

Decision 06-11-012 November 9, 2006

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company, a corporation, for modification of Decision No. 00-10-040, as previously modified by Decision Nos. 01-01-021, 02-01-061 and 05-11-013 (U338 E).

Application 06-06-031
(Filed June 28, 2006)

OPINION GRANTING APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY (U388 E) FOR MODIFICATION OF DECISION 00-10-040

1. Introduction

By this order, we hereby approve the Southern California Edison Company (SCE) Application for Modification of Decision (D.) 00-10-040, as Previously Modified by D.01-01-021, D.02-01-061 and D.05-11-013 (collectively, the Decision). Under the Decision, SCE is authorized to issue a variety of types of debt securities, including commercial paper, unsecured and secured debt securities, medium-term notes and direct loans to finance under-collections in regulatory balancing accounts. SCE requests authority to increase the level of borrowing capacity under the Decision from \$700 million to \$1,550 million to support energy procurement transactions. We hereby approve the request to increase SCE's authority to finance its regulatory balancing accounts from \$700 million to \$1,550 million, as explained below.

2. Procedural Background

On July 11, 2000, SCE filed a petition for modification of D.87-09-050, as previously modified by D.89-08-023 and D.95-11-065, seeking an order to

increase the authorized amount of financing for its regulatory balancing accounts. At the Commission's request, SCE re-filed its petition in the form of an expedited application on July 26, 2000 (Application [A.] 00-07-048). The Commission issued D.00-10-040 in response to A.00-07-048. SCE considers D.87-09-050 and its subsequent modifications to have been incorporated into D.00-10-040.

Accordingly, by this application, SCE seeks to modify D.00-10-040, including provisions initially included in D.87-09-050, to increase its financing authority. No protests to the application were filed. Because this matter is uncontested, no hearings are necessary.

3. SCE's Proposal in This Application

SCE requests that the Commission increase its authority to finance its regulatory balancing accounts from \$700 million to \$1,550 million. SCE asserts that this further increase in financing authority is necessary because its current balancing account borrowing authority of \$700 million is insufficient to cover collateral needs established by the collateral capacity limit.¹

SCE asserts that its cash collateral requirements in connection with energy procurement transactions have greatly increased in recent years making it necessary to obtain additional authority to borrow to support those transactions. As part of the procurement process, SCE asserts that it must provide collateral to counterparties in connection with various transactions, including power and natural gas hedges, forward power purchases and sales and power capacity

¹ By ruling dated October 13, 2006, SCE was granted leave to file under seal the proprietary version of its application, which treats, as confidential, information relating to its collateral capacity.

contracts. SCE claims that its collateral requirements have increased as the volume and length of contracts has expanded. Because some transactions require that collateral be posted in cash, SCE's collateral-related borrowing needs have also increased. In addition, \$150 million of SCE's authorized borrowing capacity is being utilized right now to finance an under-collection in a Catastrophic Events Memorandum Account relating to the bark beetle infestation. The currently available balancing account-related borrowing authority is therefore only \$550 million.

4. Discussion

In view of the factors identified by SCE causing an increased need for borrowing, we conclude that its request is reasonable and should be granted. Accordingly, we modify D.00-10-040 to increase its authority to \$1,550 million to finance under-collections in regulatory balancing accounts.

In Advice Letter 1878-E, filed with the Commission on March 25, 2005, SCE previously explained that changes to the timing for SCE to meet its resource goals and other revisions to SCE's authorized procurement plan have led to changes in the timing and length of contracts, and as a result, that SCE's collateral needs had increased substantially over 2004 levels. In Advice Letter 1878-E, SCE requested that the Commission approve an increased collateral capacity limit. That request was approved by the Commission in Resolution E-3950, dated September 8, 2005.

SCE's request for an increase in its borrowing authorizations is consistent with the Commission's previous authorization to increase SCE's collateral capacity. The increased borrowing authority that we approve herein may be used by SCE to finance under-collections in its Commission-authorized balancing accounts, including the financing of energy procurement-related

collateral requirements. The increased limit that we authorize herein supports the collateral requirements that were already acknowledged by the Commission in approving Advice Letter 1878-E. Accordingly, we hereby grant the Application.

5. Collection of Fees

Whenever the Commission authorizes a utility to issue debt, the Commission is required to charge and collect a fee in accordance with § 1904(b). Section 1904(b) states in part that for a certificate authorizing an issue of bonds, notes, or other evidences of indebtedness, a fee shall be collected in the manner prescribed therein. The following table shows the calculation of the fee that SCE is required to pay pursuant to the formula set forth in § 1904(b) for the additional \$850 million of increase in its borrowing capacity as authorized by this decision.

**Computation of § 1904(b) Fee
For \$850 Million of Additional Borrowing Capacity**

Fee on First \$ 1 Million	\$ 2,000
Fee on \$2 Million - \$10 Million	\$ 9,000
Fee on \$10 Million to \$840 Million	<u>\$420,000</u>
Total Fee	<u>\$431,000</u>

SCE shall remit the required fee to the Commission’s Fiscal Office. The authority granted by this opinion shall not become effective until the fee is paid.

6. Categorization of the Proceeding

SCE proposes that its Application be categorized as a “ratesetting” proceeding. Pursuant to Rule 7.3, we confirm that this is a “ratesetting” proceeding, and that no scoping memo is necessary because the matter is uncontested with no need for evidentiary hearings.

7. Comments on Proposed Decision

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code, the otherwise applicable 30-day period for public review and comment is being waived.

8. Assignment of Proceeding

John A. Bohn is the Assigned Commissioner and Thomas R. Pulsifer is the assigned ALJ in this proceeding.

Findings of Fact

1. Pursuant to authorizations in D.00-10-040, as modified by D.01-01-021, D. 02-01-061, and D.05-11-013, SCE has previously been granted authority to finance its regulatory balancing account under-collections by amounts up to \$700 million.

2. In Advice Letter 1878-E, SCE previously explained that SCE's collateral needs have increased substantially.

3. In Resolution E-3950, the Commission approved the request of SCE to increase its collateral capacity limit over 2004 levels.

4. SCE's current balancing account borrowing authority is insufficient to cover the increased collateral needs.

5. The requested increase in SCE's financing authority sought in this application from the \$700 million up to \$1,550 million is needed to provide support for the collateral requirements.

Conclusions of Law

1. Pursuant to Pub. Util. Code § 816 *et seq.*, the Commission may authorize SCE to issue secured debt to finance regulatory balancing accounts.

2. The Application to Modify D.00-10-040, as modified by D.01-01-021, D.02-01-061, and D.05-11-013, should be granted in order to provide SCE with the necessary increase in its financing capacity, as authorized in the Ordering Paragraphs below.

3. SCE is required to pay a fee of \$431,000 pursuant to § 1904(b) for the additional \$850 million in borrowing capacity authorized in this opinion. The authority granted by this opinion should not become effective until SCE has paid the required fee.

4. This application should be categorized as ratesetting and no hearings are necessary.

O R D E R

IT IS ORDERED that:

1. Pursuant to Pub. Util. Code § 816 *et seq.*, Southern California Edison Company (SCE) is hereby authorized to increase its financing authority previously granted in Decision (D.) 00-10-040, as modified by subsequent decisions, identified in Ordering Paragraph 2 below, to issue up to \$1,550 million of debt to finance regulatory balancing accounts authorized by the Commission.

2. SCE's Application to Modify D.00-10-040, as previously modified by D.01-01-021, D.02-01-061, and D.05-11-013, is granted.

3. SCE is required to pay a fee of \$431,000 pursuant to § 1904 (b) for the additional \$850 million in borrowing capacity authorized in this opinion. The authority granted by this opinion should not become effective until SCE has paid the required fee.

4. SCE shall pay the fee required by § 1904 (b) by remitting to the Commission's Fiscal Office a check for \$431,000. The decision number of this

Order shall appear on the face of the check. The authority granted by this Order shall not become effective until SCE remits the required fee.

5. Application 06-06-031 is closed.

This order is effective today.

Dated November 9, 2006, at San Francisco, California.

MICHAEL R. PEEVEY

President

GEOFFREY F. BROWN

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

Commissioners