

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



MAY 10 2004

May 6, 2004

REVENUE & TARIFFS DEPT. Advice Letter 1784-E

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

Reference: Modifications to the energy resource recovery account for the Mountainview power project in accordance with Decision 03-12-059

Dear Mr. Jazayeri:

Advice Letter 1784-E is effective May 2, 2004. 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 23, 2004

**ADVICE 1784-E**  
**(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
ENERGY DIVISION

**SUBJECT:**       **Modifications To The Energy Resource Recovery Account  
for the Mountainview Power Project in accordance with  
Decision 03-12-059**

In accordance with Decision 03-12-059 (D.03-12-059), 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**

In accordance with Ordering Paragraph 5 of D.03-12-059, this advice filing modifies SCE's Preliminary Statement, Part ZZ, Energy Resource Recovery Account (ERRA), to record certain operating costs of the Mountainview Power Project (Mountainview).

**BACKGROUND**

In D.03-12-059, the California Public Utilities Commission (Commission) authorized SCE to acquire Mountainview Power Company, LLC (MVL) as a wholly-owned subsidiary of SCE, and to enter into a power purchase agreement (PPA) with MVL for the purchase of electricity from Mountainview, subject to conditions and modifications set forth in D.03-12-059. The Commission's approval of SCE's application of a Federal Energy Regulatory Commission (FERC) jurisdictional PPA required SCE to seek FERC approval for the project before it can go forward.

On February 24, 2004, the FERC issued an "Order Conditionally Accepting Proposed Rate Schedule and Revising Affiliate Policy" (Order) in FERC Docket

No. ER04-316-000. In its Order, the FERC conditionally accepted for filing the PPA between SCE and MVL. FERC conditioned its acceptance of the PPA by requiring: 1) a compliance filing with the FERC reflecting ordered changes to the PPA; 2) a commitment to file an annual FERC Form 1; 3) maintenance of books and records in accordance with the Uniform System of Accounts; and 4) a limit on market activity of cost-based sales to SCE. In D.04-03-037 the Commission approved the changes that the FERC ordered to the Mountainview PPA. In the Conclusion of Law in D.04-03-037, the Commission stated that:

The FERC required changes to the PPA approved by this Commission in D.03-12-059 do not create any detrimental rate impacts for Edison customers and we adopt and approve the FERC changes.

### **MODIFICATION TO THE ERRA**

In D.03-12-059, the Commission adopted the ratemaking provisions proposed by SCE in its Application 03-07-032.<sup>1</sup> The Commission authorized the following Mountainview costs to be recorded in SCE's ERRA:

- 1) Operations and Maintenance (O&M) costs - both pre-authorized charges, and fixed and variable O&M costs;
- 2) Capital-related costs – including all applicable return on rate base, depreciation expense, and applicable taxes on both the initial Mountainview plant investment and any subsequent Commission-authorized capital additions;
- 3) Availability incentives; and
- 4) Heat rate incentives.

Thus, SCE is modifying its ERRA tariff to incorporate the recovery of ERRA-includable Mountainview costs adopted in D.03-12-059.<sup>2</sup>

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.

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<sup>1</sup> The Commission summarized its adopted Mountainview ratemaking in Section XX of D.03-12-059. In D.03-12-059, the Commission denied the recovery of Mountainview option payments from SCE's customers.

<sup>2</sup> In addition, in D.03-12-059, the Commission authorized SCE to recover a working cash component and overhead costs associated with Mountainview through SCE's general rate cases.

**EFFECTIVE DATE**

This advice filing will become effective on the 40<sup>th</sup> calendar day after the date filed, which is May 2, 2004.

**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 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  
Southern California Edison Company  
2244 Walnut Grove Avenue.  
Rosemead, California 91770  
Facsimile: (626) 302-4829  
E-mail: [AdviceTariffManager@sce.com](mailto: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](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 lists. Address change requests to the attached GO 96-A Service List should be directed to [AdviceTariffManager@sce.com](mailto:AdviceTariffManager@sce.com) or at (626) 302-3636. For changes to A.03-07-032 Service List, please contact the Commission's Process Office at (415) 703-2021 or 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/adviceletters> and choose Regulatory Info Center/Advice Letters.

For questions, please contact Phillip 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:pd/pf  
Enclosures

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 36282-E	Preliminary Statement Part ZZ	Revised 36189-E
Revised 36283-E	Table of Contents	Revised 36270-E
Revised 36284-E	Table of Contents	Revised 36255-E

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 Palo Verde Nuclear Unit Incentive Procedure (NUIP) rewards subsequent to Commission approval;
- d. A debit entry equal to recorded Qualifying Facilities (QF) contracts expenses (including contract restructuring expenses), net of recorded revenues, refunds, or other credits;
- e. A debit entry equal to recorded Interutility contracts expenses, net of recorded revenues, refunds or other credits;
- f. A debit entry equal to recorded Bilateral contracts expenses;
- g. A debit entry equal to recorded Residual Net Short Requirement expenses;
- h. 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);
- i. A debit entry equal to recorded ISO expenses;
- j. A credit entry equal to Excess Energy Sales Revenues allocated to SCE;
- k. A credit entry equal to recorded Reliability Must Run (RMR) contracts and ancillary services revenue<sup>iii</sup>;
- l. 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;
- m. A credit entry equal to proceeds received from the sale or exercise of hedging instruments;
- n. A credit entry equal to recorded revenues billed under Schedule PC-TBS, Procurement Charge Transitional Bundled Service;
- o. A credit entry equal to any litigation settlement proceeds as authorized by the Commission; and
- p. A debit entry equal to the recorded costs associated with the subscription, retention and disposition of turned-back capacity on The El Paso Interstate Pipeline (net of recorded proceeds realized from the short-term release of capacity to another party);
- q. A debit entry equal to recorded Mountainview PPA costs including:
  - i. O&M Costs – both pre-authorized changes and fixed variable O&M (N)
  - ii. Capital Costs – including all applicable return, depreciation, and taxes both the initial Mountainview plant investment and any subsequent Commission-approved capital additions (N)
  - iii. Availability incentives; and
  - iv. Heat Rate Incentives. (N)

The sum of (a) through (q) 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.

<sup>iii</sup> Generation-related Other Operating Revenue (OOR) is recorded in the Native Load Balancing Account.

(Continued)

(To be inserted by utility)

Advice 1784-E  
Decision 03-12-059

Issued by

John R. Fielder  
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Mar 23, 2004  
Effective May 2, 2004  
Resolution \_\_\_\_\_



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