

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
I.D. 5114
RESOLUTION E-3962
December 15, 2005

R E S O L U T I O N

Resolution E-3962. Southern California Edison (SCE) request the Commission's authorization to revise the Energy Resource Recovery Account (ERRA) tariff to record third party costs associated with certain procurement-related activities.

By Advice Letter 1919-E Filed on September 30, 2005.

SUMMARY

This Resolution denies SCE's request to revise the ERRA tariff schedules to record third-party costs associated with certain procurement-related activities via an advice letter filing.

BACKGROUND

In Decision (D). 04-12-048, the Commission adopted (with modification) Long-Term Procurement Plans (LTPPs) for SCE, San Diego Gas and Electric Company (SDG&E), and Pacific Gas & Electric Company (PG&E). That decision also lifted the ban on long-term affiliate transactions for transactions entered into through an open and transparent solicitation process. The ban on short-term transactions was maintained.

While D.04-12-048 lifted the ban on long-term affiliate transactions, the decision also instituted safeguards for the solicitation of long-term procurement transactions by requiring: (1) continuation of utility Procurement Review Groups (PRGs); and (2) the use of independent third-party evaluators (IE). Ordering Paragraph 28 of D.04-12-048, stated (in part) "the IOUs may contract directly with IEs, in consultation with their respective PRGs..."

In D.05-07-039, the Commission approved (with modification) the procurement plans and draft request for offers (RFOs) for 2005 solicitations for Renewable Portfolio Standard (RPS) programs submitted by SCE, SDG&E, and PG&E. In

addition, the Commission required the use of IEs in evaluating bids in SCE's 2005 RPS program. As stated by the Commission in Ordering Paragraph 10 of D.05-07-039, "In evaluating bids in the 2005 RPS solicitation, SCE shall use an independent evaluator as described in D.04-12-048 for all bids submitted by an affiliate of SCE."

NOTICE

Notice of AL 1919-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Advice Letter AL 1919-E was not protested.

DISCUSSION

Energy Division has reviewed Advice Letter 1919-E and recommends denial of SCE's request to revise the ERRA tariff via an advice letter filing. An advice letter filing is an inappropriate vehicle for revising a tariff when SCE's request can be more appropriately addressed in its semiannual ERRA applications. This denial of SCE's advice filing should not alter SCE's financial position.

SCE's request is to modify the ERRA tariff can be better addressed in its semiannual ERRA applications.

D.02-10-062 established a semiannual update process for fuel purchased power forecasts and the ERRA mechanism. In April, the update process required SCE to file application proposing to establish annual fuel and purchased power forecasts and true up 2002 fuel and purchased costs. On October 1, the update process requires an application for review of balancing accounts, contract administration, utility retained generation expenses, and least-cost dispatch.

Subsequent decisions modified the filing dates and years under review. However, the semiannual requirement to file applications remains intact. The semiannual filings already address procurement expenses and are the appropriate proceedings to address IE costs. Addressing IE costs separately

from the semiannual filings will increase administrative costs without sufficient benefit..

Denial of AL 1919-E should not alter SCE's financial standing.

Concurrently with the filing of Advice Letter 1919-E, SCE filed Advice Letter 1920-E requesting Commission authority to establish an Independent Evaluator Costs Memorandum Account (IECMA) to record SCE's actual IE costs until such time as the Commission approves Advice Letter 1919-E.

Energy Division has reviewed and, in Resolution E-3960, recommended approval of SCE's request of Advice Letter 1920-E. Resolution E-3960 recommends the establishment of IECMA with an effective date of September 30, 2005. Resolution E-3960 is scheduled for the November 18, 2005 Commission meeting.

With Commission approval of Resolution E-3960, SCE will be able to record actual IE costs for future recovery. As such, denial of this advice filing should not alter SCE's financial position or ability to recover.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments. Comments are due on December 1, 2005. Reply comments are due on December 8, 2005.

FINDINGS

1. General Order 96-A, Section VI requires that a formal application be made to increase rates, except where the increases are minor in nature.
2. A process already exists to address procurement costs in a proceeding
3. SCE is required to file semiannual applications to demonstrate its forecasted costs and for a reasonableness review.

4. SCE's request to modify the ERRRA tariff to include IE costs can be better addressed in either of its semiannual applications.
5. SCE filed Advice Letter 1920-E concurrently with Advice Letter 1919-E.
6. Advice Letter 1920-E seeks Commission approval to establish an Independent Evaluator Costs Memorandum Account (IECMA) to record SCE's actual IE costs.
7. Energy Division recommended approval of Advice Letter 1920-E in Resolution E-3960 with an effective date of September 30, 2005.
8. Resolution E-3960 is scheduled for the November 18, 2005 Commission meeting.
9. With Commission approval of Resolution E-3960, SCE will be able to record actual IE cost for future recovery.
10. Denial of SCE's request to modify the ERRRA tariff in Advice Letter 1919-E should not alter SCE's financial position or ability to recover.

THEREFORE IT IS ORDERED THAT:

1. The request of Southern California Edison to modify its ERRRA tariff schedule to add independent evaluator costs, as requested in Advice Letter AL 1919-E, is denied.
2. SCE should seek relief in a formal application.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 15, 2005; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

November 15, 2005

Commission Meeting December 15, 2005

TO: PARTIES TO SOUTHERN CALIFORNIA EDISON ADVICE LETTER NO
1919-E

Enclosed is draft Resolution Number E-3962 of the Energy Division. It will be on the agenda for the December 15, 2005 Commission meeting, which is held at least 20 days after the date of this letter. The Commission may then vote on this Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution.

An original and two copies of the comments, with a certificate of service, should be submitted to:

Jerry Royer
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

A copy of the comments should be submitted to:

K. Jerry Oh
Energy Division
California Public Utilities Commission
505 Van Ness Avenue

San Francisco, CA 94102

Fax: 415-703-2200

Any comments on the draft Resolution must be received by the Energy Division by December 1, 2005. Those submitting comments must serve a copy of their comments on 1) the entire service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Energy Division, on the same date that the comments are submitted to the Energy Division.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft Resolution, a table of authorities and an appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the proposed draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Replies to comments on the draft resolution may be filed (i.e., received by the Energy Division) on December 8, 2005, five business days after comments are filed, and shall be limited to identifying misrepresentations of law or fact contained in the comments of other parties. Replies shall not exceed five pages in length, and shall be filed and served as set forth above for comments.

Late submitted comments or replies will not be considered.

Robert L. Strauss

Energy Division

1.1 Enclosure: Certificate of Service

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution E-3962 on all parties in these filings or their attorneys as shown on the attached list.

Dated November 15, 2005 at San Francisco, California.

Honesto Gatchalian

NOTICE

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.