

DEC 12 1990

Decision 90-12-021 December 6, 1990

## 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 Authority to Increase )  
 Its Authorized Level of Base Rate )  
 Revenue Under the Electric Revenue )  
 Adjustment Mechanism and to Reflect )  
 This Increase in Rates Effective )  
 January 1, 1991. )

**ORIGINAL**  
 Application 90-03-048  
 (Filed March 30, 1990)

(Appearances are listed in Appendix A.)

O P I N I O NSummary of Decision

The Commission approves a settlement between Southern California Edison Company (Edison) and the Division of Ratepayer Advocates (DRA), by which Edison is authorized to increase its Authorized Level of Base Rate Revenue (ALBRR, or "margin") by \$202.8 million for the year 1991. The settlement resolves disputed issues in a modified attrition application, which was previously authorized in order to defer Edison's scheduled general rate case (GRC) from test year 1991 to 1992.

The settlement allows for two further adjustments:

(1) revision of the authorized margin increase to reflect the 1991 cost of capital adopted by the Commission in a separate proceeding, and (2) an additional \$2.9 million in revenue requirement when the wage limitation under the Federal Insurance Contributions Act (FICA) is increased at the end of 1990.

The settlement also revises ratemaking treatment of revenues from off-system sales, changing from a forecast basis to balancing account treatment. This revision is authorized for 1991 only. The issue will be revisited in Edison's next GRC, in order to review utility incentives to maximize sales of excess capacity.

## General Background

### Attrition

Attrition is the deterioration of utility earnings between GRCs due to inflation of expenses, increases in net plant in service, and increased cost of capital. The attrition mechanism, formally known as the Attrition Rate Adjustment (ARA, or simply "attrition"), is designed to respond to increased costs during the years between GRCs. The mechanism now has three parts: (1) operational attrition, in which indexing is allowed for operating expenses, (2) rate base attrition, in which rate base is adjusted based on historical trends of net plant in service, and (3) financial attrition, in which authorized cost of capital is adjusted to reflect actual costs of debt and revisions to capital structure and return on equity. Attrition adjustments are made annually between GRCs. Financial attrition requires an application to the Commission. The remaining elements are usually handled by advice letter.

### Revenue Terminology

Base rates are essentially rates set to recover non-fuel-related revenue requirement. Edison's ALBRR, or margin, is the net revenue requirement used within the Electric Revenue Adjustment Mechanism (ERAM) for setting base rates. The attrition mechanism is used to revise the margin between GRCs. Fuel-related rates are set in Energy Cost Adjustment Clause (ECAC) proceedings. Amortization of ERAM account balances is also considered in ECAC cases, but not the margin amount within ERAM.

In conventional ratemaking practice, electric utility margin is the total non-fuel-related revenue requirement, less credits for revenues received from sources other than retail tariffs. Those revenues derive from wholesale selling of electricity to other utilities, transmission access revenues from other utilities, special facilities charges from retail customers,

etc. The revenue credits are usually made on a forecast basis. The forecasts are litigated in GRCs and ECAC proceedings.

However, in Decision (D.) 90-01-048 in Edison's last ECAC proceeding the Commission ordered Edison to credit certain non-fuel-related revenues from the Sacramento Municipal Utility District (SMUD) to the ERAM account. This special treatment arose from a dispute about whether Edison should have notified the Commission about the existence of a contract with SMUD during its last GRC.

Off-system sales are defined as contract sales for resale of electricity, excluding non-jurisdictional sales regulated by the Federal Energy Regulatory Commission. Off-system sales for Edison include: contract sales to SMUD; sales to the cities of Anaheim, Azusa, Banning, Colton, and Riverside under an agreement known as the New Business Relationship (NBR) contract; and economy energy sales and emergency sales to other utilities.

Other operating revenues (OOR) are not contract sales for resale, but derive from all other transactions that produce revenues. The most significant sources of OOR are transmission service revenues and special facilities charges. The latter are non-tariff payments from retail customers for equipment or facilities that are owned by the utility but are dedicated to use by individual customers. Examples are certain street lighting systems, and interconnections with sellers of power to the utility, including some cogenerators.

#### Procedural Background

Edison's last GRC was for test year 1988. The next GRC should have been for test year 1991, with hearings held during 1990. However, in 1990 both Edison and DRA have been occupied with Application (A.) 88-12-005, Edison's request to merge with San Diego Gas & Electric Company. In D.89-08-036 the Commission deferred the GRC to test year 1992, authorizing Edison to file this modified attrition application for 1991. The Commission allowed Edison to seek approval of certain expenses that

would not be included in conventional attrition formulas, specifically increased operations and maintenance (O&M) expenses relating to growth in numbers of customers and increased employee health care costs. Attachment A to D.89-08-036 restricted the scope of the modified attrition application.

The present application was filed March 30, 1990, in compliance with a procedural schedule ordered in D.89-08-036. Edison subsequently met the public notice requirements of Rule 52 of the Commission's Rules of Practice and Procedure.

In its application, Edison requested waiver of certain terms of Rules 23(b) and 23(c), relating to public notice. The Rules require calculation of revenue allocation and rate design impacts of proposed revenue changes, separated by customer class. Edison argued for a waiver because the rate design impacts of this application are included in A.90-06-001, its current ECAC proceeding, where rate design is being considered. Edison argued that rate design calculations covering only the revenue changes in this application would be time consuming, would have no meaning without consolidation with other concurrent revenue changes, and might confuse customers. The assigned Administrative Law Judge (ALJ) agreed that waiver is reasonable, subject to confirmation by the Commission. We concur with Edison and the ALJ that there is good cause for a waiver, and it will be granted.

A prehearing conference was held May 30, 1990. Prefiled testimony was submitted by Edison and DRA only, and hearings were scheduled to begin August 20, 1990.

On August 10, 1990 Edison and DRA filed notice of a settlement conference, scheduled for August 17. The date was later revised to the morning of August 20, the first day of evidentiary hearings. At the evidentiary hearing that afternoon, the ALJ ruled that Edison and DRA, the settlement proponents (Proponents), should file further testimony in support of the settlement. Hearings on the original, prefiled testimony were suspended and eventually

cancelled. Later on August 20 the Proponents filed a joint motion for adoption of their executed Settlement and Stipulation (Settlement).

No comments or protests were received from any party regarding the Settlement. The ALJ scheduled a one day evidentiary hearing on the Proponents' testimony. The hearing was completed September 24, 1990. At the Proponents' request, the matter was submitted without briefs or oral argument.

#### Coordination With Other Proceedings

Any changes in margin authorized in this proceeding must be coordinated with other proceedings affecting Edison's January 1, 1991 rate change. Cost of capital (financial attrition) is being reviewed in A.90-05-016, and fuel-related costs are considered in A.90-06-001. The January 1 rate change may also include revenue changes for Edison's High Voltage Direct Current (HVDC) transmission line expansion project, demand side management, sale of Edison's interest in the Yuma-Axis Generating Station, and other matters. The sequence of ratemaking decisions should be: (1) cost of capital, now targeted for the Commission meeting of November 21, 1990, (2) operational and rate base attrition, in this proceeding, targeted for the meeting of December 6, and (3) ECAC, including rate design, at the December 19 meeting. Decision dates on the other matters are uncertain. If cost of capital can be adopted first, then revenue requirements which are sensitive to rate of return can be decided second in the sequence. Finally, all the revenue pieces can be assembled into the rate design adopted in the ECAC proceeding.

#### Original Positions of the Parties

Edison originally requested an increase in margin of \$234.8 million, which is 6.3% over the currently authorized margin. The largest components of the increase were a \$108.7 million increase in O&M expenses excluding health care costs, \$12.7 million for health care increases, and \$93.1 million due to added rate

base. Other components were for increased jurisdictional allocation factor due to reduced sales to wholesale customers, an explicit revenue credit of \$29.5 million for sales to SMUD, and increased payroll and ad valorem taxes. The total request did not include revenue changes for revisions to cost of capital.

Edison calculated its request would cause a rate increase of about 1.2% over present rates. The rate increase would be less than the margin increase because most additional revenues would be recovered through increased sales. Details of Edison's request, along with DRA's original position and the Settlement amounts, are shown in Appendix B to this decision.

Prior to reaching the Settlement, DRA in its prefiled testimony recommended a modified attrition increase of \$116.4 million, which is \$188.4 million less than Edison's request. The principal areas of dispute were additional health care costs, growth of O&M costs due to customer growth, rate base costs, crediting of off-system sales revenues, and crediting of revenues from sale to other utilities of shares of the HVDC expansion project.

#### Terms of the Settlement

The expense and revenue elements of the Settlement are shown in Appendix B. The Settlement calls for a margin increase of \$202.8 million. Because of revisions to treatment of revenues from off-system sales, the \$202.8 million cannot be directly compared to the original positions of Edison and DRA.

The Settlement shows a compromise value for increased O&M expenses, including health care. DRA's recommendations for rate base costs are adopted, as are Edison's recommendations for ad valorem and payroll taxes. There is no dispute over jurisdictional allocation. There is no dispute over the values for off-system sales revenues, but a dispute over the ratemaking treatment of those revenues is resolved in the Settlement.

Under the Settlement, all non-fuel-related revenues from off-system sales will no longer be credited against revenue requirement on a forecast basis to determine margin. Instead, previous revenue credits will be removed from the margin, and recorded revenues from all off-system sales will be credited to the ERAM balancing account. The recorded credits have three sources: (1) contract sales to SMUD, (2) sales under the recently executed NBR contract, and (3) all sources included in the last GRC forecast. SMUD revenues are now credited to ERAM, in compliance with D.89-08-036. Absent explicit order by the Commission, NBR revenues would go directly to shareholders, because they were not included in the GRC forecast. Revenues forecast in the last GRC are now credited against margin, whether they actually arrive or not. According to the Settlement, Edison's margin will be increased to effect the transfer of existing credits (those forecast in the last GRC) from a forecast basis to ERAM treatment. SMUD and NBR revenues will receive similar treatment, but no change to margin is required because the revenues have never been credited against the margin. The Proponents estimate that off-system sales revenues credited to ERAM will total \$49.1 million in 1991.

The Settlement allows two further adjustments to the margin increase of \$202.8 million. The adjustments are not shown in Appendix B. First, any change to Edison's cost of capital adopted in A.90-05-016 should be incorporated. Second, an increase of \$2.9 million could be filed by advice letter if the Federal wage limitation for FICA contributions is increased before the end of 1990, from the current \$51,300 to the anticipated 1991 value of \$54,800. The 1988 wage limit adopted in Edison's last GRC was \$48,600. The revenue impacts of increases in the limit between 1988 and 1990 have been incorporated into Settlement values for payroll taxes.

A copy of the Settlement is reproduced in Appendix C to this decision.

Proponents' Testimony and Argument

Standard of Review

Rule 51.1(e) of the Commission's Rules of Practice and Procedure states:

"The Commission will not approve stipulations or settlements, whether contested or uncontested, unless the stipulation or settlement is reasonable in light of the whole record, consistent with law, and in the public interest."

The Proponents' testimony was directed at demonstrating compliance with this Rule.

The Proponents believe the Settlement is reasonable because it is the product of the reasoned and informed judgment of Edison and DRA, based on full and complete investigations of the issues by both parties. The fact that no other party conducted discovery, submitted evidence, or protested the Settlement further indicates that the compromise reached by the Proponents is fair to both ratepayers and the utility. The record shows the Settlement is a fair resolution of the many issues within the modified attrition application.

The Proponents' testified that the Settlement provision for amendment of the margin to reflect the 1991 FICA wage limitation is reasonable because it recognizes Federal actions which are very likely to take place after filing of the testimony but before the end of 1990. If Edison had gone forward with a test year 1991 GRC, the FICA adjustment would have been included.

Because no protest was made to the Settlement, the Proponents filed a joint motion for modification of the procedural schedule, seeking to cancel evidentiary hearings. The Proponents compare the Settlement with Commission approval of a previous settlement reached between DRA and Pacific Gas and Electric Company, regarding the Diablo Canyon nuclear power plant. In



D.88-12-083 the Commission mentioned many factors that should be considered and balanced in approving a settlement. Among them:

"The most important element in determining the fairness of a settlement is the relationship of the amount agreed upon to the risk of obtaining the desired result."<sup>1</sup>

The desired results in the present application are the original positions of Edison and DRA regarding 1991 margin increase.

In D.88-12-083 the Commission also considered standards used by courts in review of class action settlements:

"The standard used by the courts in their review of proposed settlements is whether the class action settlement is fundamentally fair, adequate, and reasonable." (Officers for Justice v. Civil Service Commission of the City and County of San Francisco [9th Cir. 1982] 688 F. 2d [615, 625].)<sup>2</sup>

"In order to determine whether the settlement is fair, adequate, and reasonable, the court will balance various factors which may include some or all of the following: the risk, expense, complexity, and likely duration of further litigation; the amount offered in settlement; the extent to which discovery has been completed so that the opposing parties can gauge the strength and weakness of all parties; the stage of the proceedings; the experience and views of counsel; the presence of a governmental participant; and the reaction of the class members to the proposed settlement." (Officers for Justice v. Civil Service Commission of the City and County of San Francisco, supra, 688 F. 2d at p. 625.)

"In addition, other factors to consider are whether the settlement negotiations were at

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1 30 CPUC 2d 189, 267 (1988).

2 Ibid., at p. 222.

3 Ibid.

arm's length and without collusion; whether the major issues are addressed in the settlement; whether segments of the class are treated differently in the settlement; and the adequacy of representation." (Parker v. Anderson,<sup>4</sup> [5th Cir. 1982], 667 F. 2d [1204,1209].)

The Proponents believe consideration of these factors supports approval of Settlement. Because these factors have been used by the courts and have been previously considered by the Commission in the Diablo Canyon settlement, the Proponents argue the Settlement is consistent with law.

#### Revision for Cost of Capital

The Proponents request that any increase in margin authorized in this proceeding be adjusted to reflect the 1991 cost of capital adopted in A.90-05-016. This is consistent with the coordination of operational, rate base, and financial attrition in previous attrition years.

#### Ratemaking Treatment of Off-System Sales

The Proponents believe the ratemaking change for off-system sales, from a forecast basis to balancing account treatment, is reasonable because it reflects the significant activity and magnitude of off-system sales contracts in recent periods. In addition, contested issues regarding incremental O&M expenses necessary to perform under the off-system sales contracts are resolved by the Settlement.

#### Rate Design Impact of Off-System Sales Revenues

Although the Settlement would remove off-system sales credits from the margin, the Proponents agreed in hearings that off-system sales revenues should be anticipated in the setting of rates effective January 1, 1991. This would minimize fluctuations in the ERAM account balance. In the rate design process in Edison's ECAC proceeding, the ERAM balancing rate should be reduced

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4 Ibid.

to reflect the expected recovery of \$49.1 million in off-system sales. The balancing rate does not affect ultimate recovery of margin by Edison, but serves to amortize ERAM account balances.

Net Rate Level Change

The Proponents claim the net rate level change resulting from the Settlement will be zero, because the margin increase will be exactly matched by revenues from off-system sales and increased retail sales. Apart from further adjustments for cost of capital and the FICA wage limit, the Settlement will have no impact on customer rates. Derivation of the zero net rate change includes \$49.1 million in revenues from off-system sales.

When asked by the ALJ during hearings, the Proponents could provide no updated estimates of off-system sales revenues, whether from the SMUD contract, the NBR contract, or the revenues forecast in the last GRC. The Proponents did agree that increased cost of capital, increase in the FICA wage limit, or decreased revenues from off-system sales could produce an eventual increase in overall rate level.

Discussion

The Proponents cite D.88-12-083 in search of the factors the Commission should consider in review of the Settlement, and we agree those factors are the correct ones. Considering the most important element, the balance of risks and results, comparison of the elements of the Settlement with the Proponents' original positions shows that both sides have compromised on the revenue increases to be granted. Both parties faced substantial risks in seeking to obtain their desired results through the formal hearing process.

Looking at other factors which courts have balanced in reviewing class action settlements, we find the settlement is reasonable and in the public interest. Continued litigation would have been costly and time consuming, especially considering the necessity to revise rates by January 1, 1991. The amount agreed

upon in settlement seems to be a fair compromise between the positions of the parties. Discovery had been completed, and testimony was filed with the Commission. Both Edison and DRA are experienced at litigating revenue requirement matters. There is no evidence of collusion by the parties. Finally, different classes of ratepayers are treated uniformly, albeit largely because rate design is outside the scope of the proceeding.

In sum, we agree with the Proponents' claims that the Settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

We are less impressed, however, with the Proponents' claims that the Settlement will produce no net change in rate level. The evidence on the record shows it is very likely the \$2.9 million increase due to revised FICA wage limit will be invoked. As well, the actual appearance of the claimed \$49.1 million in off-system sales revenues is in doubt. Two of the three elements of those revenues will probably be less than predicted. The last GRC forecast of off-system sales revenues was \$6.7 million, but Edison testified that less than this amount has been received in recent years. Prefiled testimony in Edison's current ECAC proceeding states that during 1991 there will be inadequate fuel supplies to support economy energy sales, which are a component of off-system sales. That statement by an Edison witness could not be corroborated by the Proponents.

Further, there is testimony in this proceeding that sales to SMUD will be 788 gigawatt-hours in 1991, but in the ECAC proceeding the prefiled testimony offers an estimate of only 306 gigawatt-hours for the same contract. According to Edison, the difference is due to a more current estimate in the ECAC case. There is no evidence on this record of the basis for the newer estimate. Reduced sales to SMUD would compromise the claim that the Settlement will not increase rates. If SMUD sales decline, the revenue reduction will not be proportional to the sales reduction,

because more than half the SMUD revenues arise from demand charges rather than energy charges. . .

Considering the likely reduction of SMUD revenues and the increase in FICA costs for 1991, the Settlement will likely cause net rate levels eventually to increase by \$10 million to \$20 million annually. The increase cannot be determined precisely because it depends on the off-system sales revenues actually received.

The Proponents agree that the "bottom line" of zero rate change shown in Appendix B is not being requested as part of the Settlement. Instead, the margin increase of \$202.8 million should be ordered by the Commission, along with the revisions to treatment of off-system sales revenues. Beyond that, the predicted zero rate change is a consequence of the Settlement, not one of its elements.

We are also concerned about the impact of revised treatment of off-system sales revenues on Edison's incentive to sell excess capacity. Edison testified it has little influence over decisions by other utilities to make purchases from Edison, claiming Edison is merely an available supplier at rates that are typically set at incremental cost. Customer decisions are made by comparison of Edison's incremental cost with other market prices. Edison also testified that the change in ratemaking treatment will not reduce Edison's incentive to develop new customers for sale of excess capacity. Despite Edison's testimony, we are wary of the loss of incentive to maximize off-system sales. For 1991, this loss is balanced by crediting to ratepayers of non-fuel-related revenues from the NBR contract. The NBR revenues might otherwise flow to shareholders.

The Settlement calls for balancing account treatment of off-system sales revenues beginning January 1, 1991, but there is no explicit termination date for that treatment. In approving the Settlement we will allow balancing account treatment only for 1991. The issue should be revisited in Edison's test year 1992 GRC.

Until then we expect Edison to vigorously pursue off-system sales as long as it has the resources to make those sales.

We will approve the Settlement with the express understanding that balancing account treatment of off-system sales revenues is approved for 1991 only.

Adoption of the Settlement requires several implementation orders. First, we will approve the revised ratemaking treatment and the increase in margin of \$202.8 million. Second, we will authorize updating the margin increase for the cost of capital adopted in A.90-05-016. This will be done by a compliance advice filing, so that interested parties will have notice of the final operational and rate base attrition amounts. Edison shall also file the spread sheet developing the cost of capital adjustment with the Commission Advisory and Compliance Division for review. Third, we will authorize the margin increase for revision to the FICA wage limit, by advice filing as specified in the Settlement. Finally, we will order the margin change to be incorporated into the rate design adopted in A.90-06-001, Edison's ECAC proceeding, including reduction of the ERAM balancing rate in anticipation of off-system sales revenues.

Because the revenue requirement changes authorized in this decision must be incorporated into subsequent Commission decisions before the end of 1990, this order should become effective on the date signed.

#### Revisions to Proposed Decision

A proposed decision in this matter was prepared by the assigned ALJ and was served on all parties on November 6, 1990. No comments were received. Minor modifications to the proposed decision have been incorporated into this decision of the Commission.

#### Findings of Fact

1. In D.89-08-036 the Commission authorized Edison to file a modified operational attrition application for the year 1991.

2. On March 30, 1990 Edison filed the present application, in compliance with the procedural schedule ordered in D.89-08-036.

3. Following notice and completion of a settlement conference, as required by Rule 51.1, on August 20, 1990 Edison and DRA filed a joint motion for adoption of the Settlement, which resolves all issues in this proceeding.

4. The revenue requirement terms of the Settlement are shown in Appendix B to this decision. The 1991 margin increase is \$202,787,000. Other terms of the Settlement allow for updating of Edison's authorized margin to reflect the cost of capital adopted in A.90-05-016, amendment of the margin for increase in the FICA wage limit, and balancing account treatment for all off-system sales revenues.

5. Edison and DRA face substantial risks in seeking to obtain their desired results through the formal hearing process.

6. Continued litigation of the parties' original positions would have been costly and time consuming.

7. The revenue requirement specified in the Settlement is a compromise between the original positions of Edison and DRA.

8. At the time the Settlement was filed, discovery was completed and testimony had been filed with the Commission.

9. Edison and DRA are experienced at litigating revenue requirement matters.

10. DRA is a governmental participant in the Settlement.

11. No party has expressed opposition to the Settlement.

12. There is no evidence of collusion between the settling parties.

13. The Settlement addresses the major issues in Edison's application.

14. No class of ratepayers will receive special treatment if the Settlement is approved.

15. The Proponents claim the Settlement will cause no net rate level change, but that result is very unlikely. It is likely

that Edison's net rate level will eventually increase by \$10 million to \$20 million as a result of the Settlement.

16. Revision of ratemaking treatment for off-system sales revenues, from a forecast basis to balancing account treatment, will result in a loss of the incentive for Edison to maximize sales of excess capacity.

17. Balancing account treatment of off-system sales revenues is reasonable for 1991, because the loss of incentive is balanced by the crediting to ratepayers of revenues from the NBR contract.

18. The Settlement is reasonable in light of the whole record and is in the public interest, with the express understanding that balancing account treatment of off-system sales revenues is approved for 1991 only.

19. It is reasonable to update the authorized margin increase for the cost of capital adopted in A.90-05-016.

20. It is reasonable to increase the authorized margin by no more than \$2,887,000 to reflect the 1991 increase in FICA wage limit, if the FICA change is enacted before the end of 1990.

21. It is reasonable to incorporate the revenue requirement changes authorized in this decision into the revenue allocation and rate design process authorized in A.90-06-001, Edison's current ECAC application.

#### Conclusions of Law

1. Pursuant to Rule 87, Edison has shown good cause for waiver of the terms of Rule 23 relating to calculation of the proposed rate increase by rate classification.

2. The Settlement is consistent with law.

3. The Settlement should be approved for 1991 only.

4. Ratemaking treatment of off-system sales revenues should be revisited in Edison's next GRC.

5. This order should become effective on the date signed, in order that revenue changes can become effective January 1, 1991.



O R D E R

IT IS ORDERED that:

1. For this application, the terms of Rule 23 of the Commission's Rules of Practice and Procedure relating to calculation of proposed rate increases by rate classification are waived.

2. The Settlement and Stipulation filed August 20, 1990 by Southern California Edison Company (Edison) and the Division of Ratepayer Advocates is approved, with the limitation that balancing account treatment of off-system sales revenues shall be effective only during calendar year 1991.

3. Edison is authorized to increase its Authorized Level of Base Rate Revenues by \$202,787,000, effective January 1, 1991, subject to revisions to that amount ordered below.

4. Edison shall update its Authorized Level of Base Rate Revenues to reflect the 1991 cost of capital authorized by the Commission in Application 90-05-016. The revision for cost of capital shall be filed by advice letter within five (5) days of the effective date of this decision. The advice letter shall include a table in the format of the table in Appendix B to this decision, revised to reflect the 1991 cost of capital, and showing both the 1990 and 1991 adopted costs of capital. Coincident with the advice filing, Edison shall provide to the Director of the Commission Advisory and Compliance Division a copy of work papers and any computer spread sheet used to calculate the revised revenue requirement, in hard copy and diskette form.

5. Edison is authorized to increase its Authorized Level of Base Rate Revenues by no more than \$2,887,000, effective January 1, 1991, to reflect an increase in Federal Insurance Contribution Act wage limitation, if that revision is enacted prior to January 1, 1991. The revenue requirement increase shall be filed by advice

letter within five (5) days of the date of publication or of the effective date of this decision, whichever is later.

6. The revenue requirement and ratemaking revisions authorized in this decision shall be incorporated into the revenue allocation and rate design process authorized in Application 90-06-001, to become effective January 1, 1991.

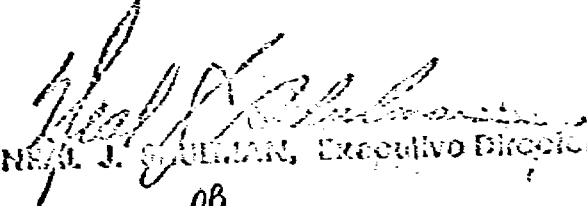
7. This proceeding is closed.

This order is effective today.

Dated December 6, 1990, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY

  
NEAL J. SULLIVAN, Executive Director  
JB

APPENDIX A

List of Appearances

Applicant: Richard K. Durant, Carol B. Henningson, and Frank A. McNulty, Attorneys at Law, for Southern California Edison Company.

Interested Parties: Messrs. Jackson, Tufts, Cole & Black, by William H. Booth and Joseph S. Faber, Attorneys at Law, for California Large Energy Consumers Association; Dave Clark, Attorney at Law, and Richard Swanson, for San Diego Gas & Electric Company; L. K. McNair, for Mock Resources, Inc.; Joel R. Singer, Attorney at Law, for Toward Utility Rate Normalization; Nancy Thompson, for Barakat & Chamberlain; and Alan R. Watts, for Rourke & Woodruff.

Division of Ratepayer Advocates: Alberto Guerrero, Attorney at Law, and David Fukutome.

State Service: Ali Miremadi, for the Commission Advisory and Compliance Division.

(END OF APPENDIX A)

## APPENDIX B

1991 MODIFIED ATTRITION  
INCREMENTAL REVENUE REQUIREMENT COMPARISON  
(\$ 000)

<u>Components</u>	<u>SCE</u>	<u>DRA</u>	<u>Settlement</u>
O&M (Excluding Health Care)	108,691	38,977	63,171
Health Care Increase	12,696	0	Incl. Above
Rate Base	93,132	89,434	89,434
Jurisdictional Allocation	34,919	34,919	34,919
Revenue Credits			
Off-System Sales			
- SMUD	(29,516)	(29,516)	0*
- NBR	0	(12,885)	0*
- Resale Special	0	0	6,715*
Other Operating Revenues			
- HVDC Expansion Project	0	( 4,562)	(4,562)
Ad Valorem & Payroll Tax	<u>14,902</u>	<u>0</u>	<u>13,110</u>
TOTAL	234,824	116,367	202,787
Sales Growth	(153,671)	(153,671)	(153,671)
Off-System Sales to ERAM	..		
- SMUD	0	0	(29,516)
- NBR	0	0	(12,885)
- Resale Special	0	0	(6,715)
Subtotal	0	0	(49,116)
Net Rate Level Change Resulting from this Application	81,153	(37,304)	0

\* Transfer from Revenue Credit to ERAM balancing account.

(END OF APPENDIX B)

APPENDIX C

Page 1

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SETTLEMENT AND STIPULATION

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August 1990

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SETTLEMENT AND STIPULATION

Pursuant to the California Public Utilities Commission  
("CPUC" or "Commission") Rules of Practice and Procedure  
("Rules") 51 through 51.10, the Commission's Division of  
Ratepayer Advocates ("DRA"), Southern California Edison Company  
("Edison" or "Company"), (collectively, the "Parties")  
respectfully submit to the Commission this Settlement and  
Stipulation of the underlying issues of law and fact in this  
proceeding. Accompanying this Settlement and Stipulation is the  
joint Motion of the Parties requesting that the Commission adopt  
the terms of this Settlement and Stipulation in its Decision on  
Application No. 90-03-048.

# CORRECTION

THIS DOCUMENT HAS  
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APPENDIX C  
Page 1

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 Authority To Increase )  
Its Authorized Level Of Base Rate )  
Revenue Under The Electric Revenue )  
Adjustment Mechanism And To Reflect )  
This Increase In Rates Effective )  
January 1, 1991. )

Application No. 90-03-048  
(Filed March 30, 1990)

SETTLEMENT AND STIPULATION

DIVISION OF RATEPAYER ADVOCATES

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TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>	<u>Page</u>
I.	INTRODUCTION AND BACKGROUND.....	2
II.	SETTLEMENT AND STIPULATION.....	4
	A. Off-System Sales.....	5
	B. Other Operating Revenue.....	7
	C. Government-Mandated Changes.....	7
	D. Other Actions Affecting January 1991 Rates.....	7
III.	AGREEMENT OF THE PARTIES.....	7

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## SETTLEMENT AND STIPULATION

Pursuant to the California Public Utilities Commission  
("CPUC" or "Commission") Rules of Practice and Procedure  
("Rules") 51 through 51.10, the Commission's Division of  
Ratepayer Advocates ("DRA"), Southern California Edison Company  
("Edison" or "Company"), (collectively, the "Parties")  
respectfully submit to the Commission this Settlement and  
Stipulation of the underlying issues of law and fact in this  
proceeding. Accompanying this Settlement and Stipulation is the  
joint Motion of the Parties requesting that the Commission adopt  
the terms of this Settlement and Stipulation in its Decision on  
Application No. 90-03-048.

## I.

## INTRODUCTION AND BACKGROUND

By letter to the Commission's Executive Director dated May 18, 1989, DRA requested that Edison's scheduled 1991 General Rate Case ("GRC") be deferred to 1992. In response to that request, on August 3, 1989 the Commission issued Decision No. 89-08-036, which deferred Edison's 1991 GRC and authorized Edison to apply for a Modified 1991 Operational Attrition adjustment. Decision No. 89-08-036 authorized Edison to present testimony on specific modifications to the existing attrition methodology<sup>1</sup> involving:

"(1) a Fixed Component (Rate Base Modifications); (2) a Variable Component (growth in selected O&M areas, medical growth, Post-Retirement tax advantaged funding, and San Onofre Nuclear Generating Station refueling outage); (3) Jurisdictional Allocation (Off-system sales; Resale Cities); and (4) Productivity."<sup>2</sup>

The Commission added "the cautionary note that we do not intend to authorize any further broadening of the issues to be

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<sup>1</sup> The existing attrition methodology is set forth in Decision No. 85-12-076. Decision No. 87-12-066 in Edison's 1988 GRC adopted the formulas for Edison's 1989 and 1990 attrition filings.

<sup>2</sup> Decision No. 89-08-036, dated August 3, 1989, (mimeo), pp. 12-13. See also, Appendix A to that decision. In this Application, Edison is seeking updates to the existing attrition methodology in addition to the modifications identified above. These updates are necessary because the attrition formulae adopted for Edison in Decision No. 87-12-066 covered only the years 1989 and 1990.

explored in the 1991 attrition proceeding, and will limit the scope of the proceeding to that reflected in Attachments A and B."<sup>3</sup>

Pursuant to Decision No. 89-08-036, on March 30, 1990 Edison filed Application No. 90-03-048, which requested an increase in the Authorized Level of Base Rate Revenues ("ALBRR") under the Electric Revenue Adjustment Mechanism ("ERAM") of \$234.8 Million effective for service rendered on and after January 1, 1991. Based on the sales forecast identified in Edison's Application, this request would result in an \$81 million rate level increase.

A prehearing conference was held before Administrative Law Judge ("ALJ") Weil on May 30, 1990. At that prehearing conference, ALJ Weil approved a modification to the procedural schedule adopted in Decision 89-08-036. Among other things, the revised procedural schedule provided that intervenor testimony be filed by August 1, 1990.

On July 5, 1990, the DRA served on the parties to this proceeding its "Report on Results of Operation." DRA's Report recommended that Edison's ALBRR increase be limited to \$116.4

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<sup>3</sup> Decision No. 89-08-036, dated August 3, 1989, (mineo), p. 13. Attachment A contained a list of the items Edison is authorized to seek in this proceeding. Attachment B contained a procedural schedule. Decision No. 89-08-036 also provided that the revenue allocation procedures adopted in the Company's 1990 Energy Cost Adjustment Clause ("ECAC") proceeding will be used to allocate the revenue requirement changes adopted in this proceeding. Edison has proposed to address present rate revenues and the appropriate level of sales and customer in its ECAC proceeding, Application No. 90-06-001, filed June 1, 1990.

million, which would amount to a \$38 million rate level decrease based on Edison's sales forecast.<sup>4</sup> Edison's Application and DRA's Report, including the Appendices and Exhibits thereto, are incorporated herein by reference.

Other than Edison and DRA, no party has filed any testimony in this proceeding. Also, although Edison and DRA have engaged in discovery of each other, no other party has conducted discovery.

Since the filing of DRA's Report, Edison and DRA have held discussions on their respective positions in order to achieve a fair, reasonable, and expeditious compromise on the underlying issues. This document represents that compromise. Pursuant to Rule 51.4, on August 10, 1990 Edison and DRA notified the other parties to A:90-03-048 of a Settlement Conference to be held at the Commission's Courtroom on August 17, 1990. Following discussions with those other parties and with ALJ Weil, the parties were notified on August 15 that the Settlement Conference was being rescheduled for August 20, 1990.

## II.

### SETTLEMENT AND STIPULATION

Appendix A, Tables 1 through 6 of this document itemize the dollar amounts which the Parties agree should be adopted for each of the major components comprising Edison's request. Appendix B

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<sup>4</sup> DRA's Report agreed that the sales forecast incorporated in Edison's Application is reasonable.

includes a revised "Part J, Electric Revenue Adjustment Mechanism" of Edison's Preliminary Statement reflecting the proposed settlement.

The Parties believe this stipulation to be clearly in the public interest and fair and reasonable for both Edison and its customers. In contrast to Edison's request for an \$81 million rate level increase, adoption of the Settlement and Stipulation would result in no rate level change for Edison's customers on January 1, 1991 as a result of A.90-03-048. It accomplishes this result in a manner that will eliminate or substantially reduce the major commitment of time and resources that would otherwise be devoted to fully litigating the case.

In addition to the specific dollar amounts agreed upon by the Parties as presented in Appendix A, the Parties agree as follows.

A. Off-System Sales

The Parties agree to change the ratemaking treatment currently afforded the CPUC jurisdictional portion of nonfuel revenues associated with Off-System Sales. Under the currently effective ratemaking treatment, forecasted nonfuel revenues from Off-System Sales are reflected as a revenue credit to the base rate revenue requirement. The effect of this current ratemaking treatment is to reduce the revenue requirement which is reflected in the ALBRR under the ERAM by the amount of the forecasted level of nonfuel revenues from Off-System Sales.

The Parties agree that effective for service rendered on and

after January 1, 1991: (1) the forecast nonfuel revenues from Off-System Sales shall no longer be reflected as a revenue credit; and (2) the recorded nonfuel revenues from Off-System Sales shall be reflected in the monthly entry to the ERAM Balancing Account.

To effectuate this revised ratemaking treatment, the Parties agree, effective for service rendered on and after January 1, 1991, as follows: (1) The agreed upon increase to the ALBRR under the ERAM as set forth in Table 5 shall include \$6.715 million which represents the forecast CPUC jurisdictional portion of nonfuel revenues for Off-System Sales reflected in Edison's currently effective ALBRR; (2) Edison's Electric Revenue Adjustment Billing Factor ("ERABF") shall reflect the flow-through to customers of the forecast 1991 CPUC jurisdictional portion of nonfuel revenues from Off-System Sales of \$49.116 million. This amount includes the forecasted sales during 1991 identified in DRA's report for the Sacramento Municipal Utility District ("SMUD"), for Edison's Resale Cities (which are referred to as New Business Relationship ("NBR") sales), and for other Off-System Sales which were previously adopted by the Commission in Decision No. 87-12-066 in Edison's 1988 Test Year General Rate Case; and (3) Part J, Electric Revenue Adjustment Mechanism, in the Preliminary Statement section of Edison's tariffs shall be revised to reflect the ratemaking treatment for Off-System Sales agreed to herein. The revised tariff is set forth in Appendix B.

**B. Other Operating Revenue**

The Parties agree to increase the currently adopted level of "Other Operating Revenue" by an additional \$4.57 million to reflect the forecast of revenues received for the non-Edison participants use of the HVDC expansion project.

**C. Government-Mandated Changes**

The Parties agree that the appropriate level of payroll expense may be affected by adoption of a proposed change to federal law, as described in Edison's Application at Exhibit No. SCE-2, pp. 2-2 through 2-3. Should this change be enacted into law prior to January 1, 1991, the Parties agree that the Company may file an Advice Letter with documentation supporting the additional revenue requirement adjustment to be reflected in the final ALBRR change to be effective for service rendered on and after January 1, 1991. The estimated impact of the increase in payroll tax expense for 1991 is shown in Appendix C.

**D. Other Actions Affecting January 1, 1991 Rates**

The Settlement and Stipulation resolves all issues identified in the Application No. 90-03-048. The Company is not precluded from requesting further action in this docket or others on issues not identified in this Application which affect the level of rates adopted in 1991.

**III.****AGREEMENT OF THE PARTIES**

The Parties agree to perform diligently and in good faith



all actions required or implied hereunder, including, but not necessarily limited to, the execution of any other documents required to effectuate the terms of this Settlement and Stipulation, and the preparation of exhibits for, and presentation of witnesses at, hearings to obtain the approval and adoption of this Settlement and Stipulation by the Commission. It is understood by the Parties that time is of the essence in obtaining the Commission's approval of this Settlement and Stipulation.

The Parties agree jointly by its executing and submitting this Settlement and Stipulation that the relief requested herein is just, fair, and reasonable and in the public interest.

The Parties agree, as provided in Rule 51.8, that adoption of this Settlement and Stipulation by the Commission does not constitute approval of or precedent regarding any principle or issue in the proceeding or in any future proceeding.

This Settlement and Stipulation embodies compromises of the Parties' positions. No individual term of this Settlement and Stipulation is assented to by either Party except in consideration of the other Party's assents to all other terms. Thus, the Settlement and Stipulation is indivisible, and each part is interdependent on each and all other parts. Either Party may withdraw from this Settlement and Stipulation if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Parties agree, however, to negotiate in good faith with regard to any Commission-ordered

changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful. The terms and conditions of this Settlement and Stipulation may only be modified in writing subscribed by both Parties.

CALIFORNIA PUBLIC UTILITIES COMMISSION,  
DIVISION OF RATEPAYER ADVOCATES

By: *Alberto Guerra* Date 3/20/90

SOUTHERN CALIFORNIA EDISON COMPANY

By: *Frank A. McMurtry* Date 3/20/90

APPENDIX A

## 1991 ADJUSTED ATTRACTION

## SUMMARY OF EARNING COMPONENT

## TOTAL SYSTEM

## AT PROPOSED BASE RATE REVENUE REQUIREMENT LEVELS

\*In thousands of dollars

Description	SC	SPA	SET/CEMENT
<b>Operating Revenues</b>			
Electric Revenues 1/	4,633,703	3,332,765	3,371,734
Other Operating Revenues	53,172	55,142	55,142
Total Operating Revenues	4,686,875	3,387,907	3,426,876
<b>Operating Expenses</b>			
Steam	252,592	249,559	249,559
Nuclear	213,556	209,189	209,189
Other	25,129	25,129	25,129
Other	16,378	16,378	16,378
Production - Total	507,655	500,255	500,255
Transmission	33,181	30,556	30,556
Distribution	203,755	197,312	197,312
Customer Accounts	133,587	129,920	129,920
Collectibles	3,550	3,254	3,254
Customer Service & Informational	33,651	33,651	33,651
Administrative & General (including Health Care)	316,050	291,720	291,720
Health Care	21,355	20,457	20,457
Research, Development & Demonstration	31,721	27,759	27,759
Franchise Requirements	29,479	28,769	28,769
Productivity Adjustment	127,755	127,755	127,755
Subtotal	1,465,973	1,382,464	1,403,043
Depreciation	742,374	741,325	741,325
Taxes Other Than On Income	197,693	184,601	197,111
Taxes Based On Income	524,723	523,268	523,268
Total Taxes	721,416	707,869	720,379
Total Operating Expenses	2,930,311	2,831,658	2,864,747
Net Operating Revenue	1,162,379	1,159,648	1,159,648
Rate Base	10,867,544	10,839,027	10,839,027
Rate of Return	10.701	10.701	10.701

1/ Includes \$50,572K of Palo Verde deferred debit revenues and \$12,452K of revenues for the HVDC Transmission Project.

## 1991 PROPOSED ALLOCATION

## SUMMARY OF REVENUE COMPARISON

## CPUC JURISDICTIONAL

## AT PROPOSED BASE RATE REVENUE REQUIREMENT LEVELS

(Thousands of Dollars)

Description	SCC	SEA	SETTELEMENT
Operating Revenues			
Electric Revenues 1/	4,031,527	3,924,676	3,963,350
Other Operating Revenues	53,582	52,744	52,744
Total Operating Revenues	4,085,111	3,977,420	4,016,094
Operating Expenses			
Steam	251,232	249,763	249,876
Nuclear	212,313	208,575	208,575
Hydro	25,214	25,214	25,214
Other	16,322	16,322	16,322
Production - Total	505,856	499,857	499,997
Transmission	59,013	59,448	59,315
Distribution	203,292	197,560	197,457
Customer Accounts	133,653	120,332	124,655
Uncollectibles	2,550	2,274	3,422
Customer Service & Informational	53,531	53,651	53,651
Administrative & General -Excluding Health Care	315,477	291,297	299,370
Health Care	81,642	70,376	72,570
Research, Development & Demonstration	51,630	47,655	47,155
Franchise Requirements	27,450	28,650	28,732
Productivity Adjustment	(27,743)	(27,913)	(28,428)
Subtotal	1,463,219	1,379,711	1,495,258
Depreciation	740,603	739,737	739,737
Taxes Other Than On Income	196,586	183,519	196,701
Taxes Based On Income	523,682	522,246	522,244
Total Taxes	720,268	705,765	718,945
Total Operating Expenses	2,924,090	2,825,213	2,963,940
Net Operating Revenue	1,160,521	1,152,207	1,152,207
Rate Base	10,645,771	10,616,155	10,616,155
Rate of Return	10.761	10.761	10.761

1/ Includes \$60,572M of Palo Verde Deferred Credit Revenues and \$12.492M of Revenues for the NVDC Transmission Project.

## OPERATION &amp; MAINTENANCE EXPENSE - 1990

(Thousands of Dollars)

Description	0-07-92-661 Adopted 1989	1989 Escalation	1990 Escalation	1991 Escalation	1990 5065 Refueling	1991 5065 Refueling	PR 3 014	1989 Postage Increase	1991 Postage Increase	NSC Fees	Excluding 1989	Subtotal 00A 119911	Gross	Less: Productivity Adjustment	Adm & Health Care	SA & DB After	Total 00A 119911
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
PRODUCTION																	
Labor	119,494	0,500	0,505	2,014	12,117	125	0	0	0	0	0	119,529	0	0	0	0	119,529
Non-Labor	277,517	11,517	10,542	19,007	124,453	12,237	13,101	0	0	0	0	310,334	0	0	0	0	310,334
Other	0	0	0	0	0	0	154	0	0	1,262	0	1,412	0	0	0	0	1,412
Total	402,265	11,475	19,467	29,793	126,620	12,722	13,251	0	0	1,262	0	509,715	0	0	0	0	509,715
TRANSMISSION																	
Labor	39,254	1,570	2,442	1,072	0	0	0	0	0	0	0	41,540	1,401	0	0	0	45,941
Non-Labor	10,714	1,016	1,544	2,012	0	0	0	0	0	0	0	14,444	1,410	0	0	0	17,495
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	49,968	2,586	3,986	3,084	0	0	0	0	0	0	0	55,984	2,811	0	0	0	61,795
DISTRIBUTION																	
Labor	95,443	3,027	4,075	4,075	0	0	0	0	0	0	0	100,510	3,414	0	0	0	110,924
Non-Labor	70,164	2,917	2,655	3,440	0	0	0	0	0	0	0	79,131	2,491	0	0	0	81,621
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	165,607	5,944	6,730	7,515	0	0	0	0	0	0	0	179,641	5,905	0	0	0	185,546
CUSTOMER ACCOUNTS																	
Labor	22,441	2,904	3,720	3,010	0	0	0	0	0	0	0	32,110	2,593	0	0	0	35,912
Non-Labor	37,754	1,362	1,211	1,115	0	0	0	1,531	0	0	0	40,561	1,211	0	0	0	42,772
Other	5,410	0	0	0	0	0	0	0	0	0	45,441	0	0	0	0	0	45,441
Total	65,605	4,266	4,931	4,125	0	0	0	1,531	0	0	45,441	72,671	3,804	0	0	0	76,475
CUSTOMER SERVICE & INFORMATION																	
Labor	10,123	725	943	772	0	0	0	0	0	0	0	20,563	0	0	0	0	20,563
Non-Labor	24,334	1,043	913	1,150	0	0	0	0	0	0	0	27,445	0	0	0	0	27,445
Other	15,073	0	0	0	0	0	0	0	0	0	15,073	0	0	0	0	0	15,073
Total	49,530	1,768	1,856	1,922	0	0	0	0	0	0	15,073	43,081	0	0	0	0	43,081
ADMINISTRATIVE & GENERAL (EXCLUDING HEALTH CARE EXPENSES)																	
Labor	111,493	1,450	1,310	1,070	0	0	0	0	0	0	0	113,923	5,714	0	0	0	119,637
Non-Labor	39,970	3,710	3,110	4,104	0	0	1,193	0	0	0	0	44,977	3,261	0	0	0	48,238
Other	23,450	0	0	0	0	0	152	0	0	0	119,027	0	117	0	0	0	119,144
Total	174,913	5,160	4,420	5,174	0	0	1,345	0	0	0	119,027	158,920	5,992	0	0	0	164,912
HEALTH CARE EXPENSES																	
Labor	3,415	115	138	154	0	0	0	0	0	0	0	3,707	120	0	0	0	3,827
Non-Labor	50,025	2,415	2,226	2,901	0	0	0	0	0	0	0	55,567	2,040	0	0	0	57,607
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	53,440	2,530	2,364	3,055	0	0	0	0	0	0	0	59,274	2,160	0	0	0	61,434
RESEARCH, DEMONSTRATION & DEVELOPMENT																	
Labor	0,262	254	324	249	0	0	0	0	0	0	0	2,105	224	0	0	0	2,329
Non-Labor	34,004	1,071	1,362	1,770	0	0	0	0	0	0	0	37,137	1,274	0	0	0	38,411
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	34,266	1,325	1,686	2,019	0	0	0	0	0	0	0	37,137	1,498	0	0	0	38,635
SALES & MARKETING EXPENSE																	
Labor	541,729	22,470	20,214	23,020	12,117	125	0	0	0	0	0	619,662	13,525	0	0	0	633,187
Non-Labor	637,117	20,237	23,041	31,124	124,453	12,237	14,215	1,531	0	0	0	715,910	11,740	0	0	0	727,650
Other	45,191	0	0	0	0	0	1,002	0	0	1,262	425,417	21,510	142	0	0	0	22,115
Total	1,224,037	42,707	43,255	54,144	126,620	12,722	15,216	1,531	0	1,262	425,417	857,082	25,407	0	0	0	882,489
PRODUCTIVITY ADJUSTMENT																	
Labor	114,151	10,541	10,541	10,541	0	0	0	0	0	0	0	114,151	10,541	0	0	0	124,692
Non-Labor	114,151	10,541	10,541	10,541	0	0	0	0	0	0	0	114,151	10,541	0	0	0	124,692
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	228,302	21,082	21,082	21,082	0	0	0	0	0	0	0	228,302	21,082	0	0	0	249,384
TOTAL MAINTENANCE EXPENSE																	
Labor	551,574	22,444	20,444	23,044	12,117	125	0	0	0	0	0	619,662	13,525	0	0	0	633,187
Non-Labor	614,545	25,474	23,474	30,474	124,453	12,237	14,215	1,531	0	0	0	715,910	11,740	0	0	0	727,650
Other	45,111	0	0	0	0	0	1,002	0	0	1,262	425,417	21,510	142	0	0	0	22,115
Total	1,211,230	47,918	43,918	53,518	126,620	12,722	15,216	1,531	0	1,262	425,417	857,082	25,407	0	0	0	882,489

OPERATION & MAINTENANCE EXPENSE - 1991  
(Thousands of Dollars)

Description	8 87-92-966 Adopted 1990	1989 Escalation	1990 Escalation	1991 Escalation	1989 SGMS Refueling	1991 SGMS Refueling	PG & BL	1989 Postage Increase	1991 Postage Increase	WEC Fees	Escalating FFB	Subtotal BLA 115911	Growth	Loss Productivity Adjustment	High & Health Care	SGMS EEO After	Total 204 117910
	111	120	130	140	150	160	170	180	190	200	210	220	230	240	250	260	270
STEAM PRODUCTION																	
Labor	87,561	2,293	3,311	2,878	0	0	0	0	0	0	0	76,661	0	0	0	0	76,661
Non-Labor	151,321	6,371	9,862	7,562	0	0	0	0	0	0	0	173,067	0	0	0	0	173,067
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	229,882	9,677	13,173	10,440	0	0	0	0	0	0	0	249,728	0	0	0	0	249,728
NUCLEAR PRODUCTION																	
Labor	29,817	3,176	8,155	3,104	12,167	185	0	0	0	0	0	44,970	0	0	0	0	44,970
Non-Labor	114,561	6,147	9,957	9,157	124,453	12,217	13,181	0	0	0	0	137,947	0	0	0	0	137,947
Other	0	0	0	0	0	0	154	0	0	1,262	0	1,412	0	0	0	0	1,412
Total	144,378	9,323	18,112	12,261	126,620	12,402	13,335	0	0	1,262	0	146,329	0	0	0	0	146,329
OTHER PRODUCTION																	
Labor	14,150	410	513	415	0	0	0	0	0	0	0	14,078	0	0	0	0	14,078
Non-Labor	11,119	176	452	549	0	0	0	0	0	0	0	11,296	0	0	0	0	11,296
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	25,269	586	965	964	0	0	0	0	0	0	0	25,374	0	0	0	0	25,374
OTHER PRODUCTION																	
Labor	8,785	271	353	280	0	0	0	0	0	0	0	9,690	0	0	0	0	9,690
Non-Labor	7,194	320	291	370	0	0	0	0	0	0	0	7,885	0	0	0	0	7,885
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	15,979	591	644	650	0	0	0	0	0	0	0	17,575	0	0	0	0	17,575
TOTAL PRODUCTION																	
Labor	141,113	9,580	20,565	16,817	12,167	185	0	0	0	0	0	185,113	0	0	0	0	185,113
Non-Labor	277,311	11,517	19,542	17,617	124,453	12,217	13,181	0	0	0	0	314,134	0	0	0	0	314,134
Other	0	0	0	0	0	0	154	0	0	1,262	0	1,412	0	0	0	0	1,412
Total	418,424	21,097	40,107	34,434	126,620	12,402	13,335	0	0	1,262	0	400,659	0	0	0	0	400,659

A-90-03-048 /ALJ/J.../jc

TABLE 3

APPENDIX C  
Page 16

Page 2 of 2

THE NEXT 1  
DOCUMENTS ARE  
POOR ORIGINALS.

*MICROFILMING SERVICES  
ARE NOT RESPONSIBLE  
FOR THE IMAGE QUALITY.*



## 1991 CONSOLIDATED STATEMENT

RATE BASE CONSOLIDATION

(Thousands of Dollars)

Description	SCE	CPA	Settlement
<b>Fixed Capital</b>			
Fixed Capital - Beginning of year			
Plant in Service	17,365,269	17,350,474	17,350,474
Plant in Operation	0	0	0
Property Held for Future Use	40,744	40,744	40,744
Total Beginning of year	17,406,014	17,391,219	17,391,219
Net Additions - Weighted Average			
Plant in Service	338,451	330,728	330,728
Plant in Operation	0	0	0
Property Held for Future Use	(15,905)	(15,905)	(15,905)
Total Fixed Capital	17,728,560	17,705,041	17,705,041
<b>Adjustments</b>			
Customer Advances for Construction	(58,707)	(58,707)	(58,707)
Deferred Debit Accounts	41,311	34,291	34,291
Total Adjustments	(17,396)	(24,416)	(24,416)
<b>Working Capital</b>			
Coal & Miscellaneous Fuel Stock	0	0	0
Material & Supplies	119,343	119,343	119,343
Working Cash	(12,743)	(12,743)	(12,743)
Total Working Capital	106,600	106,600	106,600
Total Before Deductions for Reserves	17,816,354	17,786,775	17,786,775
<b>Deductions for Reserves</b>			
Depreciation Reserve	(5,613,331)	(5,613,669)	(5,613,669)
Taxes Deferred - Accelerated Amortization	(3,436)	(3,436)	(3,436)
Taxes Deferred - ACRS/MACRS	(1,311,738)	(1,311,738)	(1,311,738)
Taxes Deferred - Capitalized Interest (AFUDC)	8,965	8,965	8,965
Taxes Deferred - GIAC	11,705	11,705	11,705
Unfunded Pension Reserve	(36,575)	(36,575)	(36,575)
Total Deductions for Reserves	(6,948,410)	(6,948,746)	(6,948,746)
Total Rate Base	10,867,944	10,838,027	10,838,027

DEVELOPMENT OF 1991 SETTLEMENT  
AUTHORIZED LEVEL OF BASE  
RATE REVENUE (ALBRR)  
AND RATE LEVEL CHANGE  
(\$000)

<u>ITEM</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
I. PROPOSED ALBRR		
Total Revenue Requirement	4,021,264	Settlement results of operations, Table 2
Less: Palo Verde Deferred Debit Revenue Requirement	60,572	D.86-10-023
Less: Revenue Require- ment for HVDC Expansion Project	12,492	A.89-10-001. @ 10.70% authorized return on rate base. Expected to transfer to base rates by 1/1/91.
Less: Other Operating Revenues	57,944	D.87-12-066, including revenues from HVDC Expansion Project
	<hr/>	
Proposed ALBRR 1/1/91	3,890,256*	
II. RATE LEVEL CHANGE		
Proposed ALBRR	3,890,256*	
Less: Current ALBRR	3,687,469*	D.86-10-023; D.87-04-034 Res. No. E-3172
	<hr/>	
Incremental Revenue Requirement	202,787	
Less: Sales Growth	153,671	A.90-06-001
Less: Off-System Sales (ERAM Balancing Account)	49,116	D.87-12-066, including revenues from SHUD, NBR contract
	<hr/>	
Proposed Rate Level Change	0	

\*Excluding other pending rate actions (as of 8/8/90).

1991 MODIFIED ATTRITION  
INCREMENTAL REVENUE REQUIREMENT COMPARISON  
(\$ MILLIONS)

<u>MAJOR AREAS</u>	<u>SCE AS FILED</u>	<u>DRA PROPOSED</u>	<u>SETTLEMENT</u>
OSM (excl. health)	\$ 109	\$ 38	\$ 63
Health Care Increase	13	0	Incl. above
Rate Base	93	89	89
Jurisdictional Allocation	35	35	35
Revenue Cr. - Off System Sales	(\$ 29)	(\$ 42)	7
- OOR	0	(\$ 4)	(\$ 4)
Ad Valorem & Payroll Tax	<u>14</u>	<u>0</u>	<u>13</u>
TOTAL	\$ 235	\$ 116	\$ 203
Sales Growth	(\$ 154)	(\$ 154)	(\$ 154)
Revenue Credits - Off System	0	0	(\$ 49)
Sales (ERAM balancing account)			
TOTAL Base Rate Level Change	\$ 81	(\$ 38)	0

APPENDIX B  
REVISED PRELIMINARY STATEMENT

PRELIMINARY STATEMENT

(Continued)

J. ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM)

1. Purpose.

The purpose of the Electric Revenue Adjustment Mechanism (ERAM) is to reflect in rates, through the application of the Electric Revenue Adjustment Billing Factor (ERABF), the difference between the Recorded Level of Base Rate Revenue and the Authorized Level of Base Rate Revenue. The ERAM is not intended to adjust rates for the so-called billing lag.

2. Applicability.

This ERAM provision applies to certain rate schedules and certain special contracts for electric service subject to the jurisdiction of the California Public Utilities Commission.

3. Definitions.

a. Authorized Level of Base Rate Revenue:

The Authorized Level of Base Rate Revenue shall be the amount of Base Rate Revenue authorized by the California Public Utilities Commission, to be recovered by the Company during the applicable calendar year, or part thereof. Such amount shall be revised concurrently with the effective date of the revised base rates.

b. Effective Date:

The Effective Date for the revised ERABF shall be the Revision Date or on such other date as the Commission may authorize. The revised ERABF shall be applied to sales for service rendered on and after the applicable Effective Date and shall continue thereafter until the next ERABF becomes effective.

c. Forecast Period:

The Forecast Period for calculating the ERABF shall be the twelve-month period commencing with the Revision Date.

d. Franchise Fees and Uncollectible Accounts:

Franchise Fees and Uncollectible accounts shall be the rate derived from the Company's most recent general rate proceeding to provide for franchise fees and uncollectible accounts expense.

(Continued)

(To be inserted by utility)  
Advice -E  
Decision  
G900815.03 (1)

Issued by  
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Vice President

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Effective \_\_\_\_\_  
Resolution \_\_\_\_\_

PRELIMINARY STATEMENT

(Continued)

J. ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM) (Continued)

3. Definitions. (Continued)

e. Interest Rate:

The Interest Rate shall be 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3 months), published in the Federal Reserve Statistical Release, G.13. Should publication of the interest rate on Commercial Paper (prime, 3 months) be discontinued, interest will so accrue at the rate of 1/12 of the most recent month's interest rate on Commercial Paper, which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, G.13, or its successor publication.

f. Off-System Sales

Off-System Sales shall be resale electricity sales, excluding electricity sales made for full requirements or partial requirements service pursuant to FERC rate schedules. Off-System Sales shall also exclude fringe sales.

g. Recorded Level of Base Rate Revenue:

The Recorded Level of Base Rate Revenue shall be the revenue recorded during the month which has been billed at the base rates for service rendered on and after the applicable effective dates of the rates which are subject to this ERAM; also included are certain other items as ordered by the Commission.

h. Revision Dates:

Application for ERAMF revisions, calculated in accordance with the provisions described herein, shall be made concurrent with applications for ECAC rate revisions as set forth under Part G of the Preliminary Statement (ECAC).

4. Electric Revenue Adjustment Account.

Beginning as of January 1, 1983, the Company shall maintain an Electric Revenue Adjustment Account (Balancing Account). Entries to be made to this account at the end of each month will be determined from the following calculations:

(Continued)

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Decision  
G900815.03 (2)

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PRELIMINARY STATEMENT

(Continued)

J. ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM) (Continued)

4. Electric Revenue Adjustment Account. (Continued)

- a. The applicable Authorized Level of Base Rate Revenue, from Table A below, shall be multiplied by the applicable Monthly Distribution Percentage from Table B below:

Table A

Authorized Level of Base Rate Revenue for Rate Change Effective:

<u>09/19/89</u>	<u>01/01/90</u>	<u>01/20/90</u>	<u>02/01/90</u>
\$3,606,587,700 1/	\$3,647,087,700 2/	\$3,667,278,300 1/	\$3,687,468,900 1/

Pursuant to:

- 1/ Commission Decision Nos. 85-10-023 and 87-04-034.  
2/ Commission Resolution No. E-3172.

(Continued)

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PRELIMINARY STATEMENT

(Continued)

J. ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM) (Continued)

4. Electric Revenue Adjustment Account. (Continued)

Table 8

Monthly Distribution Percentage  
Factors For Rate Change

<u>Month</u>	<u>Effective 09/19/89</u>	<u>Effective 01/01/90</u>	<u>Effective 01/20/90</u>	<u>Effective 02/01/90</u>
January, 1990	4.29	2.22	1.40	
February	0.12	2.74	1.73	3.50
March		0.08	0.06	7.83
April				7.60
May				7.71
June				7.92
July				8.65
August				9.57
September				9.21
October				8.91
November				8.06
December				7.95
January, 1991				8.35
February				4.60
March				0.14

b. Plus: Any adjustment or other entries after January 1, 1988, if any, which would have accrued to the Interim Major Additions Account prior to January 1, 1988;

c. Plus: Any amount above the Authorized Level of Base Rate Revenue described in 4.a. above for the Monthly Recovered Deferred Debit Revenue Requirement Amount including interest determined pursuant to Part L of the Preliminary Statement, increased to provide for Franchise Fees and Uncollectible Accounts;

(Continued)

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Decision  
G900815.03 (4)

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Resolution \_\_\_\_\_



PRELIMINARY STATEMENT

(Continued)

J. ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM) (Continued)

4. Electric Revenue Adjustment Account. (Continued)

- d. Less: The ratemaking adjustment applicable on and after January 1, 1988 determined for each Palo Verde Nuclear Generating Station (PVNGS) unit based upon an adjustment to the adopted level of investment for ratemaking purposes, as defined in Decision No. 86-10-023. The amount of any such adjustment for PVNGS is intended to serve as the basis for determining any ratemaking adjustment for PVNGS attributable to the determination of the reasonable level of PVNGS investment for California jurisdictional ratemaking purposes. The ratemaking treatment afforded any such adjustment for PVNGS shall be identical to the ratemaking treatment adopted for SONGS Unit Nos. 2 and 3;
- e. Less: The Recorded Level of Base Rate Revenues for that month;
- f. Less: The amount of revenue billed during the month under the ERABF (including a component for Franchise Fees and Uncollectible Accounts).
- g. Less: The result of the following calculation to reflect the ratemaking treatment for Off-System Sales:
  1. Total revenues billed during the month for Off-System Sales;
  2. Less: The fuel and purchased power expense associated with such Off-System Sales as reflected in the ECAC procedure;
  3. Less: The result of 1. and 2. multiplied by the most recently adopted resale jurisdiction allocation factor.
  4. The result of 1. through 3. shall be increased to provide for Franchise Fees and Uncollectible Accounts.

If the above calculation produces a positive amount (undercollection), such amount will be debited to the Balancing Account. If the calculation produces a negative amount (overcollection), such amount will be credited to the Balancing Account. Interest will accrue monthly to the Balancing Account by applying the Interest Rate to the average of the beginning and ending balances.

(Continued)

(To be inserted by utility)  
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Decision  
G900815.03 (5)

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PRELIMINARY STATEMENT

(Continued)

J. ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM) (Continued)

5. Electric Revenue Adjustment Billing Factor (ERABF). The ERABF shall be determined from the following calculation:
- a. The estimated balance in the Electric Revenue Adjustment Account as of the Revision Date (calculated in accordance with the procedure set forth in Paragraph 4);
  - b. Plus: The Annualized Recovered Deferred Debit Revenue Requirement Amount Including Interest Expense (calculated in accordance with the procedure set forth in the Palo Verde Phase-In Procedure), increased to provide for Franchise Fees and Uncollectible Accounts;
  - c. Less: An amount equal to the result of the following calculation:
    1. Estimated annual revenues billed during the Forecast Period for Off-System Sales;
    2. Less: The estimated fuel and purchased power expense associated with such Off-System Sales;
    3. Less: The result of 1. and 2. multiplied by the most recently adopted resale jurisdiction allocation factor.
    4. The result of 1. through 3. shall be increased to provide for Franchise Fees and Uncollectible Accounts.
  - d. The result of a. through c. shall be divided by the sales subject to ERAM estimated to be sold during the applicable Forecast Period. The result shall be the ERABF, expressed in cents per kilowatthour.

The application of the ECAC to each bill shall be as set forth on the applicable rate schedule.

(Continued)

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G900815.03 (6)

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Effective  
Resolution

PRELIMINARY STATEMENT

(Continued)

The rates listed below have been, or are, in effect for the periods indicated:

<u>Effective Date</u>	Electric Revenue Adjustment
	<u>Billing Factor</u> Per kWh
01/01/83	\$ .00000
08/22/83	\$ .00040
01/01/85	\$ (.00183)
12/01/87	\$ (.00136)
01/01/88	\$ (.00014)
10/01/88	\$ (.00078)
07/01/89	\$ (.00304)
02/01/90	\$ (.00178)

(Continued)

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Resolution \_\_\_\_\_

APPENDIX C  
Page 28

APPENDIX C

APPENDIX C  
Page 291991 MODIFIED ATTRITION  
-----INCREMENTAL PAYROLL TAX  
-----ADJUSTMENT  
-----

(Thousands of Dollars)

Description	Factors/ Tax Rates	1990 Adopted	1991 Attrition
Federal Insurance Contribution Act			
1988 Adopted Tax Base	45,600		
1988 Adopted Tax Rate	7.51%		
1990 Adopted Tax Base	51,300		
1990 Adopted Tax Rate	7.65%		
Adjustment Factor:	14.60%		
Payroll Taxes (for Settlement)		\$36,907	\$42,255
1991 Tax Base	54,800		
1991 Tax Rate	7.65%		
Adjustment Factor:	6.22%		
Estimated 1991 Payroll Taxes			\$45,182
Additional Payroll Taxes			\$2,897

(END OF APPENDIX C)