

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298

JAN 16 2004



REVENUE & TARIFFS DEPT.
Advice Letter: 1759-E

January 13, 2004

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

Reference: Accounting and ratemaking treatment for El Paso settlement proceeds authorized in
Decicion 03-10-087

Dear Mr. Jazayeri:

Advice Letter 1759-E is effective December 23, 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

November 13, 2003

ADVICE 1759-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: **Accounting And Ratemaking Treatment For El Paso Settlement**
 Proceeds Authorized In Decision 03-10-087

In compliance with Decision (D.) 03-10-087, 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

Pursuant to D.03-10-087, this advice filing modifies SCE's tariffs to reflect the accounting and ratemaking treatment authorized for the settlement proceeds allocated to SCE and its customers pursuant to the litigation settlement with El Paso Natural Gas Company, its parent corporation, and its affiliates (El Paso).

BACKGROUND

El Paso has been the subject of numerous investigations, complaints, and litigation resulting from extremely high natural gas and electricity prices in California and several Western states during the 15-month period from March 1, 2000 through May 31, 2001. El Paso's involvement in setting these artificially high prices was an issue in a complaint proceeding brought by California Public Utilities Commission (Commission) before the Federal Energy Regulatory Commission (FERC) in Docket Nos. RP00-241-000, *et al.* It was also the focus of investigations by the Attorney General (AG) of California and the AGs of Nevada, Washington, and Oregon; 15 separate plaintiffs' lawsuits in San Diego Superior Court; and federal court lawsuits brought by the California AG, Pacific Gas and Electric Company, and SCE. After a long period of controversy, El Paso and the Parties to the proceeding elected to settle these disputes and entered into a "Settlement" consisting of a settlement filed at FERC on June 4, 2003, a Master Settlement Agreement (MSA) in San Diego Superior Court on June 26, 2003, and Stipulations for Judgment filed in the United States District Court for the Central District of California. In

the Settlement, El Paso agreed to provide an estimated \$1.5 billion (nominal value) in consideration for resolving all of the litigation. Part of this settlement amount depends upon proceeds from the sale of El Paso stock, which may generate more or less proceeds than now estimated. A reasonable estimate for the Commission's jurisdictional allocation is approximately \$1.035 billion and was one of the subjects to be addressed in the Commission's Order Instituting Rulemaking (OIR) 03-07-008 where proposals for accounting and ratemaking mechanisms to equitably distribute the proceeds from the Settlement would be considered. SCE's portion of the proceeds is approximately \$195 million. On October 30, 2003, D.03-10-087 was issued, and among other things, addressed the ratemaking treatment of the Settlement proceeds for the California utilities. This decision ordered SCE to modify its tariffs to reflect the accounting and ratemaking treatment of the Settlement proceeds in an advice letter to be filed within 30 day of the date the decision is mailed which was November 3, 2003¹.

RATEMAKING TREATMENT FOR SETTLEMENT PROCEEDS

SCE currently records the procurement related energy costs for its full service bundled customers in the Energy Resource Recovery Account (ERRA), and tracks the Direct Access Cost Responsibility Surcharge in Direct Access Cost Responsibility Surcharge Tracking Account (DACRSTA). D.03-10-087 authorizes SCE to record the Settlement proceeds as a credit entry to the ERRA for its full service customers², and a credit entry to the DACRSTA for Direct Access customers³. The Settlement proceeds allocated to Direct Access customers shall be based on the relative percentage of full service and Direct Access to total kWh system deliveries in the preceding 12 months prior to the first receipt of consideration under the MSA⁴.

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

This advice filing will become effective on the 40th calendar day after the date filed, which is December 23, 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:

¹ D.03-10-087, Order No. 3.

² D.03-10-087, Conclusion of Law No. 4 and 7 and ATTACHMENT A, Section 3.1 of the decision.

³ D.03-10-087, Conclusion of Law No. 7 and ATTACHMENT A, Section 3.3 of the decision.

⁴ Ibid.

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

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
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 388N
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@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

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 R.03-07-008. Address change requests to the attached GO 96-A Service List should be directed to AdviceTariffManager@sce.com or (626) 302-4039. For changes to any other Service List, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at 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/adviceletters>.

For questions, please contact James Yee at (626) 302-2509 or by electronic mail at James.Yee@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:jy
Enclosures

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 35531-E Revised 35532-E	Preliminary Statement Part JJ Preliminary Statement Part JJ	Original 34144-E Original 34145-E
Revised 35533-E	Preliminary Statement Part ZZ	Revised 34481-E*
Revised 35534-E Revised 35535-E	Table of Contents Table of Contents	Revised 35274-E Revised 35296-E

PRELIMINARY STATEMENT

Sheet 1

JJ. DIRECT ACCESS COST RESPONSIBILITY SURCHARGE TRACKING ACCOUNT

1. Purpose

The purpose of the Direct Access Cost Responsibility Surcharge Tracking Account (DACRSTA) is to track the difference between: (1) Recorded DA CRS Revenues, and (2) Authorized DA CRS Obligations, pursuant to D.02-11-022, D.02-12-045, and D.03-10-087.

(T)
(T)

2. Effective Date

The effective date of the DACRSTA is January 1, 2003.

3. Definitions

a. Authorized DA CRS Obligations

Pursuant to D.02-11-022, Authorized DA CRS-related Obligations include the California Department of Water Resources (DWR) Bond Charge, the DWR Power Charge, ongoing Competition Transition Charges (CTC), and SCE's Historical Procurement Charge (HPC).

b. Bundled Service Customers

As defined in D.02-11-022, Bundled Service Customers are those who rely on SCE for generation, transmission, and distribution electric services.

c. Continuous DA Customers

Continuous DA Customers are those who remained continuously on DA service and did not take Bundled Service on or after February 1, 2001. In accordance with D.02-11-022, Continuous DA customers are responsible for payment of SCE's HPC, and Ongoing CTC. Continuous DA customers are not responsible for payment of either the DWR Bond Charge or the DWR Power Charge.

d. DA Customers

DA customers are those who purchase electricity from an Electric Service Provider (ESP), and receive distribution and transmission electric service from SCE.

e. Non-Continuous DA Customers

As defined in Decision No. 02-11-022, Non-Continuous DA Customers are those who took bundled service on or after February 1, 2001. In accordance with D.02-11-022, Non-Continuous DA customers are responsible for payment of DWR Bond Charge, SCE's HPC, DWR Power Charges (as adopted in D.02-11-022, or subsequent Commission order), and SCE's Ongoing CTC.

(Continued)

(To be inserted by utility)

Advice 1759-E
Decision 03-10-087

Issued by

John R. Fielder
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Nov 13, 2003
Effective Dec 23, 2003
Resolution _____

PRELIMINARY STATEMENT

Sheet 2

(Continued)

JJ. DIRECT ACCESS COST RESPONSIBILITY SURCHARGE TRACKING ACCOUNT
(Continued)

3. Definitions (Continued)

f. Ongoing Competition Transition Charge

As defined in Decision No. 02-11-022, SCE's Ongoing Competition Transition Charge (CTC) consists of: 1) Employee-related transition costs through December 31, 2006, 2) SONGS 2&3 ICIP through December 31, 2003, 3) Above-market costs of SCE's Utility Retained Generation (URG), including purchased power contracts.

g. Recorded DA CRS Revenue

Recorded DA CRS Revenue is defined as billed DA Customer revenue derived by multiplying the actual Commission authorized DA CRS charge by actual DA Customer consumption. Recorded DA CRS Revenue shall be determined for both Continuous and Non-Continuous DA Customers.

4. Operation of the DACRSTA

Entries to the DACRSTA shall be made on a monthly basis, and shall be determined separately for Continuous and Non-Continuous DA Customers as follows:

- a. A credit entry equal to Recorded DA CRS Revenues;
- b. A debit entry equal to recorded HPC revenues;
- c. A debit entry equal to Authorized DA CRS Obligations (on a cents/kWh basis), multiplied by DA Customers kWh consumption;
- d. A credit entry equal to any litigation settlement proceeds as authorized by the Commission. (N)
(N)
- e. If the sum of the monthly amounts above is a positive amount, such amount is an undercollection. If the sum of the monthly amounts above is a negative amount, such amount is an overcollection. (T)

5. Interest Expense

Interest expense shall accrue in the DACRSTA separately for Continuous DA Customers and Non-Continuous DA Customers using a methodology specifically authorized by the Commission.

6. Disposition of Amounts Recorded in the DACRSTA

The Commission shall determine the ultimate disposition of undercollected or overcollected amounts tracked in the DACRSTA.

(To be inserted by utility)

Advice 1759-E
Decision 03-10-087

Issued by

John R. Fielder
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Nov 13, 2003
Effective Dec 23, 2003
Resolution _____

PRELIMINARY STATEMENT

Sheet 4

(Continued)

ZZ. ENERGY RESOURCE RECOVERY ACCOUNT (Continued)

3. Operation of the ERRA

Entries to the ERRA shall be made on a monthly basis as follows:

- a. Credit entry equal to the recorded ERRA Revenue;
- b. A debit entry equal to recorded URG Fuel and Fuel-related expenses;
- c. A debit entry equal to the fuel portion of the SONGS 2&3 ICIP^{iii/} revenue requirement;
- d. A debit entry equal to Palo Verde Nuclear Unit Incentive Procedure (NUIP) rewards subsequent to Commission approval;
- e. A debit entry equal to recorded Qualifying Facilities (QF) contracts expenses (including contract restructuring expenses), net of recorded revenues, refunds, or other credits;
- f. A debit entry equal to recorded Interutility contracts expenses, net of recorded revenues, refunds or other credits;
- g. A debit entry equal to recorded Bilateral contracts expenses;
- h. A debit entry equal to recorded Residual Net Short Requirement expenses;
- i. A debit entry equal to other expenses associated with SCE's purchased power activities to the extent not recovered elsewhere (such as the costs associated with purchasing Firm Transmission Rights);
- j. A debit entry equal to recorded ISO expenses;
- k. A credit entry equal to Excess Energy Sales Revenues allocated to SCE;
- l. A credit entry equal to recorded Reliability Must Run (RMR) contracts and ancillary services revenue^{iii/};
- m. A debit entry equal to the incentive payments to customers participating in the Statewide Pricing Pilot (SPP) program authorized in Phase 1 of Decision 03-03-036, Advanced Metering, Demand Response, and Dynamic Pricing Proceeding;
- n. A credit entry equal to proceeds received from the sale or exercise of hedging instruments;
- o. A credit entry equal to recorded revenues billed under Schedule PC-TBS, Procurement Charge Transitional Bundled Service; and,
- p. A credit entry equal to any litigation settlement proceeds as authorized by the Commission. (N)

The sum of (a) through (p) equals the activity recorded in the ERRA each month. (T)

Interest shall accrue monthly to the ERRA by applying the Interest Rate to the average of the beginning and ending monthly ERRA balances.

^{ii/} The SONGS 2&3 ICIP tariff is included in the Native Load Balancing Account.

^{iii/} Generation-related Other Operating Revenue (OOR) is recorded in the Native Load Balancing Account.

(Continued)

(To be inserted by utility)

Advice 1759-E
Decision 03-10-087

Issued by

John R. Fielder
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Nov 13, 2003
Effective Dec 23, 2003
Resolution _____



TABLE OF CONTENTS

Sheet 1

	<u>Cal. P.U.C. Sheet No.</u>	
TITLE PAGE	11431-E	
TABLE OF CONTENTS - RATE SCHEDULES 35534-35535-35191-35192-35193-35194-35195-E	35248-E	(T)
TABLE OF CONTENTS - LIST OF CONTRACTS AND DEVIATIONS	35338-E	
TABLE OF CONTENTS - RULES	33629-E	
TABLE OF CONTENTS - BASELINE REGIONS	33629-E	
TABLE OF CONTENTS - SAMPLE FORMS 33630-35969-27787-31900-32765-35196-35197-E	27618-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 26584-26585-26586-26587-27195-27196-27197-E	27198-27199-27200-27201-E	
.....	27198-27199-27200-27201-E	
H. Baseline Service	11457-31455-11880-11881-31679-E	
I. Baseline Balancing Account.....	34432-34433-E	
J. Employee-Related Balancing Account.....	33434-E	
K. Nuclear Decommissioning Adjustment Mechanism	34435-34436-E	
L. Performance-Based Ratemaking Exclusions Distribution Adjustment Mechanism	34437-34438-34439-34440-E	
.....	34437-34438-34439-34440-E	
M. Income Tax Component of Contributions	16039-24573-E	
N. Memorandum Accounts..... 21344-34412-28740-34413-28276-31526-34414-34415-34416-E	34417-34418-34441-33412-33413-27639-27640-22374-27641-27642-26595-27643-E	
.....	27644-27645-27646-27647-27648-27649-27650-27651-27652-27653-27654-27655-E	
.....	27656-31327-26596-26005-21960-22046-34441-34442-22546-27658-23703-27465-E	
.....	29774-29775-29776-29777-27663-27664-27665-30057-30058-30059-30060-26484-E	
.....	26485-23212-28280-24197-29470-26486-29471-24199-29472-23221-23222-23223-E	
.....	24200-26487-29473-23227-28281-28282-24244-24477-24812-22380-28283-22621-E	
.....	22622-24272-27015-30257-27476-26007-26757-26996-26735-26314-27500-27424-E	
.....	27425-27477-29778-28408-29789-33519-29488-28874-29419-32988-31138-31156-34420-E	
.....	-31665-31936-32936-E	
O. California Alternative Rates for Energy (CARE) Adjustment Clause	34705-30259-30260-30261-34706-E	
.....	34705-30259-30260-30261-34706-E	
P. Optional Pricing Adjustment Clause (OPAC).....	20625-20626-24169-22165-20629-E	

(Continued)

(To be inserted by utility)
Advice 1759-E
Decision 03-10-087

Issued by
John R. Fielder
Senior Vice President

(To be inserted by Cal. PUC)
Date Filed Nov 13, 2003
Effective Dec 23, 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.....	34443-E	
S.	NOT IN USE	-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	
	.....	27264-31561-31527-31528-18857-22175-18859-18860-18861-18862-18863-E	
W.	Departing Load Responsibility	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).....	25206-30267-32055-30268-E	
Z.	NOT IN USE.....	-E	
AA.	California Alternate Rates for Energy (CARE) Balancing Account	34444-34445-34446-E	
BB.	Nongeneration Base Rate Adjustment Mechanism (NBRAM).....	31330-31331-31332-31333-E	
	.....	32056-31335-31336-31337-E	
CC.	Base Rate Performance Mechanism (BRPM).....	32057-31339-32058-31341-31342-E	
	.....	31343-32059-32060-32061-32062-32063-32064-32065-32066-32067-32068-32069-32070-E	
	.....	32071-32072-E	
DD.	Cost Of Capital Trigger Mechanism	31356-32073-31358-32074-31360-E	
EE.	Electric Deferred Refund Account (EDRA)	21212-26600-E	
FF.	Public Purpose Programs Adjustment Mechanism	34447-34448-34449-34450-35294-	
	.....	34452-33005-E	
GG.	Energy Efficiency Program Adjustment Mechanism (EEPAM)	30277-24257-E	
HH.	Low Income Energy Efficiency Program Adjustment Mechanism (LIEEPAM).....	30278-24259-E	
II.	Bond Charge Balancing Account (BCBA).....	32855-32234-32235-E	
JJ.	Direct Access Cost Responsibility Surcharge Tracking Account (DACRSTA).....	35531-35532-E	(T)
KK.	NOT IN USE	-E	
LL.	PENDING.....	-E	
MM.	NOT IN USE.....	-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.....	34453-34454-34455-34456-34457-34458-33459-34460-E	
	.....	34461-34462-34463-34464-34465-34466-E	
XX.	Electric Distribution Revenue Adjustment Balancing Account (EDRABA).....	35321-34468-E	
	.....	34469-34470-34471-34472-34473-35322-34475-34476-34477-E	
YY.	El Paso Turned-Back Capacity Balancing Account (ETCBA).....	31882-31883-E	
ZZ.	Energy Resource Recovery Account 34478-34479-34480-35533-34482-32351-32352-32353-E		(T)
	.....	32354-E	

(Continued)

(To be inserted by utility)

Advice 1759-E
Decision 03-10-087

Issued by

John R. Fielder
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Nov 13, 2003
Effective Dec 23, 2003
Resolution _____