
July 13, 2000

ADVICE 1468-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Creation of the Short-Term Generation Capacity
Memorandum Account to Assist in the Shortage of
Generating Capacity in the State of California

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 proposes to create the Short-Term Generation Capacity Memorandum Account to record the costs and revenues associated with SCE lease and operation of fossil generation facilities in an effort to reduce this summer's shortage of generating capacity in the State of California. Specifically, this advice filing seeks authorization to implement the tariff sheets listed in Attachment A.

INTRODUCTION

When operating reserves fell below 5% of forecast demands on June 26, 27, and 28, 2000, the California Independent System Operator (CAISO) declared Stage II Emergencies. The CAISO also requested the implementation of the Utility Distribution Companies' curtailable load programs. Requests for voluntary load curtailments ranged from 240 MW to 1,200 MW during these Stage II Emergencies.

During the time frame referenced above, the CAISO experienced loads 6% to 7% below their all-time peak. However, the CAISO still found it necessary to curtail load in order to maintain operating reserves. Part of the reason for such shortages under non-peak load conditions is the reduced availability of power imports.

Neighboring regions (i.e. the Pacific Northwest and Southwest) have been experiencing high-load growth that, at times, limits the availability of imports into the CAISO controlled grid. This limited import capability, along with load growth in California and the lack of new generation, contributes to a greater likelihood of electric supply shortages for the CAISO this summer. The CAISO recently reported a 4% to 9% probability that it will require firm load curtailments this summer, in light of currently-available resources.

Five new generation projects have been approved by the California Energy Commission and are under construction. Fourteen additional generation projects are in various stages of the licensing process. However, due to the lead-time for the planning, siting, licensing, and construction of power plants, it is unlikely that a significant amount of new generation will be available before the end of 2001. It is therefore imperative that shorter lead-time options, such as the operation of all potentially available generating capacity, be implemented to reduce the likelihood of Stage II and Stage III (rotating outage) Emergencies.

PROPOSAL TO ASSIST IN ALLEVIATING THE SHORTAGES OF GENERATING CAPACITY

In an effort to reduce this shortage of generating capacity, SCE proposes to enter into a facility lease agreement with Thermo Electron Corporation (Thermo Ecotek), and operate the generation facilities of Riverside Canal Power Company (Riverside Canal), formerly known as the Highgrove Generating Station and a wholly-owned subsidiary of Thermo Ecotek.

On April 1, 1998, SCE sold its Highgrove Generating Station to Thermo Ecotek, which renamed it Riverside Canal. At the owner's request, the plant was placed in a standby status and SCE personnel vacated the site in 1998. The plant did not operate during the summer of 1998. However, SCE staffed and operated the plant, at the owner's request and on behalf of the owner, for several months during the summer of 1999 under an Operating and Maintenance (O&M) Agreement with Thermo Ecotek. Subsequently, the facility was again returned to standby status and SCE personnel again vacated the site.

Riverside Canal includes 4 generating units, 2 rated at 44 MW and 2 rated at 33 MW for a combined operating capacity of 154 MW. Based on last year's operating data, it is expected that equipment limitations on these units will reduce the dependable generating capacity to approximately 120 MW. Thermo Ecotek has informed SCE that it has no intention of operating the plant during the summer of 2000.

SCE is currently in negotiations with Thermo Ecotek to lease Riverside Canal generating facility from August 1, 2000 through October 31, 2000, with an option to

extend the lease for 2 additional months. In addition, SCE may seek an option to lease and operate the plant from June 1, 2001 through October 31, 2001, with an option to extend the lease for 2 additional months, since the shortage of generating capacity is expected to continue to exist through the summer of 2001.

In light of this capacity shortage, SCE proposes to operate the plant, adding approximately 120 MW of additional generating capacity to meet California's electricity load and/or maintain the appropriate CAISO operating reserve. SCE intends to provide all necessary resources to operate and maintain the plant, and to generate electricity utilizing utility personnel. SCE intends to bid its energy and ancillary services into the California Power Exchange (CALPX) or CAISO markets. SCE will also perform all the financial settlements with the CAISO/CALPX that are associated with the operation of this plant. SCE shareholder-owned NOX emission credits will be used and, if additional credits are necessary, SCE will purchase additional NOX credits at market prices. SCE anticipates being able to recover all of the fixed and variable costs of operating the plant from the market-based revenues it receives, and it will continue to procure all of the electricity needed to supply its bundled-service customers from the CALPX.

To facilitate SCE's lease and operation of Riverside Canal, SCE proposes to create the Short-Term Generation Capacity Memorandum Account as part of Preliminary Statement, Part N, of SCE's Commission-approved tariff schedules. The purpose of this account will be to track the monthly costs and revenues associated with SCE's operation of the generating facilities. The account is modeled after the existing Power Exchange Revenue Memorandum Account, contained in Part N of SCE's Preliminary Statement, which was used to track monthly "going-forward" costs and revenues associated with SCE's other fossil-generating facilities. The Short-Term Generation Capacity Memorandum Account will track, on a monthly basis, the following expenses/costs associated with SCE's lease and operation of the Riverside Canal Plant:

- Lease payments, or other related payments made by SCE to the generating facilities' owners;
- O&M expenses incurred by SCE;
- Administrative and General ("A&G") expenses incurred by SCE;
- Fuel and fuel transportation expenses incurred by SCE;
- Materials and supplies expenses incurred by SCE;
- Auxiliary power purchases made by SCE;
- Income and other taxes;
- Costs of consumed emission credits incurred by SCE; and
- Other items the Commission may authorize.

The costs recorded in this memorandum account will be used in determining whether or not there is a debit or credit balance in the memorandum account when

compared to the revenues received from selling the energy produce by the plant in the CALPX administered markets. Any credit balance in the memorandum account at the end of each calendar year will be transferred to the Revenue Account of SCE's Transition Cost Balancing Account (TCBA). Accordingly, any credit balance in the account will be applied toward recovery of SCE's transition costs. Given the purpose of this lease and the critical capacity shortage that currently exists in the California electricity supply market, if there is a debit balance in the account at the end of the calendar year, SCE may seek to recover some or all of those costs from its customers. Entries to the account and the operation of the account will be reviewed in the appropriate Annual Transition Cost Proceedings (ATCP).

Because the Riverside Canal is not currently operating and Thermo Ecotek does not intend to operate it this summer, SCE's lease and operation of the plant will provide additional power to the California electricity market. In doing so, it will not displace any generation currently bid to the CALPX market. Accordingly, the lease would be consistent with the Commission's Preferred Policy Decision, Decision No. 95-12-063, as modified by Decision No. 96-01-009, and will not violate the buy/sell requirement of the Preferred Policy Decision. Any additional regulatory review caused by this lease should be minimal and is fully justified by the contributions to system reliability and reduction of the State's capacity shortage that operating the plant during the summer months will provide.

Authorizing the creation of the Short-Term Generation Capacity Memorandum Account will allow SCE to provide an additional 120 MW of capacity during the extreme system conditions that the CAISO expects to exist during this summer season. SCE's customers and the California energy market as a whole will benefit from the added capacity sold into the market, and a concomitant reduction in the likelihood of Stage II and Stage III Emergencies.

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

SCE requests that the Commission approve this advice filing at its August 3, 2000 Commission conference. Time is of the essence in obtaining Commission approval and getting approximately 120 MW of additional generating capacity into the market. If the Commission does not issue a decision at its August 3, 2000 meeting, SCE will be unable to execute the lease, operate the plant and help ameliorate the capacity shortage during a significant part of the summer. This is especially the case given that there are no other Commission meetings currently scheduled in August. To the extent any delay beyond August 3, 2000 contributes to declaration of a Stage II or Stage III Emergency and rotating outages, the public welfare will be harmed.

In order to act by August 3, 2000, the Commission must reduce the protest period on the advice filing, as well as the review and comment period for the draft resolution approving the filing. In order to accomplish this objective, SCE proposes the following schedule:

Action	Due Date
File Advice Letter	7/13/2000
Protests to Advice Letter	7/24/2000
Reply to Protests	7/26/2000
Draft Resolution	7/31/2000
Comments to Draft Resolution	8/1/2000
Final Resolution	8/3/2000

Given the urgency of this request, this schedule incorporates reductions to the normal protest period and to the review and comment period on a resolution. General Order 96-A provides that protests to advice filings be submitted within 20 days of the filing. This schedule reduces the protest period of time by half. As discussed below, SCE is serving the advice letter electronically to eliminate the delay associated with service via first-class mail, which will reduce the impacts associated with a shorter protest period. In addition, SCE will respond to any protest within 2 days, as opposed to 5 business days, provided the protests are faxed or electronically-mailed to SCE by the close of business on July 24, 2000.

The schedule also shortens the time for filing comments on the draft resolution and eliminates written reply comments on the draft resolution. Rule 77.7 (f)(9) permits the Commission to reduce the 30-day comment period due to public necessity. Moreover, the Commission may reduce the 30-day comment period provided by PU Code § 311(g)(1) for resolutions in accordance with its rules adopted pursuant to PU Code § 311(g)(3).

NOTICE

To provide timely and adequate notice, SCE is serving this filing electronically and via overnight mail on appearances of record in Phase 2 of the Transition Cost Proceeding, Application No. 96-08-001, *et al* and via overnight mail to parties on SCE's and GO 96-A service list (SCE does not have electronic-mail addresses for all parties on its GO96-A service list). Anyone wishing to protest this advice filing may do so by letter or electronically, either of which must be received by SCE no later

than 10 days after the date of this advice filing. Protests should be mailed, and sent via facsimile or electronic mail 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:

Donald A. Fellows
Manager of Revenue and Tariffs
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 303
Rosemead, California 91770
Facsimile (626) 302-4829
E-Mail: fellowda@sce.com

Bruce Foster
Vice President of Regulatory Operations
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile (415) 673-1116
E-Mail: fosterbc@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 mailing copies of this advice filing, via overnight mail, to the interested parties shown on the attached service list and parties of record in Application No. 99-09-049, et. al. Address change requests to the attached GO 96-A service list should be directed to Emelyn Lawler at (626) 302-3985.

Further, in accordance with PU Code § 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:ljc:1468e.doc
Enclosures

<u>Cal. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancelling Cal. P.U.C. Sheet No.</u>
Revised 27423-E	Preliminary Statement, Part N	Revised 26734-E*
Original 27424-E	Preliminary Statement, Part N	----- -E
Original 27425-E	Preliminary Statement, Part N	----- -E
Revised 27426-E	Table of Contents	Revised 27368-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" - CTC Displacement Tracking Memorandum Account	Yes	
(38)	California Public Utilities (PU) CODE "SECTION 381 (d)" - Renewable Program Tracking Memorandum count	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)	Jurisdictional Allocation Memorandum Account	Yes	
(47)	Non-nuclear Generation Capital Additions (NGCA) Memorandum Account	Yes	
(48)	Transmission Revenue Requirement Reclassification Memorandum Account (TRRRMA)	Yes	
(49)	Santa Catalina Island Diesel Fuel (SCIDF) Memorandum Account	Yes	
(50)	Streamlining Residual Memorandum Account (SRA)	Yes	
(51)	ISO/PX Implementation Delay Memorandum Account	Yes	
(52)	Direct Access Discretionary Services Costs (DADSC) Memorandum Account (DADSC Memorandum Account)	Yes	
(53)	Affiliate Transfer Fee Memorandum Account	Yes	
(54)	Fuel Oil Inventory Memorandum Account (FOIMA)	Yes	
(55)	Energy Efficiency DSM (EEDSM) Memorandum Account	Yes	
(56)	Block-Forward Market Memorandum Account (BFMMA)	Yes	
(57)	Power Exchange Credit Audit Memorandum Account (PXCA Memorandum Account)	Yes	
(58)	Interim Power Exchange Market Clearing Price (IPXMCP) Memorandum Account	Yes	
(59)	Hourly Pricing Implementation Cost (HPIC) Memorandum Account	Yes	
(60)	Voluntary Power Reduction Credit Memorandum Account (VPRCMA)		Yes
(61)	Applicant Installed Trench Inspection Memorandum Account (AITIMA)		No
(62)	Short-Term Generation Capacity Memorandum Account (STGCMA)	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)

62. Short-Term Generation Capacity Memorandum Account

SCE shall maintain a Short-Term Generation Capacity Memorandum Account (STGCMA) pursuant to Resolution E-_____. The purpose of the STGCMA is to track, on a monthly basis, recorded expenses and market revenues associated with SCE's temporary operation of certain generating facilities owned by others for purposes of mitigating the impact of potential generation capacity shortages.

For purposes of making monthly entries to the STGCMA, SCE's recorded expenses associated with operating generating facilities owned by others shall include the following:

1. Lease payments, or other related payments made by SCE to the generating facilities' owner;
2. Operation and Maintenance ("O&M") expenses incurred by SCE;
3. Administrative and General ("A&G") expenses incurred by SCE;
4. Fuel and fuel transportation expenses incurred by SCE;
5. Materials and Supplies expenses incurred by SCE;
6. Auxiliary power purchases made by SCE;
7. Costs of consumed emission credits incurred by SCE;
8. Income, and other taxes incurred by SCE; and
9. Other items the Commission may authorize.

Entries to the STGCMA shall be made each month, and shall be determined as follows:

1. Recorded expenses, as described above, determined on a CPUC-jurisdictional basis;
2. Less: recorded market revenues.

If the monthly STGCMA calculation above results in a net positive amount, then such amount shall be debited to STGCMA. If the monthly STGCMA calculation above results in a net negative amount, then such amount shall be credited to the STGCMA.

(Continued)



PRELIMINARY STATEMENT
(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

62. Short-Term Generation Capacity Memorandum Account (Continued)

If there is a cumulative credit balance in the STGCMA (market revenues exceed expenses) as of December 31, 2000, then the credit balance shall be transferred to the Revenue Account of the TCBA for return to customers. If there is a cumulative debit balance in the STGCMA (expenses exceed market revenues) as of December 31, 2000, then SCE may seek recovery of the debit balance from customers.

The STGCMA shall be set to zero effective January 1, 2001, at which time the monthly STGCMA calculations, as described above, shall continue until December 31, 2001, or the end of SCE's rate freeze period, whichever occurs first. Similar to procedure described above as of December 31, 2000, if there is a cumulative credit balance in the STGCMA as of December 31, 2001, or the end of SCE's rate freeze period, whichever occurs first, then the credit balance shall be transferred to the Revenue Account of the TCBA for return to customers. If there is a cumulative debit balance in the STGCMA as of December 31, 2001, or the end of SCE's rate freeze period, whichever occurs first, then SCE may seek recovery of the debit balance from customers. In no case shall entries to the STGCMA be made subsequent to December 31, 2001, or the end of SCE's rate freeze period, whichever occurs first.

Interest shall accrue to the STGCMA on a monthly basis only if there is a cumulative credit balance in the STGCMA. In such instances the monthly interest rate shall applied to STGCMA using the fossil-related reduced rate of return of 7.22%. In no case shall monthly interest expense be computed if there is a cumulative debit balance in the STGCMA.



TABLE OF CONTENTS

Sheet 1 of 17

Cal. P.U.C.
Sheet No.

TITLE PAGE 11431-E

TABLE OF CONTENTS - RATE SCHEDULES 27426-27295-27366-27367-27129-27130-E (T)

TABLE OF CONTENTS - LIST OF CONTRACTS AND DEVIATIONS 27172-E

TABLE OF CONTENTS - RULES 27145-E

TABLE OF CONTENTS - BASELINE REGIONS 27252-E

TABLE OF CONTENTS - SAMPLE FORMS 27253-25429-25430-27080-27184-25429-25430-E
..... 25381-E

PRELIMINARY STATEMENT:

A. Territory Served 22909-E

B. Description of Service 22909-E

C. Procedure to Obtain Service 22909-E

D. Establishment of Credit and Deposits 22909-E

E. General..... 22909-24193-24194-E

F. Symbols 24194-E

G. Gross Revenue Sharing Mechanism 26584-26585-26586-26587-26588-26589-26590-E
..... 26591-26592-26593-27050-E

H. Baseline Service 11457-20329-11880-11881-11461-E

I. NOT IN USE

J. NOT IN USE

K. NOT IN USE

L. NOT IN USE

M. Income Tax Component of Contributions 16039-24573-E

N. Memorandum Accounts 21344-26001-27423-22358-24196-22360-26003-24800-E (T)
..... 21800-21801-25868-21803-22369-22370-22371-22372-22373-22374-21121-E
..... 24956-22375-22376-21843-21243-21787-21846-21847-21848-21849-21850-21851-E
..... 21852-21853-21854-25204-26004-22379-26005-21960-22046-22047-22546-23702-E
..... 23703-23406-23200-23201-23202-23203-23204-23205-23206-23207-23208-23209-E
..... 23210-23211-23212-23213-26006-24197-23216-24198-27036-24199-23220-23221-E
..... 23222-23223-24200-23225-23226-23227-23228-24882-24244-24477-24812-22380-E
..... 24201-24202-22621-22622-24272-26007-26096-27212-26314-26757-26996-27424-E (N)
..... 27425-E (N)

O. California Alternative Rates for Energy (CARE) Adjustment Clause
..... 23704-22161-21350-21351-26008-22163-E

P. Optional Pricing Adjustment Clause (OPAC)..... 20625-20626-24169-22165-20629-E

(Continued)