

## PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



April 2, 2003

Advice Letter: 1687-E/1687-E-A

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

**APR 07 2003****REVENUE & TARIFFS DEPT.**

Reference: Fuel hedging cost recovery and tariff modifications in accordance with D.03-02-033

Dear Mr. Jazayeri:

Advice Letter 1687-E/1687-E-A is effective April 5, 2003. A copy of the advice letter is included herewith for your records.

Sincerely,

A handwritten signature in cursive script that reads "Paul Clanon".

Paul Clanon, Director  
Energy Division

jjr

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March 19, 2003

**ADVICE 1687-E-A**  
**(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
ENERGY DIVISION

**SUBJECT:** Fuel Hedging Cost Recovery and Tariff Modifications in  
Accordance with Decision 03-02-033

In compliance with Decision (D.) 03-02-033, 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 letter supplements, in part, Advice 1687-E to revise the Risk Management Memorandum Account (RMMA) based upon a recommendation by the California Public Utilities Commission's (Commission) Energy Division.

**BACKGROUND**

On February 24, 2003, SCE filed Advice 1687-E in compliance with D.03-02-033 to:

- Transfer the RMMA balance as of January 31, 2003,<sup>1/</sup> to the SRBA. The \$208.8 million of hedging costs transferred to the SRBA will be reduced by proceeds received from the exercise or

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<sup>1</sup> Interest expenses that were recorded in the RMMA during the PROACT period will not be transferred to the SRBA for recovery purposes. D.03-02-033 did not expressly authorize the recovery of interest expenses recorded in the RMMA during the PROACT period.

sale of hedging instruments through January 31, 2003,<sup>2/</sup> totaling \$12.937 million;

- Modify the ERRA (Preliminary Statement, Part ZZ) to provide for future credit entries for proceeds received from the sale or exercise of the hedging instruments, if any. Such amounts were previously credited to the RMMA; and
- File an advice letter to withdraw the RMMA (Preliminary Statement Section N.73) from its tariffs after the Commission-approved fuel hedging instruments expire.<sup>3/</sup>

Upon review of Advice 1687-E, the Energy Division concluded that interest costs should not be recorded in the RMMA during SCE's PROACT period. In this supplemental advice letter, SCE is revising the RMMA to clarify that interest costs will not be recorded in the RMMA during SCE's PROACT period.

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**

Consistent with Advice 1687-E, this advice filing will become effective on the 40<sup>th</sup> calendar day after the date that Advice 1687-E was filed (February 24, 2003), which is April 5, 2003, subject to SCE receiving written approval by the Energy Division.

### **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:

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<sup>2/</sup> Proceeds received in February 2003 from the sale or exercise of hedging instruments totaled \$6.832 million and will be credited to the ERRA rather than the RMMA. Any future proceeds received from the sale or exercise of hedging instruments will also be credited to the ERRA.

<sup>3/</sup> The current Commission-approved fuel hedging instruments expire in December 2003.

IMC Program Manager  
c/o Jerry Royer  
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 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, Room 388N  
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 mailing copies of this advice filing to the interested parties shown on the attached service list and A.02-03-016. 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.02-03-016 Service List, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@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  
Enclosures

Cal. P.U.C.  
Sheet No.

Title of Sheet

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

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Revised 32988-E

Preliminary Statement Part N

Original 30032-E\*

Revised 32990-E

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Revised 32977-E

PRELIMINARY STATEMENT

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N. MEMORANDUM ACCOUNTS (Continued)

73. Risk Management Memorandum Account

SCE shall maintain a Risk Management Memorandum Account (RMMA) as authorized in Resolution E-3761. 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. (T)

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. Interest shall not be recorded in the RMMA during SCE's PROACT period. Unrealized gains or losses on hedging instruments shall be excluded in determining the monthly accrued interest. (T)

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. (T)

(Continued)

(To be inserted by utility)

Advice 1687-E-A  
Decision 03-02-033

Issued by  
John R. Fielder  
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Mar 19, 2003  
Effective Apr 5, 2003  
Resolution \_\_\_\_\_



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(To be inserted by utility)

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