ED / bsk / hkr **Mailed 9/10/2001**

Decision 01-09-014 September 6, 2001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for Expedited Approval of Servicing Agreement between State of California Department of Water Resources and Southern California Edison Company Pursuant to Chapter 4 of the Statutes of 2001 (Assembly Bill 1 of the First 2000-2002 Extraordinary Session).	Application 01-06-044 (Filed June 25, 2001)

OPINION APPROVING SERVICING AGREEMENT BETWEEN THE CALIFORNIA DEPARTMENT OF WATER RESOURCES AND SOUTHERN CALIFORNIA EDISON COMPANY

Summary

In January of this year, in response to the energy crisis facing California, the Legislature gave the State of California Department of Water Resources (DWR) the authority to purchase electricity and sell it to retail customers of California electric utilities. This authority is provided in Assembly Bill 1 of the First Extraordinary Session of 2001-2002 (Stats. 2001, Ch. 4) (AB1X).

In January and March 2001, the Commission ordered Southern California Edison Company (SCE) to segregate, and hold in trust for the benefit of DWR, certain amounts its customers had paid for DWR's electricity. (Decision (D.) 01-01-061, D.01-03-081.) This arrangement now needs to be set out with more detail and specificity. The State Treasurer and the Administration have asked the Commission to approve the servicing agreements so the financial

community can review those agreements as part of their evaluation of the bond transaction that is currently being undertaken by the Administration and the State Treasurer, so that they can understand DWR's financial situation.

Today we approve the servicing agreement between SCE and DWR, with certain changes. This agreement sets forth the terms and conditions under which SCE will provide transmission and distribution of DWR-purchased electricity, as well as billing, collection, and related services. In return, DWR will pay SCE's incremental costs. The provisions contained here establish reasonable formal payment arrangements and will help ensure that SCE and DWR can continue providing reliable electricity service to SCE's ratepayers.

Our approval of the servicing agreement is an essential step to the successful sale of the electricity bond issue being prepared by the State Treasurer and the Administration according to a letter dated July 2, 2001 to Commissioner Loretta Lynch from DWR, the California Department of Finance, and the State Treasurer's Office. (Attached as Appendix B.)

Background Of This Proceeding

On June 25, 2001, SCE filed an application requesting that the California Public Utilities Commission (Commission) approve on an expedited basis the servicing agreement that was entered into between the DWR and SCE. The servicing agreement sets forth terms under which SCE will provide for the transmission and distribution of DWR power, as well as billing and related services as the agent for DWR. A copy of the servicing agreement, as executed, is attached to this decision as Appendix A.

On June 26, 2001, the Commission's Chief Administrative Law Judge (ALJ) issued a ruling that ordered that comments and protests on SCE's application be filed by June 29, 2001 and that SCE file its reply by July 2, 2001. The ruling also stated that the servicing agreement formalizes provisions necessary for the

critical role that DWR plays in meeting the electrical needs of SCE's customers and for DWR's bond financing.

On June 28, Aglet Consumer Alliance (Aglet) and The Utility Reform Network (TURN) filed separate protests to SCE's application. On July 2, 2001, SCE filed a response to the protests of Aglet and TURN.

On July 5, the Chief ALJ issued a second ruling allowing interested parties to file supplemental protests, supplemental reply comments, or a response to SCE's application by July 12, 2001. The ruling was made in response to the July 2, 2001 letter to Commissioner Lynch from DWR, the California Department of Finance, and the State Treasurer requesting that the Commission postpone taking action on certain items related to the issuance of the DWR's power supply revenue bonds until mid-August, after the effective date of legislation providing for expedited judicial review of Commission orders implementing AB1X. This decision is one of the items that was postponed in response to that letter. The Chief ALJ's ruling also recognized that parties were initially given a short time period to file protests and responses regarding SCE's application.

NewPower Company (NewPower) filed timely comments on the servicing agreements for all three utilities.

Creation Of The Servicing Agreement

California has experienced an electricity crisis of immense magnitude. When AB1X was enacted, SCE and other investor-owned utilities were unable to convince sellers that they were financially able to purchase electricity on the wholesale market for their customers, resulting in serious concerns about reliability. AB1X authorized DWR to provide electricity to customers of investor-owned utilities to meet those concerns. An integral part of the statute's scheme are provisions allowing DWR to contract with electrical corporations to transmit and distribute that power to retail end-use electric customers, and to provide

billing, collection, and other related services as an agent of DWR on terms and conditions that reasonably compensate the utility for its services. The servicing agreement embodies those terms and conditions that DWR and SCE have agreed to.

The servicing agreement, among other things, provides a detailed methodology for the remittance of revenues to DWR. This methodology revises and expands upon the methods for the utilities to transfer revenues to DWR, as set forth in D.01-03-081 and D.01-05-064.

The servicing agreement contains a variety of provisions. It provides for the transmission and delivery by SCE of power procured by DWR (Section 2.1),[1] as well as the furnishing of metering services, meter reading services, and billing services by SCE to DWR (Section 3.1). The servicing agreement addresses how DWR charges shall appear on customer's billings, and how customers shall be notified in the event of changes to the DWR charges (Service Attachment 1, Sections 2.2 and 2.6).

The servicing agreement establishes various fees and charges that DWR will pay to SCE to cover the utility's costs of establishing procedures, systems, and mechanisms necessary to perform billing and related services and providing those services on an ongoing basis (Section 7, Section 2.3 of Service Attachment 1 and Attachment G). The servicing agreement provides that SCE will be paid its incremental costs. The servicing agreement enables the Commission to adjust SCE's rate to avoid double recovery of any costs paid by DWR which have already been included in SCE's rate (Section 7.1). Furthermore, the Commission

[1] The "Section" references are to the servicing agreement and the "Attachment" references are to the attachments to the servicing agreement.

has jurisdiction to resolve disputes between SCE and DWR concerning the reasonableness of costs charged to DWR (Service Attachment 1, Section 2.3).

The servicing agreement also establishes data and communication procedures between DWR and SCE concerning customer usage, utility-retained generation, and energy trade schedules so that DWR can make accurate electricity purchases (Section 2.2). The servicing agreement includes a methodology for SCE to segregate, hold in trust, and remit to DWR revenues from the sale of DWR power to customers (Section 4.2). The remittance methodology specifies how payments are to be processed, addressing such details as uncollectible balances, reconciliation with the Interim Remittance Methodologies this Commission adopted in previous decisions, and management of partial payments by customers (Attachment B). The servicing agreement also addresses any adjustments associated with the "20/20 program" established by Governor Davis' Executive Order, D-30-01, dated March 13, 2001 (Section 4.3).

Finally, the servicing agreement includes other provisions addressing the consequences of default by either SCE or DWR (Section 5), confidentiality of information belonging to SCE's customers, SCE or DWR (Section 6), retention of and access to SCE records, and audit rights for DWR and the State of California Bureau of State Audits (Section 8). SCE will provide annual reports to DWR and the Commission (Section 8). The servicing agreement also addresses various other matters.

We conclude that the provisions contained in the servicing agreement properly enable the issuance of bonds developed and structured by the State Treasurer and the Administration. DWR is now selling electricity to customers in SCE's service territory because SCE is unable to supply 100% of the load requirements in its territory. As long as DWR performs this purchasing function,

mechanisms must be in place to ensure that DWR's electricity is transmitted and distributed to these customers. In addition, a detailed description of how SCE will fulfill its role as a collection agent is appropriate. We also believe it is appropriate for SCE to provide us with the same information it provides DWR, and we will order it to do so.

The provisions of the servicing agreement relating to transmission and distribution are reasonable because they provide for SCE to transmit and distribute DWR's electricity at no additional charge to the utility or to end-use customers, as SCE already records in rates amounts for transmission and distribution and there is no change in costs for handling DWR's power. Meter reading and other necessary revenue cycle services in SCE's service territory are also provided appropriately. We endorse the remittance methodology contained in the servicing agreement because it clearly establishes that SCE is acting as a collection agent for DWR. Provisions allowing SCE to reduce remittances to DWR for the already-tariffed costs of the 20/20 program adopt a reasonable approach to meeting DWR's requirement to pay these costs. As we discussed above, we believe that the incremental method of determining SCE's costs is appropriate, especially as we may prevent double-recovery by adjusting SCE's rates.

However, we will revise certain details of the servicing agreement. We eliminate the requirement for a separate line item for DWR charges on customers' bills, as we believe this will cause undue customer confusion. In addition, we will change the provisions concerning dual billing service. Water Code §80106 authorizes DWR to contract "with the related electrical corporation or its successor" for billing services. We respect the Legislature's judgement and do not believe it is cost effective to provide for separate billing by DWR, especially when this Commission maintains the authority to ensure that utilities

comply with the servicing agreement provisions. The Commission is able to ensure compliance with its orders because of monetary and criminal penalties if the utility or its officers refuse to comply with a Commission decision.

The proposed rate agreement also requires us to ensure that SCE complies with this order and we intend to meet those obligations. Furthermore, we retain the ability to reconsider these modifications at a future date if needed. For example, while we see no need for dual billing now, we retain discretion to adopt a different result in a different fact situation. We also modify Section 1 of Attachment E to clarify that our approval of the servicing agreement is not an endorsement of the Memorandum of Understanding (MOU) referenced in the servicing agreement.

Discussion of Issues Raised by Parties

Parties raise several concerns about the servicing agreement. Aglet states that the servicing agreement could result in double recovery of utility costs, and recommends that the Commission provide explicit protections against such double recovery. Aglet proposes that this be accomplished by ordering DWR to reimburse SCE for embedded costs incurred by SCE for metering, meter reading, billing, and customer service, rather than the incremental costs incurred in providing these services. Aglet also states that the determination of incremental costs is often disputed, is subject to manipulation by the utility, and its calculation is not specified in the servicing agreement. Aglet recommends that in SCE's next rate case, the Commission should allocate to the DWR charges[2] a share of SCE's distribution costs and common costs. Finally, Aglet recommends that until the Commission decides SCE's next rate case, the authorized electric

[2] Aglet refers to the "DWR Rate Component" but such a component is not provided for in any of the AB1X implementation decisions. We assume Aglet means DWR charges. (See Section 1.28.)

distribution revenue requirement should be reduced to reflect the unbundling of embedded costs to the DWR charges.

SCE contends that the use of incremental costs is consistent with Commission past practice and therefore Aglet's recommendation to use embedded costs should be rejected. SCE also asserts that even if these recommendation were adopted, there would be no impact to bundled customer's rates. SCE dismisses Aglet's concerns that incremental costs are manipulated by the utility, and references Attachment G of the servicing agreement as setting forth SCE's estimated incremental costs, their derivations in general, and a process of how those estimates will be revised, if necessary. Finally, SCE disagrees with Aglet's recommendations to allocate to the DWR charges a share of SCE's distribution and common costs and to subsequently reduce SCE's PBR revenue requirement to reflect the unbundling of embedded costs to the DWR charges. SCE argues that its PBR is designed to reward SCE and its customers for cost efficiencies, and thus its performance of the servicing agreement for DWR or itself should still benefit its customers. SCE does not see the rationale for two distribution rates, one subject to PBR and the other, or services provided to DWR, not subject to PBR.

We do not agree with Aglet that DWR should reimburse SCE for embedded costs, nor do we agree with Aglet's recommendations to allocate to DWR's charges a share of SCE's distribution costs and common costs. Separating embedded costs between DWR and SCE would be time-consuming and laborious, yet result in cost accounting benefits that are negligible at best. The embedded costs of certain services remain the same whether SCE provides that service to DWR or not. For example, SCE states that its metering and meter reading costs do not change at all whether SCE bills for DWR power or not. Furthermore, the transmission and distribution services, which SCE will provide

DWR under the servicing agreement, are already included in SCE's rates. There is little to be gained by creating separate categories of costs, one subject to SCE's PBR and the other not, when the PBR mechanism is intended to provide mutual benefits to customers and utility shareholders regardless of which entity is purchasing or generating the electricity. We note that Aglet acknowledges that the assignment of embedded costs to either DWR charges or SCE rates might not change the overall rates for bundled service. Thus, we will not reduce SCE's authorized electric distribution revenue requirement to reflect the unbundling of embedded costs to the DWR charges as Aglet suggests.

Even if implemented, Aglet's recommendations address a limited-term situation. DWR's authority was an emergency measure designed to stabilize a crisis. (Water Code §§ 80000, 80003.) Under the transaction currently being undertaken by the State Treasurer and the Administration, DWR must continue to sell electricity for the life of the bonds. However, AB1X appears to contemplate that the utilities will resume the responsibility of purchasing electricity for their customers (see Water Code §80260). Given that DWR's role as a power purchaser may change in the long term, so long as the bonds are not affected, the benefits of Aglet's recommendations would be of limited value.

However, Aglet raises an important issue regarding the potential to over-estimate incremental costs. We will order subsequent proceedings to review the costs SCE will charge DWR, and to determine if those costs are reasonable. In doing so, we are not reviewing the reasonableness of DWR's requests for service from the utility, but the reasonableness of the utility's behavior in responding to that request. If we find that the expenses are unreasonable in any part, we will require the utility to reduce its bill to DWR to eliminate any unreasonable expense.

We acknowledge that there is the potential that the costs SCE will recover from DWR will be greater than incremental costs that are already included in SCE's rates. Indeed the servicing agreement provides that the Commission may adjust SCE's rates to avoid double-recovery.[3] Accordingly, any concerns about double-recovery can be addressed in SCE's upcoming General Rate Case.

TURN states that the $1.8 million in capital 'start up' costs claimed by SCE in Attachment G of the servicing agreement should be treated as contributions in aid of construction (CIAC) or afforded similar ratemaking treatment since these costs, as well as ongoing expenses, are intended to be recovered through fees paid by DWR to SCE. Failure to properly account for these expenses places SCE's ratepayers at risk for paying depreciation expense and return on capital investment, costs which were recovered from DWR. SCE agrees that capital costs paid for by DWR should not be added to rate base and that no change to the servicing agreement is required for this to occur.

We concur. Capital 'start up' costs should not be added to rate base, but shall be treated as CIAC or afforded similar ratemaking treatment. Our determination of this issue does not require a change to the servicing agreement.

TURN also questions the MOU between DWR and SCE, described generally in Section 1 of Attachment E of the servicing agreement. If the Commission approves the servicing agreement, TURN recommends that the Commission avoid any possible inference that its approval of the servicing agreement constitutes an approval of all, or even a part, of the MOU. SCE clarifies that it is not seeking Commission approval of the MOU, and notes that

[3] Section 7.1 of the servicing agreement states: "Utility acknowledges that the Commission may adjust, with notice to Utility and an opportunity for Utility to be heard, Utility's rates to avoid double-recovery of any costs paid by DWR hereunder which have already been included in Utility's rates."

Attachment E references separate agreements between SCE and DWR which would not be superceded or otherwise affected by the servicing agreement.

We clarify that our actions today are not predicated on the MOU. Our approval of the servicing agreement does not constitute approval of any part of the MOU. In the event the MOU referenced in Attachment E is not approved as required by the MOU's own terms, our approval here should not be read as an independent endorsement of the MOU such that the MOU's provisions may be enforced through the servicing agreement. Language shall be added to Attachment E, Section 1 to make clear that the Commission's approval of the servicing agreement does not prejudge, endorse, or approve any component of the referenced MOU.

Another party, NewPower, states that the servicing agreements for all three utilities are ambiguous as to whether a utility default is required for DWR to switch to non-utility revenue cycle service providers. NewPower suggests that DWR may want to procure billing and metering services from non-utility suppliers in order to obtain potential gains in functionality or efficiency but would forego these benefits if the Commission permits the utilities to provide DWR these services at only a nominal fee. NewPower recommends that the Commission direct the utilities to provide revenue cycle services to DWR under the servicing agreement at exactly the same Commission-approved rates that the utilities charge non-utility electric service providers (ESPs) for such services.

The servicing agreements are not ambiguous. DWR can switch to non-utility revenue cycle service providers only if SCE defaults on the servicing agreement. (See Section 3.2 and Section 5.3(a)(ii).) In any event, we will modify the agreement so that DWR may not adopt a dual billing service. Moreover, it is not reasonable to charge DWR the same rates that the utilities charge ESPs for revenue cycle services. DWR is providing electricity to all retail end-use

customers in SCE's service territory, while ESPs provide electricity to only a limited number of customers. The fees paid by DWR to SCE are based on lump sum costs provided in Attachment G of the servicing agreement, while the rates paid by ESPs to SCE are based on a methodology adopted in D.98-09-070.

Water Code § 80106 states:

> "(a) The department may contract with the related electrical corporation or its successor in the performance of related service, for the electrical corporation or its successor in the performance of related service, to transmit or provide for the transmission of, and distribute the power and provide billing, collection, and other related services, as agent of the department, on terms and conditions that reasonably compensate the electrical corporation for its services.
>
> (b) At the request of the department, the commission shall order the related electrical corporation or its successor in the performance of related service, to transmit or provide for the transmission of, and distribute the power and provide billing, collection, and other related services, as agent of the department, on terms and conditions that reasonably compensate the electrical corporation for its services."

The law speaks only of electrical corporations or their successors as the providers of billing, collection and other revenue cycle services to DWR. The legislation is specific in mentioning reasonable compensation to electrical corporations for the services provided, and the legislation contains no reference to other entities such as ESPs providing such services. It is clear that the intent of the legislation is to ensure that SCE is reasonably compensated for the services it provides, rather than to ensure that other providers of revenue cycle services have an opportunity to compete with SCE. DWR's current role in providing electricity should cause the least possible increase in the total cost that electric end-use customers pay for billing and related services. Accordingly, we do not agree with NewPower's recommendation to direct the utilities to provide

revenue cycle services to DWR at a higher level than the incremental cost provided in the servicing agreement.

In addition to addressing the concerns raised by the commenters, we also address one other point in the servicing agreement that we mentioned earlier. Section 2.2 of Service Attachment 1 deals with the presentation of DWR charges on utility bills. Subdivision (a) of that section provides for a separate line item for DWR charges on all utility bills.[4] We believe this is undesirable. Electricity bills are already complex and adding a separate line item for DWR will only increase this complexity. Increasingly complex bills are likely to cause customer confusion, and may well dilute the energy conservation message we are trying to convey by the way in which tiered rates are shown on customers' bills. Accordingly, subdivision (a) of Section 2.2. of Service Attachment 1 should be revised to read as follows: "DWR charges shall appear on all Consolidated Utility Bills in the manner and at the time required by Applicable Law and Applicable Tariffs." While DWR charges will not be separately stated on customers' bills, the utility's internal accounting will account separately for DWR charges, so that the utility properly segregates the money it receives on behalf of DWR as DWR's agent from all other monies it received.[5] This revision is limited solely to subdivision (a) of Section 2.2 of Service Attachment 1 and is in no way intended to alter or amend any other provision thereof or of the servicing agreement or the parties' respective duties or obligations thereunder.

[4] There is a provision that allows the Commission to order otherwise.

[5] Today's decision specifically orders the utility to maintain internal accounting records and to provide the necessary information to DWR.

Conclusion

The servicing agreement between SCE and DWR is permitted under Water Code § 80106. We have reviewed all of the various provisions contained in the servicing agreement including those addressed in comments and protests, and have determined that the servicing agreement is reasonable with the changes we are adopting in this decision. Pursuant to Water Code §§ 80016 and 80106, we approve the servicing agreement attached to this decision with the revisions described herein. We also conclude that the servicing agreement between SCE and DWR is necessary to enable the issuance of the bonds developed and structured by the State Treasurer and the Administration as authorized by Water Code § 80130.

Rehearing and Judicial Review

This decision construes, applies, implements, and interprets the provisions of AB1X. Therefore, Public Utilities Code §1731(c) (applications for rehearing are due within 10 days after the date of issuance of the order or decision) and Public Utilities Code §1768 (procedures for judicial review) are applicable (See Stats. 2001-2002, First Extraordinary Session, Ch. 9.) (AB31X).

Comments on Draft Decision

Public Utilities Code Section 311(g)(1) generally requires that the Commission's draft decision be served on all parties, and subject to at least 30 days of public review and comment prior to a vote of the Commission. The time for filing comments to the draft decision was shortened pursuant to Rule 77.7(f). SCE and DWR submitted comments to the draft decision. We have considered those comments and have made the changes we deem appropriate to the decision.

Findings of Fact

1. On June 25, 2001, SCE filed an application requesting that the Commission approve the servicing agreement that was entered into between DWR and SCE.

2. The servicing agreement provides a detailed methodology for the remittance of revenues to DWR, and revises and expands upon the methods set forth in D.01-03-081 and D.01-05-064.

3. The servicing agreement establishes various fees and charges that DWR shall pay to SCE to cover the utility's incremental costs of establishing necessary procedures, systems and mechanisms, and performing its services.

4. The servicing agreement enables the Commission to adjust SCE's rate to avoid double recovery of any costs paid by DWR which have already been included in SCE's rate.

5. The servicing agreement establishes data and communication procedures between DWR and PG&E concerning customer usage, utility-retained generation, and energy trade schedules.

6. DWR is selling electricity to customers in SCE's service territory because SCE is unable to supply the entire load for its service territory.

7. In order for DWR to perform its purchasing function, mechanisms must be in place to ensure that DWR's electricity is transmitted and distributed to these customers.

8. The remittance methodology in the servicing agreement establishes that SCE is acting as DWR's collection agent.

9. A separate line item for DWR charges is likely to cause customer confusion.

10. Water Code §80106 only authorizes DWR to contract with the utility or its successor for billing services.

11. Separate billing by DWR is not cost effective.

12. The Commission has the authority and the tools necessary to ensure compliance by the utilities with the servicing agreement provisions.

13. The rate agreement decision requires the Commission to ensure that SCE complies with this order.

14. To protect against double recovery of utility costs, Aglet proposes that DWR reimburse SCE for the embedded costs of certain services rather than incremental costs.

15. Aglet states that the determination of incremental costs is often disputed, subject to manipulation, and that the incremental cost calculation is not specified in the proposed servicing agreement.

16. Separating embedded costs between DWR and SCE would be time-consuming and laborious, and would result in cost accounting benefits that are negligible.

17. The embedded costs of certain services remain the same whether SCE provides that service to DWR or not.

18. Aglet acknowledges that the assignment of embedded costs to either the DWR charges or SCE's rate might not change the overall rates for bundled service.

19. TURN believes that the capital start up costs in Attachment G of the servicing agreement should be treated as CIAC or afforded similar ratemaking treatment.

20. The Commission should avoid any inference that the approval of the servicing agreement constitutes an approval of all, or even a part, of the MOU.

21. NewPower contends that it is unclear whether a utility default is required before DWR can use a non-utility revenue cycle service provider.

22. DWR can only switch to a non-utility revenue cycle service provider if SCE defaults on the servicing agreement.

23. DWR is providing electricity to all retail end-use customers in SCE's service territory, while ESPs provide electricity to only a limited number of customers.

24. The fees paid by DWR to SCE are based on lump sum costs provided for in the servicing agreement, while the rates paid by ESPs to SCE are based on the methodology adopted in D.98-09-070.

25. Existing law only refers to electrical corporations or their successors as the providers of billing, collection and other revenue cycle services for DWR.

26. DWR's role in providing electricity should cause the least possible increase in the total cost that electric end-use customers pay for billing and related services.

27. The public interest in approving the servicing agreement between SCE and DWR in time to facilitate the bond issuance clearly outweighs the public interest in having a full 30-day comment period.

Conclusions of Law

1. The Commission has the jurisdiction to resolve disputes between SCE and DWR concerning the reasonableness of costs charged to DWR.

2. SCE shall provide the Commission with the data it supplies to DWR concerning customer usage, utility-retained generation, and electric trade schedules.

3. The servicing agreement's requirement of a separate line item for DWR charges should be eliminated.

4. The provisions concerning dual billing should be deleted from the servicing agreement because it is too costly and unnecessary given the Commission's broad enforcement powers over regulated utilities.

5. Section 1 of Attachment E of the servicing agreement should be revised to reflect that the approval of the servicing agreement is not an endorsement of the MOU.

6. The Commission should establish a subsequent procedure to review the reasonableness of the incremental costs that SCE charges DWR.

7. Concerns about double recovery can be addressed in SCE's next General Rate Case.

8. Capital start up costs should be treated as CIAC or afforded similar ratemaking treatment.

9. Section 1 of Attachment E to the servicing agreement should make clear that the Commission's approval of the servicing agreement does not prejudge, endorse, or approve any component of the MOU.

10. NewPower's recommendation to direct the utilities to provide revenue cycle services to DWR at a higher level than the incremental cost provided in the servicing agreement should not be adopted.

11. The servicing agreement between DWR and SCE is approved, subject to the revisions described in this decision.

12. The servicing agreement between DWR and SCE is necessary to enable the issuance of the bonds as authorized in Water Code § 80130.

13. This decision construes, applies, implements, and interprets the provisions of AB1X.

O R D E R

IT IS ORDERED that:

1. The servicing agreement that was executed between the California Department of Water Resources (DWR) and Southern California Edison

Company (SCE), attached as Appendix A to this decision, is approved, with the revisions contained in Ordering Paragraphs 3, 4 and 5.

2. The $1.8 million in capital start up costs for SCE shall be treated as contributions in aid of construction or afforded similar ratemaking treatment.

3. The "Dual Billing Service" references in the servicing agreement shall be revised as follows:

a. Section 1.9 shall be revised to read as follows: "Billing Services - means Consolidated Utility Billing Service."

b. Sections 1.26, 1.27, and 3.2 shall be deleted.

c. The last sentence in Section 3.4, beginning with the words "Upon any election…," shall be deleted.

d. Subdivision (a) of Section 5.3 shall be revised to delete sub-section (ii), and sub-section (iii) shall be renumbered as sub-section (ii).

e. Subdivision (b) of Section 5.3 shall be deleted.

4. Subdivision (a) of Section 2.2 of Service Attachment 1 shall be replaced in its entirety with the following: "DWR charges shall appear on all Consolidated Utility Bills in the manner and at the time required by Applicable Law and Applicable Tariffs."

5. Attachment E of the Servicing Agreement shall be revised to add the following language to the end of Section 1:

> "In the event the MOU is not approved as required by its own terms, the reference to the MOU in this Attachment E provides no independent basis for enforcement of the MOU."

6. SCE shall provide to the Director of the Energy Division all information transmitted to and received from DWR pertaining to utility-retained generation, and all information transmitted to and received from DWR pursuant to the

Servicing Agreement pertaining to customer usage information and electric trade schedules.

a. This information shall be transmitted on a weekly basis, or on a more frequent basis if directed by the Director of the Energy Division.

7. SCE shall provide upon request by DWR, such additional information as may be reasonably necessary for DWR, at any point in time, to determine on a customer-by-customer basis the amount of DWR charges that have been billed to, or that have accrued with respect to, retail end use customers in the utility's service area.

a. SCE shall also maintain internal accounting records which identify, on a daily basis, the amounts to be remitted to DWR from each customer.

8. Within 20 days of the date of this decision, SCE shall file and serve in this docket, a motion seeking approval of the basis on which the incremental costs contained in the servicing agreement and charged to DWR were calculated.

a. DWR shall provide a written response as to whether it is DWR's view that SCE's incremental costs are reasonable.

This order is effective today.

Dated September 6, 2001, at San Francisco, California.

LORETTA M. LYNCH
President
CARL W. WOOD
GEOFFREY F. BROWN
Commissioners

I dissent.

HENRY M. DUQUE
Commissioner

I dissent.

RICHARD A. BILAS
Commissioner

(APPENDICES A & B)

http://www.cpuc.ca.gov/PUBLISHED/REPORT/9335.PDF