO-3") Contracts:

SO-3 contracts are currently available for QFs that are below 100 kW in size and that want to sell their capacity and energy to Edison on an as-available basis.

(d) Interim Standard Offer No. 4 ("ISO-4") Contracts:

ISO-4 contracts were suspended on April 17, 1985. This contract allowed the QF to make a one-time election to deliver energy and capacity on an as-available or firm basis. Under these contracts, there are three energy payment options and two capacity options.

(e) Nonstandard Contracts:

Nonstandard Contracts are contracts negotiated between Edison and a QF that vary in any respect from the standard offer terms.

(3) Operation of the Current Costs (Category I) - QF Subaccount:

Commencing on the Effective Date, Edison shall make monthly entries to the Current Costs (Category I) - QF Subaccount determined from the following calculations. All entries shall continue to undergo reasonableness reviews:

(a) Recorded QF payments by Edison relating to Standard Offer Nos. 1, 2, and 3, Interim Standard Offer No. 4 and Non-Standard Contracts;

(L)

(Continued)



PRELIMINARY STATEMENT
(Continued)

JJ. TRANSITION COST BALANCING ACCOUNT (Continued)

6. Current Costs (Category 1) Account (Continued)

a. Qualifying Facilities Subaccount (The Effective Date through December 31, 2001) (Continued)

(3) Operation of the Current Costs (Category I) - QF Subaccount:
(Continued)

- (b) Plus: Recorded QF renewable resources costs incurred by Edison as a result of the implementation of PU Code §§ 381 and 383. During the Rate Freeze Period, the cumulative amounts in "(b)" shall not exceed the cumulative amounts in "(h)"; (L)
- (c) Plus: Recorded QF costs associated with Commission approved restructuring of existing QF contracts through bilateral negotiations between utilities and QFs. These costs include all costs associated with the buy-out, buy-down, or renegotiation of existing QF contracts;
- (d) Plus: Recorded Commission approved shareholder incentive for utilities to restructure QF contracts transferred from the QF Contract Restructuring Shareholder Incentive Subaccount ("QFCRSI") of the Industry Restructuring Memorandum Account (IRMA);
- (e) Plus: Recorded costs associated with QF disputes and litigation that result in settlement payments or increased QF payment costs for Edison;
- (f) Plus: Recorded administrative costs associated with QF contracts to the extent these costs are not recovered elsewhere;
- (g) The sum of items "(a)" through "(f)" multiplied by the CPUC-Jurisdictional Factor;
- (h) Less: The recorded PX/ISO revenues associated with QFs;
- (i) Less: Recorded congestion revenue received as the result of SCE holding Firm Transmission Rights;
- (j) Plus: Cost of Firm Transmission Right acquisition;
- (k) Less: Recorded QF renewable resources revenues received by Edison pursuant to PU Code §§ 381 and 383, to the extent such revenues are applicable to transition costs to be recovered through the Transition Cost Balancing Account;
- (l) Less: Recorded refunds received as a result of QF disputes and litigation to the extent such refunds correspond to transition costs to be recovered through the Transition Cost Balancing Account.

(Continued)

PRELIMINARY STATEMENT
(Continued)

JJ. TRANSITION COST BALANCING ACCOUNT (Continued)

6. Current Costs (Category 1) Account (Continued)
g. Fossil Sunk Costs Subaccount (The Effective Date through December 31, 2001) (Continued)

(3) Subaccount Entries Prior to Market Valuation: (Continued)

- (g) Plus: The applicable amount of Commission approved costs transferred from the Divestiture of Fossil Generation ("DFG") Memorandum Account, Section 21 of Part N of Edison's Preliminary Statement;
- (h) Plus: The amount of Commission approved return differential transferred from the Increased Return on Equity On Divestiture Memorandum Account
- (i) The sum of items "(a)" through "(h)" multiplied by the CPUC Jurisdictional Factor;
- (j) Plus: The Amortization Amount for the Regulatory Receivable for property related flowthrough taxes as recorded during the month.

A true up shall be made to this subaccount for actual decommissioning work and revised decommissioning studies.

(4) Subaccount Entries At the Time of Sale:

Entries associated with the market valuation of fossil generation assets through a method other than a sale to a third party shall be made to the Revenue Account of the TCBA in accordance with Resolution E-3633. (N)
|
(N)

Commencing on the Effective Date, for each fossil generating facility that has been subject to sale, Edison shall make entries to the Current Costs (Category I) - Fossil Sunk Costs Subaccount determined from the following calculations:

- (a) The market value of the plant (including Construction Work In Progress (CWIP) decommissioning, and environmental compliance obligations) and other assets

For purposes of this section, market value shall mean the net market value after deducting all transaction and valuation expenses from the gross valuation amount. In accordance with Resolution E-3633 only costs associated with SCE's role as an impartial seller or valuer of its generation assets should be included as transaction costs; (N)
|
(N)

(Continued)

(L)

PRELIMINARY STATEMENT
(Continued)

JJ. TRANSITION COST BALANCING ACCOUNT (Continued)

6. Current Costs (Category 1) Account (Continued)

g. Fossil Sunk Costs Subaccount (The Effective Date through December 31, 2001) (Continued)

(4) Subaccount Entries At the Time of Sale: (Continued)

- (b) Less: The net book value of the plant (which shall be the applicable Fossil Gross Investment plus all associated inventories less the applicable Fossil Accumulated Amortization) (L)

Any Construction Work In Progress balance related to the fossil generating facility shall be added to net book value at the time of sale;

(c) Plus or less: The tax consequences of the sale including:

- (i) Any current taxes based on income computed by incorporating all appropriate income tax-related adjustments;
- (ii) Deferred income tax expense; and
- (iii) Any other federal, state or local taxes imposed.
- (iv) The remaining unamortized regulatory receivable for property related flowthrough taxes as adjusted by limitations imposed by the Internal Revenue Code normalization rules, will be incorporated in computing the amounts in "(i)" through "(iii)" above.
- (v) Plus (or less): The difference between the market value of the plant and the unamortized net book value multiplied by the applicable federal and state tax rates.

(d) The sum of "(a)" through "(c)" shall equal the fossil gain/loss amount.

(e) The result of "(d)" multiplied by the applicable CPUC Jurisdictional factor;

(f) If the market value exceeds the net book value, such amount shall be credited, or;

If the net book value exceeds the market value, such amount shall be amortized over the months remaining in the period ending December 31, 2001;

(Continued)

PRELIMINARY STATEMENT
(Continued)

JJ. TRANSITION COST BALANCING ACCOUNT (Continued)

6. Current Costs (Category 1) Account (Continued)

j. Hydro Subaccount (The Effective Date through December 31, 2001)
(Continued)

(3) Operation of the Current Costs (Category I) - Hydro Sunk Costs
Subaccount: (Continued)

(e) Less: Recorded transfer from the Hydro Generation
Memorandum Account;

(f) The sum of items "(a)" through "(e)" multiplied by the CPUC-
Jurisdictional Factor.

(g) Plus: The Amortization Amount for the Regulatory
Receivable for property related flowthrough taxes as
recorded during the month.

If such calculations produce a net positive amount, such amounts will
be debited to the Subaccount. If such calculations produce a net
negative amount, such amounts will be credited to the Subaccount.

(4) Subaccount Entries At the Time of Market Valuation:

Entries associated with the market valuation of SCE's hydroelectric
generation assets shall be recorded in the Revenue Account of the
TCBA in accordance with Resolution E-3633. (T)
|
(T)

7. Accelerated Costs (Category II) Account

a. Purpose:

The purpose of the Accelerated Costs (Category II) Account is to record the
revenue requirements associated with accelerated recovery of generation-
related costs, beyond the amounts recorded in the Current Costs (Category I)
Account, for any Current Costs (Category I) subaccount from the Effective
Date through December 31, 2001.

To the extent there is a cumulative overcollection when the CTC Revenue,
Current Costs (Category I) and Accelerated Costs (Category II) Accounts are
summed together during the Rate Freeze Period, recovery of generation-
related costs may be periodically accelerated. Cumulative overcollections
shall be applied first to those transition cost assets that earn a higher rate of
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