

## PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



March 25, 2003

Advice Letter: 1673-E

Akbar Jazayeri  
Director of Revenue and Tariffs  
Southern California Edison Company  
P O Box 800  
Rosemead, CA 91770

MAR 31 2003  
REVENUE & TARIFFS DEPT.

CORRECTED EFFECTIVE DATE

Reference: 2002 Cost of Capital Compliance for Utility Retained Generation Capital Related  
Revenue Requirement Pursuant D.02-11-027

Dear Mr. Jazayeri:

Advice Letter 1673-E is effective January 1, 2003. A copy of the advice letter is included herewith for your records.

Sincerely,

Handwritten signature of Paul Clanon in cursive.

Paul Clanon, Director  
Energy Division

Filed: 12/23/02  
Effective: 1/1/03

jjr

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December 23, 2002

**ADVICE 1673-E**  
**(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
ENERGY DIVISION

**SUBJECT:** 2003 Cost of Capital Compliance Advice Filing for Utility  
Retained Generation (URG) Capital Related Revenue  
Requirement Pursuant to D.02-11-027

In compliance with Decision (D.) 02-11-027 (Cost of Capital Decision), issued by the California Public Utilities Commission (Commission) on November 7, 2002, 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 hereto.

**PURPOSE**

This advice filing is made in accordance with Conclusion of Law 17 of the Cost of Capital Decision to set forth SCE's 2003 URG capital related revenue requirement.

**BACKGROUND**

In the URG phase of A.00-11-038, SCE set forth its proposed ratemaking for recovery of its URG costs associated with its retained generation facilities (nuclear, hydro and coal), power purchases (Qualifying Facility (QF) Contracts, Interutility Contracts, and Bilateral Forward Contracts) and ISO-related charges.<sup>1</sup> On November 7, 2002, the Commission issued D.02-11-027 that established the 2003 authorized rate of return of 9.75 percent for SCE. This advice filing establishes the 2003 URG capital related revenue requirement that will be used for tracking and/or

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<sup>1</sup> In A.00-11-038, SCE also proposed ratemaking for payments to the California Department of Water Resources (DWR). D.02-04-016 does not address the DWR revenue requirement or associated ratemaking since these matters had already been addressed by the Commission in D.02-02-052, D.02-03-003, and D.02-03-062.

informational purposes only<sup>2</sup> until a final decision in SCE's 2003 GRC is implemented.

### **2003 URG CAPITAL RELATED REVENUE REQUIREMENT**

In the URG Proceeding, SCE set forth its proposed URG revenue requirements, including the costs associated with SCE-owned facilities, QF Contracts, Interutility Contracts, Bilateral Contracts and ISO-related charges. SCE-owned URG consists of Palo Verde Nuclear Generating Station Units 1, 2 and 3 (Palo Verde), San Onofre Nuclear Generating Station (SONGS 2&3), Mohave Generating Station, Four Corners Generating Station, Hydro facilities, and Pebbly Beach Generating Station (Catalina).<sup>3</sup>

Table 1 below shows both SCE's adopted URG revenue requirements pursuant to D.02-04-016<sup>4</sup> and Resolution E-3784, and the 2003 URG capital related revenue requirement. SCE's Preliminary Statement, Part WW, Native Load Balancing Account, has also been updated to reflect the 2003 URG capital related revenue requirement. The URG capital related revenue requirement has been updated to reflect the adopted rate of return of 9.75 percent for all generation assets except for SONGS 2&3, which remain at the reduced rate of return of 7.35 percent pursuant to D.02-04-016, and SCE's forecasted rate base for 2003.

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<sup>2</sup> During the PROACT period, SCE will treat its actual URG costs/revenue requirements as Recoverable Costs in the operation of the SRBA.

<sup>3</sup> D.02-04-016 refers to SCE-owned facilities as Native Load facilities.

<sup>4</sup> D.02-04-016, Section VI-G. – Table 2.

Table 1  
Revenue Requirement

Southern California Edison  
\$(000's)

SOUTHERN CALIFORNIA EDISON  
\$(000's)

Line No.	URG Item	D.02-04-016 & Res. E-3784 2002 Revenue Requirement	D.02-11-027 2003 Capital Related Revenue Requirement	Change in Revenue Requirement
<b>Native Load *</b>				
1	Fuel Expenses	\$266,069		N/A
2	Operating Expenses	<u>724,169</u>		N/A
3		990,238		N/A
4	<u>Capital Related:</u>			
5	Depreciation	64,463	66,714	2,251
6	Taxes	32,888	34,700	1,812
7	Return	97,505	98,874	1,369
8	General Plant	<u>41,475</u>	<u>40,901</u>	<u>(574)</u>
9	Total Capital Related	236,331	241,189	4,858
10	w/FF&U	239,012	243,925	4,913
11	Total Native Load	1,226,569		N/A
12	w/FF&U	1,240,484		N/A
<b>Purchased Power**</b>				
13	QFs	2,130,162		N/A
14	Bilaterals	106,364		N/A
15	Interutility	161,255		N/A
16	Total	2,397,781		N/A
17	w/FF&U	2,424,982		N/A
<b>ISO-Related Charges</b>				
18	ISO-related Charges	82,698		N/A
19	w/FF&U	83,636		N/A
20	Total URG	2,716,810		N/A
21	Total URG w/FF&U	\$3,749,102		N/A

\* Beginning in 2003, pursuant to D.02-10-062, fuel expenses will be recorded in the Energy Resource Recovery Account (ERRA).

\*\* Based on the July 20, 2001 DRI gas price forecast for the period from July 2001 through June 2002.

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 accordance with D.02-11-027, the changes submitted in this advice filing will become effective on January 1, 2003.

**NOTICE**

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received by the Energy Division and SCE no later than 20 days after the date of this advice filing. Protests should be mailed to:

IMC Program Manager  
Energy Division  
c/o Jerry Royer  
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 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:

Akbar Jazayeri  
Director of Revenue and Tariffs  
c/o Emelyn Lawler  
Southern California Edison Company  
2244 Walnut Grove Avenue, Rm. 303  
Rosemead, California 91770  
Facsimile: (626) 302-4829  
E-mail: [Emelyn.Lawler@sce.com](mailto:Emelyn.Lawler@sce.com)

Bruce Foster  
Vice President of Regulatory Operations  
c/o Karyn Gansecki  
Southern California Edison Company  
601 Van Ness Avenue, Suite 2040  
San Francisco, California 94102  
Facsimile: (415) 673-1116  
E-mail: [Karyn.Gansecki@sce.com](mailto:Karyn.Gansecki@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 furnishing copies of this advice filing to the interested parties shown on the attached service list and A.00-11-038. 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 [ven@cpuc.ca.gov](mailto:ven@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 Karen Salvato at (626) 302-2504 or by electronic mail at [Karen.Salvato@sce.com](mailto:Karen.Salvato@sce.com).

**Southern California Edison Company**

Akbar Jazayeri

AJ:ks  
Enclosures

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 32660-E Revised 32661-E*	Preliminary Statement Part WW Preliminary Statement Part WW	Revised 31165-E Revised 32337-E
Revised 32662-E Revised 32663-E*	Table of Contents Table of Contents	Revised 32549-E Revised 32550-E

PRELIMINARY STATEMENT

Sheet 1

## WW. NATIVE LOAD BALANCING ACCOUNT

## 1. Purpose and Overview:

The Native Load Balancing Account (NLBA) records actual Capital-related Expenses and Operating Expenses (excluding fuel costs) associated with SCE's ownership share of generating facilities in accordance with Commission Decision No. 02-04-016 (D.02-04-016). Commencing January 1, 2003, SCE's URG fuel costs are recorded in the Energy Resources Recovery Account in accordance with D.02-10-062.

The NLBA also tracks the difference between: (1) recorded Capital-related Expenses and Operating Expenses; and (2) Interim Capital-related Expenses and Operating Expenses Revenue Requirement as adopted in D.02-04-016 (URG decision).

The NLBA contains the following sub accounts to record Capital-related Expenses, Operating Expenses (excluding fuel costs), and other items for SCE's generating facilities:

- a. Hydro;
- b. Four Corners;
- c. Mohave;
- d. Pebbly Beach;
- e. Palo Verde; and
- f. SONGS 2&3.
- g. Miscellaneous Generation

On a monthly basis, the activity in the NLBA shall be transferred to the Settlement Rates Balancing Account (SRBA) for cost recovery purposes.

## 2. Definitions

## a. Capital-related Expenses

For purposes of making monthly entries to the NLBA, generation-related Capital-related Expenses include: (1) book depreciation (using applicable remaining life of each generating facility); (2) 1/12 of the annual return on rate base (7.35 percent for SONGS 2&3, and 9.75 percent for all other generating facilities); and (3) taxes based on income, including all appropriate income tax-related adjustments, and deferred income tax expense. Capital-related Expenses are calculated using recorded plant associated with SCE's generating facilities (SCE's ownership share of fossil, hydro, and nuclear generating facilities). (T)

(Continued)

(To be inserted by utility)

Advice 1673-E  
Decision 02-11-027

Issued by

John R. Fielder  
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Dec 23, 2002  
Effective Jan 1, 2003  
Resolution \_\_\_\_\_

PRELIMINARY STATEMENT

Sheet 2

(Continued)

WW. NATIVE LOAD BALANCING ACCOUNT (Continued)

2. Definitions (Continued)

b. Franchise Fees and Uncollectibles Expense

Franchise Fees and Uncollectibles Expense (FF&U) expense shall be calculated based on the most recently adopted FF&U Factor.

c. Interim Capital-related Expenses and Operating Expenses Revenue Requirement

In accordance with the URG Decision, D.02-04-016 (at Table 2, page 60) as updated by Resolution E-3784, and by the Cost of Capital Decision (D.02-11-027), SCE's authorized generation-related Interim Capital-related Expenses and Operating Expenses Revenue Requirement (excluding FF&U) is: (T) | (T)

	<u>(\$ Thousands)</u>	
Capital-related Expenses	\$ 241,189	(I)
Operating Expenses	<u>\$ 990,238</u>	(including fuel costs)
Total	\$ 1,231,427	(I)

d. Operating Expenses

For purposes of making monthly entries to the NLBA, generation-related Operating Expenses include: (1) Operation and Maintenance (O&M) expenses (excluding fuel costs); (2) Administrative and General (A&G) expenses; (3) taxes other than on income; (4) Customer Service and Information (CS&I) expenses; (5) Scheduling and Dispatch (S&D) expenses; (6) contract administration; (7) congestion expenses; (8) allocated Industry Restructuring costs in accordance with D.99-09-064; and (9) other expenses expressly authorized by the Commission. Operating Expenses are calculated for SCE's ownership share of generating facilities (fossil, hydro, and nuclear).

e. Rate of Return on Rate Base

In accordance with D. 02-11-027, the rate of return on SCE's fossil, hydro, and Palo Verde rate base is 9.75 percent. In accordance with D.02-04-016, the rate of return on SONGS 2&3 rate base is 7.35 percent. (T) (T)

(Continued)

(To be inserted by utility)

Advice 1673-E  
Decision 02-11-027

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John R. Fielder  
Senior Vice President

(To be inserted by Cal. PUC)

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TABLE OF CONTENTS

Sheet 1

Cal. P.U.C.  
Sheet No.

TITLE PAGE ..... 11431-E

TABLE OF CONTENTS - RATE SCHEDULES ..... 32662-32663-32303-32304-32305-32306-E (T)

TABLE OF CONTENTS - LIST OF CONTRACTS AND DEVIATIONS ..... 32307-E

TABLE OF CONTENTS - RULES ..... 31622-E

TABLE OF CONTENTS - BASELINE REGIONS ..... 31549-E

TABLE OF CONTENTS - SAMPLE FORMS ..... 31550-31856-27787-31900-31639-31640-31684-E  
..... 27618-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 ..... 11457-31455-11880-11881-31679-E

I. Baseline Balancing Account ..... 31457-31458-E

J. Employee-Related Balancing Account ..... 30246-E

K. Nuclear Decommissioning Adjustment Mechanism ..... 30247-30248-E

L. Performance-Based Ratemaking Exclusions Distribution Adjustment Mechanism  
..... 30249-30250-E

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

N. Memorandum Accounts ..... 21344-30251-28740-31935-28276-27633-31499-31500-30253-E  
..... 30254-30255-22369-28279-22371-27639-27640-22374-27641-27642-26595-27643-E  
..... 27644-27645-27646-27647-27648-27649-27650-27651-27652-27653-27654-27655-E  
..... 27656-31327-26596-26005-21960-22046-30256-22546-27658-23703-27465-29774-E  
..... 29775-29776-29777-27663-27664-27665-30057-30058-30059-30060-26484-26485-E  
..... 23212-28280-24197-29470-26486-29471-24199-29472-23221-23222-23223-24200-E  
..... 26487-29473-23227-28281-28282-24244-24477-24812-22380-28283-22621-22622-E  
..... 24272-27015-30257-27476-26007-26757-26996-26735-26314-27500-27424-27425-E  
..... 27477-29778-28408-29789-29488-28874-29419-30032-31138-31156-31982-31665-31936-E

O. California Alternative Rates for Energy (CARE) Adjustment Clause  
..... 30258-30259-30260-30261-30262-30263-E

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

(Continued)

(To be inserted by utility)

Advice 1673-E  
Decision 02-11-027

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John R. Fielder  
Senior Vice President

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Effective Jan 1, 2003  
Resolution \_\_\_\_\_



TABLE OF CONTENTS

Sheet 2

(Continued)

Cal. P.U.C.  
Sheet No.

PRELIMINARY STATEMENT: (Cont'd)

Q. Demand Side Management Adjustment Clause (DSMAC) ..... 24255-21355-20380-E  
..... 20381-22167-20383-21356-30264-20386-E

R. Historical Procurement Charge Balancing Account ..... 31719-E

S. Invest<sup>SCE</sup> Pilot Program Adjustment Mechanism (EPPAM) ..... 17874-17875-17876-30265-E  
..... 17878-17879-E

T. Electric and Magnetic Fields Measurement Program ..... 18319-18320-18321-E

U. Electric Vehicle Adjustment Clause (EVAC) ..... 30560-30561-22171-22172-29762-E

V. Hazardous Substance Cleanup Cost Recovery Mechanism ..... 18853-22174-E  
..... 27264-31561-24205-24206-18857-22175-18859-18860-18861-18862-18863-E

W. Competition Transition Charge Responsibility (CTC) ..... 30840-30841-30842-30843-30844-E  
..... 30845-30846-30847-30848-E

X. Research, Development and Demonstration Adjustment Clause (RDDAC)..... 22176-32548-E

Y. Economic Development Adjustment Clause (EDAC) ..... 25206-30267-31328-30268-E

Z. Settlement Rates Balancing Account ..... 30269-30270-31139-32232-31329-31501-E

AA. California Alternate Rates for Energy (CARE) Balancing Account ..... 31951-31952-E

BB. Nongeneration Base Rate Adjustment Mechanism (NBRAM) ..... 31330-31331-31332-31333-E  
..... 31334-31335-31336-31337-E

CC. Base Rate Performance Mechanism (BRPM) ..... 31338-31339-31340-31341-31342-E  
..... 31343-31344-31345-31346-31347-31348-31349-31350-31351-31352-31353-31354-31355-E

DD. Cost Of Capital Trigger Mechanism ..... 31356-31357-31358-31359-31360-E

EE. Electric Deferred Refund Account (EDRA)..... 21212-26600-E

FF. Public Purpose Programs Adjustment Mechanism..... 30275-30276-E

GG. Energy Efficiency Program Adjustment Mechanism (EPPAM)..... 30277-24257-E

HH. Low Income Energy Efficiency Program Adjustment Mechanism (LIEEPAM)..... 30278-24259-E

II. Bond Charge Balancing Account (BCBA) ..... 32233-32234-32235-E

JJ. PENDING ..... -E

KK. Emergency Procurement Surcharge Balancing Account (EPSBA)..... 28258-28259-E

LL. PENDING ..... -E

MM. Procurement Related Obligations Account (PROACT)..... 30279-30280-30281-E

NN. PENDING ..... -E

OO. PENDING ..... -E

PP. PENDING ..... -E

QQ. PENDING ..... -E

RR. PENDING ..... -E

SS. PENDING ..... -E

TT. PENDING ..... -E

UU. Independent System Operator Balancing Account (ISOBA) ..... 31159-31160-E

VV. Purchased Power Balancing Account (PPBA)..... 31161-31162-31163-31164-E

WW. Native Load Balancing Account..... 32660-32261-31167-31168-31169-31170-31171-31172-E (T)  
..... 31173-31174-31175-31176-31177-31178-31179-31180-31181-E

XX. Electric Distribution Revenue Adjustment Balancing Account (EDRABA) ..... 31361-31362-E  
..... 31363-31364-31365-31366-31367-31368-31369-E

YY. El Paso Turned-Back Capacity Balancing Account (ETCBA) ..... 31882-31883-E

(Continued)

(To be inserted by utility)

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Decision 02-11-027

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Senior Vice President

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Resolution \_\_\_\_\_

March 11, 2003

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

Attn: Jerry Royer  
Energy Division

Re: Substitute Sheets for Advice 1673-E

Dear Mr. Royer:

Enclosed is an original and six copies of Attachment A and substitute Sheet Nos. 32660-E, 32661-E\*, and 32663-E\*<sup>1</sup> for Advice 1673-E. Preliminary Statement, Part WW, *Native Load Balancing Account*, is being submitted pursuant to conversations with the Energy Division to: (1) provide a more descriptive explanation within Section 2.c., *Interim Capital-related Expenses and Operating Expenses Revenue Requirement*, (2) appropriately revise Section 2.e., *Rate of Return on Rate Base*, to reflect Decision 02-11-027 and the 2003 authorized rate of return of 9.75 percent, and (3) include as a newly-added sheet to Advice 1673-E, Preliminary Statement, Part WW, Sheet No. 32660-E to reflect the appropriate annual return on rate base of 9.75 percent for all other generating facilities within Section 2.a., *Capital-related Expenses*.

Please replace the enclosed sheets in your master Advice 1673-E file and distribute copies to the appropriate people reviewing the Advice Letter. If you have any questions, please contact Dara Morgan at (626) 302-2086.

Sincerely,

Enclosures  
1673-Esub.doc

copy: Anne Premo, CPUC  
Don Lafrenz, CPUC

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