

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



January 5, 2007

Advice Letter 2064-E

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

Subject: ACRA/RCRA Compliance Advice Filing

Dear Mr. Jazayeri:

Advice Letter 2064-E is effective January 1, 2007. A copy of the advice letter is included herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "S. H. Gallagher".

Sean H. Gallagher, Director  
Energy Division

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November 30, 2006

**ADVICE 2064-E**  
**(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
ENERGY DIVISION

**SUBJECT:** ACRA/RCRA Compliance Advice Filing

Southern California Edison Company (SCE) hereby transmits for filing the following changes to its Reduced Capital Recovery Amount (RCRA) related return offset in accordance with Decision (D.) 06-05-016.

**PURPOSE**

This advice filing informs the California Public Utilities Commission (Commission) of SCE's annual changes to the RCRA-related Return Offset to be effective on January 1, 2007 consistent with D.06-05-016, D.94-05-068, D.99-10-057, and Advice 1420-E-A/B.<sup>1</sup>

**BACKGROUND**

In D.94-05-068, the Commission adopted the Additional Capital Recovery Amount (ACRA)/RCRA ratemaking mechanism. The adopted ratemaking mechanism initially provided for additional annual nuclear depreciation expense of \$75 million, which was offset by suspending annual distribution depreciation expense of \$75 million. In D.01-01-061, the Commission required SCE to file Utility Retained Generation (URG) revenue requirements on a cost basis. D.02-04-016 and Resolution E-3784 adopted URG revenue requirements for SCE to be effective January 1, 2002, using a cost-based approach.<sup>2</sup> Since a cost-based approach does not include additional nuclear depreciation expense as adopted in D.94-05-068, ACRA was eliminated from the nuclear revenue requirement adopted by D.02-04-016. In D.99-10-057, the

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<sup>1</sup> Advice 1420-E-A/B was filed in compliance with D.94-05-068 and D.99-10-057 and approved effective January 1, 2000.

<sup>2</sup> D.02-04-016, Ordering Paragraph 3. Resolution E-3784 approved the final 2002 capital-related URG revenue requirement filed with Advice 1616-E/E-A.

Commission had previously adopted SCE's proposal to terminate RCRA at the end of the Assembly Bill (AB) 1890 rate freeze period by: (1) reactivating the suspended distribution investment recovery of \$75 million; and (2) recovering the distribution investment and return associated with the RCRA over the remaining life of the distribution assets. In May 2000, the Commission approved Advice 1420-E-A/B, which set forth the process to eliminate RCRA as well as a projection of the revenue requirement change associated with that elimination.

Beginning January 1, 2002, SCE implemented the change in the RCRA revenue requirement consisting of: (1) the termination of the suspended annual distribution depreciation expense of \$75 million; and (2) the recovery of the distribution investment and return associated with the RCRA over the remaining life of the distribution assets.<sup>3</sup>

Differences in deferred taxes between the nuclear-related rate base (ACRA related) and the distribution rate base (RCRA related) result in annual incremental increases in total rate base over levels which would have resulted without the ACRA/RCRA ratemaking mechanism. Because SCE would have realized an increase in the amount of return on such additional rate base, Resolution E-3389 requires SCE to remove the amount of return on the additional rate base in its annual ACRA/RCRA advice filing. Consistent with D.94-05-068 and D.99-10-057, SCE has removed from the RCRA revenue requirement the amount of return associated with the differences in deferred taxes and will continue to do so on an annual basis.

SCE requested in its 2006 GRC application (A.04-12-014) that, beginning in 2006, recovery of the RCRA revenue requirement be included as part of the CPUC-jurisdictional base-related revenue requirements to be authorized in the 2006 GRC proceeding, except for the the annual RCRA-related return offset. The Commission approved SCE's RCRA ratemaking proposal in D.06-05-016 and the RCRA revenue requirement is now included in the base-related revenue requirement. Therefore this annual advice letter will set forth changes in the RCRA-related return offset.

The remaining sections of this advice filing only set forth the annual change to the RCRA-related return offset.

### **JANUARY 1, 2007 RCRA-RELATED RETURN OFFSET CHANGE**

Resolution E-3389 ordered SCE, among other things, to (1) implement future adjustments to its ACRA/RCRA revenue requirement by filing an advice letter to be effective January 1st of the following year; (2) provide detailed workpapers with each year's advice filing; and (3) identify variables that have been changed from the previous year's advice letter filing. Subsequently, D.06-05-016 authorized SCE to no longer separately identify and file the annual RCRA revenue requirement in its annual

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<sup>3</sup> The recovery of the distribution investment was calculated based on a remaining life of 26.5 years as adopted in D.96-01-011.

December 1st advice letter. However, SCE will continue to establish the annual RCRA-Related Return Offset to be effective January 1st of the following year in the December 1st advice letter.

There were no changes in any of the variables from last year's advice filing in calculating this years RCRA-related return offset.

The following table provides the change in the RCRA-related return offset from 2006 to 2007.

### **Annual RCRA-Related Return Offset Change**

**(\$000's)**

| <u>Calendar Year</u> | <u>Return Offset</u> <sup>1/</sup> |
|----------------------|------------------------------------|
| 2006                 | (1,819)                            |
| 2007                 | <u>(1,790)</u>                     |
| Annual Change        | 29                                 |

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<sup>1/</sup> Per Resolution E-3389, SCE will not receive any additional return associated with the incremental rate base associated with the ACRA/RCRA mechanism. Accordingly this amount is an offset to the total revenue requirement.

Consistent with SCE's proposal in its August 2006 Energy Resource Recovery Account (ERRA) forecast filing (A.06-08-001) to consolidate and reflect all Commission-approved revenue requirement changes in rate levels on or after January 1, 2007, SCE will include the RCRA-related return offset change of \$0.029 million in rate levels with its ERRA forecast rate consolidation once a decision is issued in that proceeding. However, effective January 1, 2007, SCE will implement this revenue requirement change by recording the 2007 RCRA return offset of \$1.790 million in its Base Revenue Requirement Balancing Account (BRRBA).

This advice filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

No cost information is required for this advice filing.

### **EFFECTIVE DATE**

In accordance with D. 06-05-016, D.94-05-068, Resolution E-3389, and D.99-10-057 the changes submitted in this advice filing will become effective on January 1, 2007.

**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 sent to:

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, California 94102  
E-mail: [inj@cpuc.ca.gov](mailto:inj@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 sent by letter and transmitted via facsimile or electronically to the attention of:

Akbar Jazayeri  
Vice President, 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  
Senior Vice President of Regulatory Operations  
c/o Karyn Gansecki  
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 GO 96-A service list and A.04-12-014. Address change requests to the GO 96-A service list should be directed to [AdviceTariffManager@sce.com](mailto:AdviceTariffManager@sce.com) or at (626) 302-4039. For changes to all other service lists, 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/About SCE/Regulatory/adviceletters](http://www.sce.com/About%20SCE/Regulatory/adviceletters).

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

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Enclosures

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

| MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)  |   |
|---|---|
| Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)   |   |
| Utility type:<br><input checked="" type="checkbox"/> ELC <input type="checkbox"/> GAS<br><input type="checkbox"/> PLC <input type="checkbox"/> HEAT <input type="checkbox"/> WATER              | Contact Person: James Yee<br>Phone #: (626) 302-2509<br>E-mail: James.Yee@sce.com |
| EXPLANATION OF UTILITY TYPE<br>ELC = Electric      GAS = Gas<br>PLC = Pipeline      HEAT = Heat      WATER = Water  | (Date Filed/ Received Stamp by CPUC)  |
| Advice Letter (AL) #: <u>2064-E</u>   |   |
| Subject of AL: <u>ACRA/RCRA Compliance Advice Filing</u>  |   |
| Keywords (choose from CPUC listing): <u>Compliance, Nuclear, Depreciation</u>   |   |
| AL filing type: <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Annual <input checked="" type="checkbox"/> One-Time <input type="checkbox"/> Other |   |
| If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:<br><p style="text-align: center;">D.06-05-016</p>   |   |
| Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: _____   |   |
| Summarize differences between the AL and the prior withdrawn or rejected AL <sup>1</sup> : _____  |   |
| Resolution Required? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  |   |
| Requested effective date: <u>1/1/07</u> No. of tariff sheets: <u>-0-</u>  |   |
| Estimated system annual revenue effect (%): _____   |   |
| Estimated system average rate effect (%): _____   |   |
| When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).                    |   |
| Tariff schedules affected: <u>None</u>  |   |
| Service affected and changes proposed <sup>1</sup> : _____  |   |
| Pending advice letters that revise the same tariff sheets: _____  |   |

<sup>1</sup> Discuss in AL if more space is needed.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Ave.,  
San Francisco, CA 94102  
[inj@cpuc.ca.gov](mailto:inj@cpuc.ca.gov)

Akbar Jazayeri  
Vice President, 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  
Senior 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)