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October 16, 2001

**ADVICE 1579-E-A**  
**(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
ENERGY DIVISION

**SUBJECT:**     **Modification to SCE's Preliminary Statement, Section N**  
                  **"Memorandum Accounts" to establish the Risk Management**  
                  **Memorandum Account**

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 Preliminary Statement Part N and establishes the Risk Management Memorandum Account (RMMA), in which SCE will record costs associated with hedging fuel cost risks associated with SCE's Utility Retained Generation (URG), Qualifying Facilities (QF) Contracts, and Interutility Contracts. This advice filing supplements Advice 1579-E in part.

**BACKGROUND**

On October 5, 2001, SCE filed Advice 1579-E to establish the RMMA in accordance with the October 2, 2001, negotiated Settlement between SCE and the California Public Utilities Commission (Commission) in Case No.00-12056-RSWL(Mcx) before the U.S. District Court. The Settlement was approved by the U.S. District Court on October 5, 2001.

Mr. Kay Kajopieye and Mr. Paul Douglas of the Commission's Energy Division made a verbal request of SCE to file a supplement to Advice 1579-E in order to clarify certain portions of SCE's proposed RMMA. Attachment A to this supplemental advice filing reflects the revised RMMA language as discussed with the Energy Division.

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 schedule or rule.

### **EFFECTIVE DATE**

In Advice 1579-E, SCE requested that the Commission approve the RMMA at the Commission's October 25, 2001 Conference. Due to the urgency of the establishment of the RMMA, SCE requested that the Commission consider: (1) reducing the notice period for Advice 1579-E, and (2) reduce the protest period from 20 days to 10 days.

General Order 96-A (GO 96-A) allows for, among other things; (1) approval of advice letters on less than 40 days notice, provided the tariff changes do not result in a rate increase or decrease, and (2) a protest period of less than 20 days with Commission approval. In a letter dated October 9, 2001, from Wesley Franklin (the Executive Director of the Commission) to Akbar Jazayeri (SCE's Director of Revenue and Tariffs), the Commission shortened the protest period for Advice 1579-E from 20 days to 10 days.

### **NOTICE**

To provide timely and adequate notice, SCE is serving this filing electronically on appearances of record in SCE's Rate Stabilization Plan application (Application No. 00-11-038, et al,) and its GO 96-A service list. In those cases where SCE does not have an electronic-mail address for someone on the service list, it is serving a copy via facsimile or overnight mail.

Anyone wishing to protest this advice filing may do so by facsimile or electronically. Protests are due on or before October 25, 2001, and 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  
E-mail: [jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov)

Copies should also be sent 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 transmitted via facsimile or electronically to the attention of:  
Akbar Jazayeri

Director of Revenue and Tariffs  
Southern California Edison Company  
2244 Walnut Grove Avenue, Rm. 303  
Rosemead, California 91770  
Facsimile: (626) 302-4829  
E-mail: lawlerem@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 sending copies of this advice filing to the interested parties shown on the attached service list and A.00-11-038, et al. Address change requests to the attached GO 96-A Service List should be directed to Emelyn Lawler at (626) 302-3985 or by electronic mail at [Emelyn.Lawler@sce.com](mailto:Emelyn.Lawler@sce.com). For changes to the A.00-11-038 Service List, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at [lpd@cpuc.ca.gov](mailto:lpd@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 open for public inspection 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/> and choose Regulatory Info Center/Advice Letters.

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

**Southern California Edison Company**

Akbar Jazayeri

AJ:PAD/pf  
Enclosures

Cal. P.U.C.  
Sheet No.

Title of Sheet

Cancelling Cal.  
P.U.C. Sheet No.

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Original 30032-E\*

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Preliminary Statement Part N



PRELIMINARY STATEMENT

Sheet 103

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

73. Risk Management Memorandum Account

SCE shall maintain a Risk Management Memorandum Account (RMMA) as authorized in Resolution E-\_\_\_\_. The purpose of the RMMA is to record costs related to SCE's hedging fuel costs risks associated with its Utility Retained Generation (URG), Qualifying Facilities (QF) contracts, and Interutility contracts.

Entries to the RMMA shall be made monthly, and shall be determined as follows:

- a. Debit entry to record the: (1) amortization expense associated with the hedging instruments; (2) carrying costs (using the recorded 90-day commercial paper rate) computed from the time a hedging expenditure is made until the time the hedging expenditure is fully amortized; and (3) associated fees (e.g., broker's fees);
- b. A debit or credit entry offset any unrealized gain or loss required to be recorded on SCE's financial accounting books under Generally Accepted Accounting Principles (GAAP) as prescribed by Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative instruments and Hedging Activities" – as amended by SFAS No. 138; and
- c. A debit or credit entry to record the difference, if any, between: (1) the most recently estimated market value of the hedging instruments, as determined in "b." above; and (2) the actual net proceeds received from any sale or exercise of the hedging instruments.

Interest shall accrue to the RMMA by applying the Interest Rate to the average of the beginning of month and end of month account balances. Unrealized gains or losses on hedging instruments shall be excluded in determining the monthly accrued interest.

The accounting for amounts recorded in the Risk Management Memorandum Account is subject to Commission review and approval. SCE shall request Commission approval for the recovery of amounts recorded in the RMMA in an appropriate Commission proceeding.

(Continued)

(To be inserted by utility)

Advice 1579-E-A  
Decision \_\_\_\_\_

Issued by  
John R. Fielder  
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Oct 16, 2001  
Effective Oct 5, 2001  
Resolution E-3761

January 7, 2002

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

Attn: Jerry Royer  
Energy Division

Re: Substitute Sheets for Advice Letter 1579-E/E-A

Dear Mr. Royer:

Enclosed is an original and six copies of Attachment A and substitute Sheet Nos. 30031-E\*<sup>1</sup>, 30032-E\*, and 30033-E\* for Advice Letter 1579-E/E-A. These substitute sheets are necessary to reflect the section number of the Risk Management Memorandum Account being changed from Section 75 to 73. In addition, a change in cancelling sheet numbers was made due to advice letters becoming effective out of order.

Please replace the enclosed sheets in your master Advice Letter 1579-E/E-A file. If you have any questions, please contact René Vazquez at (626) 302-2077.

Sincerely,

Enclosures  
1579-Esub.doc

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<sup>1</sup> Asterisk denotes a substituted sheet.