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ALJ/RAB/jaw/tcg *

Decision 96-02-071 February 23, 1996

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In The Matter Of The Application Of)
The Southern California Edison)
Company (U 338-E) For: (1))
Authority To Revise Its Energy Cost)
Adjustment Billing Factors, Its)
Electric Revenue Adjustment Billing)
Factor, Its Low Income Rate)
Assistance, And Its Base Rate)
Levels Effective January 1, 1996,)
(2) Authority To Revise The)
Incremental Energy Rate, The Energy)
Reliability Index And Avoided)
Capacity Cost Pricing; And)
(3) Review Of The Reasonableness Of)
Edison's Operations During The)
Period From April 1, 1994 Through)
March 31, 1995.)

ORIGINAL

Application 95-05-049
(Filed May 26, 1995)

(Appearances are listed in Appendix A.)

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1995-2000 to be \$1.25 to 1995
1-2000 to be \$1.25 to 1995)

On May 26, 1995, a Southern California Edison Company

(Edison) filed this application requesting a total revenue decrease of \$181.2 million, or 2.4%, effective January 1, 1996. This decrease incorporated one of two proposals: (1) a rate stabilization proposal which defers until 1997 amortization of \$200 million of the forecast overcollection in the Energy Cost Adjustment Clause (ECAC) balancing account as of December 31, 1995, plus interest, or (2) an alternate proposal to use \$200 million (later reduced to \$150 million) of the forecasted overcollection to fund buyouts of firm qualifying facilities (QFs) capacity payments beginning in 1997.

Edison proposed to consolidate all revenue requirement changes requested in this ECAC with changes from other proceedings that may be authorized on or before January 20, 1996, into one rate level change to take place on April 1, 1996, concurrent with the implementation date of the expected decision in Phase 2 of Edison's 1995 general rate case (GRC), Application 93-12-025. Consolidating these revenue requirement changes into one rate level change effective on April 1, 1996, results in an estimated annual rate decrease of \$338 million, or about 4.4%.

Edison proposes that the incremental energy rate (IER), and operation and maintenance (O&M) adder used in the calculation of avoided cost energy prices, the energy reliability index (ERI), and the combustion turbine (CT) proxy deferral value used in the calculation of avoided cost capacity payments during 1996 be as follows:

1. An IER of 9,165 (British thermal unit per kilowatt-hour) Btu/kwh;
2. An O&M adder value of 1.05 mills/kwh;

which reflect a 10% increase in the O&M adder for 1996.

3) The annual avoided capacity cost value of \$5.24 per kilowatt-year (/Kw-year) as set forth in SCB-1, Chapter XV; and based on 2000 hours per year.

• **Change in the current annualized capacity cost to \$52.37/kW-year.**

On August 11, 1995, the Division of Ratepayer Advocates (DRA) served its forecast report recommending an IER of 8.972 Btu/kWh, and an O&M adder of 0.31 mills/kWh (or 0.55 mills/kWh including a standby component).

On September 11, 1995, the Cogeneration Association of California (CAC), the California Cogeneration Council (CCC), and the Independent Energy Producers Association (IEP) served testimony recommending annual average IERS of 9,474 Btu/kWh, 9,449 Btu/kWh, and 9,624 Btu/kWh, respectively. In addition, CAC, CCC, IEP and Watson Cogeneration Co. (WCC) proposed O&M adders of 2.68 mills/kWh, 2.56 mills/kWh, 1.60 mills/kWh, and 1.56 mills/kWh, respectively. The California Industrial Users (CIU) and the California Large Energy Consumers Association (CLECA) served testimony on rate stabilization and gas cost issues. Prior to hearings, toward Utility Rate Normalization (TURN) served testimony on a one-time bill credit. DRA, Edison, CIU, CLECA, Agricultural Energy Consumers Association, and California Farm Bureau Federation (CFBF) made recommendations on principles that should be followed if a one-time bill credit was ordered by the Commission.

In September, Edison updated its presentation which resulted in a \$217.4 million or 2.9% consolidated rate decrease, which reflected Edison's rate stabilization proposal. Edison modified its IER recommendation to 9,239 Btu/kWh and its O&M adder to 1.03 mills/kWh.

On October 6, 1995, Edison filed its "Motion for Adoption of Settlement between Southern California Edison Company, Division of Ratepayer Advocates, Independent Energy Producers, California Cogeneration Council, Watson Cogeneration Co., and Cogeneration Association of California." The settlement concerns the IER and the O&M adder. It is discussed below and set forth in Appendix B with a joint comparison exhibit to assist the

On October 17, 1995, the "Stipulation between Southern California Edison Company, and the Division of Ratepayer Advocates" (Appendix C) was signed by Edison and the DRA.¹ This stipulation resolves the differences in ECAC revenue requirement between DRA and Edison, but it does not address the rate stabilization, the QP buy out, or the bill credit proposals. Edison and DRA agreed to jointly recommend a \$7,232 million revenue requirement Energy Cost Adjustment Billing Factor (ECABF), Electric Revenue Adjustment Billing Factor (ERABF), California Alternate Rates for Energy (CARE), authorized base rates for service beginning January 1, 1996.

Hearings commenced on October 17, 1995 before Administrative Law Judge (ALJ) Barnett. The agreements and stipulations resolve most of the contested issues in this proceeding. During hearings, no party opposed or had any questions on, any of the agreements or stipulations entered into by the parties. All settlement agreements and stipulations are uncontested.

¹ The stipulation set forth in Appendix C does not include the stipulation's Appendices C and D.

NOT WITHHELD. THE SETTLEMENT AGREEMENT ON THE FIERO
AND THE O&M ADDER IS REASONABLE, IS
IN THE PUBLIC INTEREST, AND IS ADOPTED.

In Edison's annual SRAC proceeding, we adopt an IER and O&M adder which "are used to calculate QF short-run avoided cost (SRAC) energy payments." These components have historically been the focus of intense dispute and are contested issues in this proceeding. Edison, DRA, CAC, CCC, WCC, and ISP (the Settling Parties) were the only parties who filed testimony on the IER and/or O&M adder issues (WCC did not file testimony recommending an IER value). The Settlement Agreement sets forth IER and O&M adder values for use in calculating QF SRAC energy payments in 1996.

A. IRR

The Settling Parties filed testimony proposing IER values which ranged from 8972 to 9624 Btu/kWh. The settlement proposes that the Commission adopt an IER of 9300 Btu/kWh, which is within the reasonable range of possible litigation outcomes. The Settling Parties have participated in Edison's BCAC proceedings for many years and are familiar with the resource assumptions and factors which impact the IER. Edison's recommended IER was 9239 Btu/kWh. Had Edison not prevailed in its position with respect to just one contested resource assumption or modeling issue, the adopted IER could easily be above the settlement IER of 9300 Btu/kWh.

Historically, since 1990, the adopted IER has ranged between 8908 Btu/kWh to 9586 Btu/kWh. The settlement IER thus falls within the range of the historical adopted IERS. The result is a settlement that we find is fair, reasonable, and in the public interest.

By the O&M Adder: NEO of Settlements on a final rate adder of 1.98 mills/kWh (In Decision (D) 94-01-040) we adopted an O&M adder of 1.98 mills/kWh for the 1994 and 1995 forecast periods. The Settlement Parties recognized that there is a range of possible outcomes of litigating the O&M adder, and during negotiations to each party assessed its litigation position with respect to this issue. The Settlement Agreement recommends that the Commission adopt an O&M adder of 1.10 mills/kWh as a compromise of the various positions of the Settlement Parties. The proposed final settlement O&M adder of 1.10 mills/kWh is lower than the initial currently adopted value and will result in ratepayer savings of approximately \$12 million, or equivalent to below market value rates to our former Edison, the settlement O&M adder of 1.10 mills/kWh was relatively close to Edison's recommended value of 1.03 mills/kWh. If this issue had gone to hearings, we would have had to determine what costs should be included in the standby cost component and operating component and which methodology should be used, the QFs-in-QFs-out method (used by Edison), DRA, and IEP) for the power pool method (used by CAC and CCC). The parties, by one including or excluding certain costs in each component, had a range of 1.31 to 2.68 mills/kWh for the O&M adder. The final settlement O&M adder value is within the reasonable range of five outcomes that would result from litigating the O&M adder based on the record in this proceeding. Therefore, we will adopt an O&M adder of 1.10 mills/kWh for the 1996 forecast period.

Although we adopt the O&M adder agreed upon by the Settlement Parties, we caution the parties here and in other Commission settings that they should not presume current O&M adder levels are a reliable basis on which to negotiate SRAC reforms or future ECAC settlements. The settlement may be reasonable in light of the record in this case, but the record in this case has several important omissions. First, we are concerned that we may have incorrectly assumed that O&M costs

associated with overhauls are attributable to O&M costs incurred in the short-term. In the future, we will require parties supporting inclusion of overhaul costs in the O&M adder to show that (1) overhaul costs are variable in time frames of one year or less, or (2) overhaul costs are variable in time frames of no more than one year and such a time frame is appropriate for the shorter run prices and economic analysis. We will leave this issue.

(c) Second, we are concerned that Edison has never presented evidence of the O&M costs potentially caused by QPETE. In Edison's next RACG proceeding, it should present its own evaluation of any additional O&M caused by ramping its units over greater ranges than would otherwise occur in the absence of QPES generation (that is base-loaded). Third, there is an issue of double recovery to the extent the O&M adder includes long-term avoided O&M associated with retired and standby units when long-term avoided O&M compensation is achieved through capacity payments (using a combustion turbine proxy). We have not in many years been presented with evidence showing the basis for the proxy, and will require in the future that parties seeking to add include standby and retired units in the O&M adder establish that no double recovery would thereby occur. They should also present evidence concerning whether a time frame longer than one year is appropriate in selecting units retired or placed on standby for inclusion in the O&M adder. Consequently, we adopt the following settlement in this case for the limited purpose of setting rates in this proceeding.

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WHEREAS, THE STIPULATION CONCERNING REVENUE REQUIREMENTS IS REASONABLE, IS IN THE PUBLIC INTEREST, AND IS ADOPTED

The parties to the Stipulation Concerning Energy Cost Adjustment Clause Revenue Changes for the Forecast Period from January 1, 1996, through December 31, 1996, are Edison and DRA. The stipulation addresses all contested issues raised in DRA's filed testimony affecting revenue requirement except those issues covered by the settlement on QF pricing. DRA and Edison were the only parties that filed testimony on revenue requirement. A settlement conference was held on October 6, 1995 where no other parties expressed interest in this issue.

Edison's September update and DRA's August estimates on the 1996 fuel and purchased power (F&PP) budget were approximately \$3,266 million and \$3,226 million, respectively, before any of the settlements. As a result of the settlement on the IER and O&M adder, Edison's and DRA's F&PP budgets increased to \$3,268 million and \$3,241 million, respectively. The primary reason for the difference between the parties' estimates is the result of differences in three resource assumptions: gas price, nuclear production factor, and economy energy forecast. Edison's and DRA's ECABP differences were resolved by stipulating to a Permian basin gas price of \$1.60/M³Btu. Edison and DRA then ran their F&PP budgets with the \$1.60/M³Btu gas price, which resulted in both parties F&PP budgets coming extremely close to the stipulated \$3,254 million for F&PP expense (including the settlement IER and O&M adder). Thus, the agreement on gas price had the biggest impact on the revenue requirement change and resulted in a revenue requirement approximately midpoint between DRA's and Edison's positions. The compromise reached on the ECAC revenue requirement in this proceeding is reasonable based on the record and is comparable to the result which would have been reached through litigation of the resource assumptions or negotiations.

The testimony of Edison and DRA support independently derived revenue requirements. Edison and DRA, upon evaluation of each other's recommendations, determined that their differences were reconcilable. In the interest of regulatory and administrative efficiency, Edison and DRA agreed to jointly submit recommendations and not contest, the following ECAC revenue requirement for this proceeding. It is anticipated that this will result in a more timely and efficient process.

Updated Recommended ECAC Revenue Requirement

A. In Rate is up to you to determine Revenue Requirement ^{only based} _(in \$000) ^{on} _{of} ^{the} _{same} ^{rate} _{as} ^{the} _{other} ^{two} _{years}

AuthnBaseRate is 4,115±105 Gb/s (HBR4) over 1Gb/s link using the
baseline configuration in the first phase.

The recommended ECAC revenue requirement, if adjusted for Edison's rate stabilization proposal or DRA's bill credit proposal, is shown below:

ated Recommended ECAG Revenue Requirements

Rate (\$000) Adjustment For DRA Bill

W/SCE Rate Stabilization Credit Proposal

ECABF Paolo Vassalli 3,166,392
ERABP (6,424) 3,253,559
CARE (15,421) 9915,421
Auth. Base Rates 4,115,105
Total 7,290,494 7,377,661

This revenue requirement does not reflect the revenue requirement changes associated with other proceedings which are expected to be effective on or before January 26, 1996.³ The January 20, 1996 consolidated revenue requirements are currently estimated to be \$7,281.6 million and reflects the stipulated revenue requirements for resources to cover the period January

A. Recommended ECABF Revenue Requirement

Based on the ECABF revenue requirement set forth in Appendix B to the Stipulation, Edison and DRA recommend that the Commission adopt an ECABF revenue requirement of \$3,061,802,000. Edison and DRA also agree that the ultimately adopted revenue requirement and resultant revenue change should incorporate Edison's forecast December 31, 1995 balance in the ECAC balancing account which may be updated to reflect more recent recorded data and shall be submitted to the Commission in Edison's comments on the Proposed Decision.

B. Recommended ERABF Revenue Requirement

DRA recommended that the Commission adopt an off-system sales nonfuel-related revenue forecast in the amount of \$67.394 million. Edison's forecast of off-system sales nonfuel-related revenues was \$55.463 million. The parties agreed to compromise their respective positions by agreeing to a forecast of \$61 million, which is approximately the mid-point between the parties' two forecasts. This resulted in a forecast January 1, 1996 ERABF revenue requirement of \$41,362 million.

Edison and DRA agree that the ultimately adopted revenue change should incorporate Edison's forecast December 31, 1995 balance in the Electric Revenue Adjustment Account which may be updated to reflect more recent recorded data and shall be submitted to the Commission in Edison's comments to the Proposed Decision.

C. Recommended CARE Revenue Requirement

Edison and DRA recommend that the Commission adopt a CARE revenue requirement in this proceeding of \$13,381 million. Edison and DRA agree that the adopted revenue requirement should

"reflect reasonably into the degree of self-sufficiency and stability to second class and intermediate each aspect of the settlement, so that as far

as possible does not

incorporate Edison's forecast, December 31, 1995 balance in the CARE balancing account, which may be updated to reflect more recent recorded data. This month's rate will be 100% off of a weighted average D.00 Recommended Base Rate Revenue Requirement, which is the same as the previous year.

However, Edison and DRA agree that the previously authorized January 1, 1995 base rate revenue requirement is \$4,115 million. This is based on DADS off in November 31, 1994, except for a 1% increase before year III. **THE SETTLEMENTS SATISFY ALL CRITERIA FOR ALL-PARTY SETTLEMENTS**

No additional action by the Commission is necessary to adopt the proposed resolution.

In D.92-12-019, we enunciated our policy on all-party settlement proposals and stated that all-party settlements must meet the following requirements:

- a. Command the unanimous sponsorship of all active parties to the instant proceeding; (not in D.92-222, however, was reference made to proceeding);
- b. Demonstrate that the sponsoring parties are fairly reflective of the affected interests;
- c. Demonstrate the no term of the settlement contravenes statutory provisions or prior Commission decisions; and
- d. Convey to the Commission sufficient information to permit (the off in November 31, 1994, except for a 1% increase before year III) the Commission to discharge its future regulatory obligations with respect to the parties and their interests; (D.92-12-019, p. 7 emphasis added.)

In addition, we stated that an all-party settlement does not require a sufficient quantum of evidence to establish **prima facie** that the settlement provisions are "reasonable" (D.92-12-019, mimeo, p. 14.). It reaffirmed that settlements are an appropriate method of alternative ratemaking and that the Commission does not

"dive deeply into the details of settlements and attempt to second guess and re-evaluate each aspect of the settlement, so long as the

good faith settlements as a whole are reasonable and in the best interest of the public interest. (D. 92-12-019, memo, p. 15, citing In re San Diego Gas & Electric Co., D. 90-08-068, 137 CPUC 2d 1346 (ath 9th dist bus 363).)

We believe the three agreements satisfy each of the above requirements.

A. Each of the Settlements Command the Unanimous Sponsorship of the Active Parties in This Proceeding

At no point have the Settling Parties made every effort to ensure that all parties with an interest in any and all contested issues were given the opportunity to participate in the settlement negotiations. To the best knowledge of the Settling Parties, no party opposes any of the settlements. During hearings, no party presented any testimony contrary to the terms of any of the settlements or expressed opposition.

B. The Sponsoring Parties Are Fairly Reflective of the Affected Interests

The following table summarizes the parties who sponsored the settlements.

Edison, DRA, CAC, CCC, WCC, and IEP sponsored the QP pricing agreement. These parties represent the interests of the utility, ratepayers and QP interests and thus fairly represent the spectrum of interests affected by the resolution of the QER, O&M adder, and other issues resolved by that settlement.

DRA and Edison sponsored the stipulation which resolves revenue requirement and F&PP expenses. Edison represents the utility's interest while DRA represents the interest of the ratepayers. Edison, DRA, CLECA, and CIU sponsored the comparison exhibit on forecast 1996 gas components. CLECA and CIU represent the interest of large industrial customers with significant energy usage. These Settling Parties are thus representative of the interests affected by Edison's rates during the forecast period.

In negotiating each settlement or stipulation, the Settling Parties were able to gauge the strength of Edison's case because of their regular participation in previous ECAC

proceedings and because of their experience in evaluating the key variables affecting revenue requirement and revenue allocation and rate design issues.¹⁰ During the negotiations for each agreement, all parties were adequately represented by counsel and all parties had their technical experts experienced in ECAC proceedings involved in the negotiations and/or review of each settlement or stipulation. DRA, as the governmental participant, was involved in the negotiations. The negotiations were held at arm's length and without collusion. To date, the reaction of any other active party in this proceeding is positive or neutral. The risk, expense, complexity, and duration of litigation all weigh in favor of adoption of the three settlements or stipulations.

C. No Term of Any of the Three Settlements/Stipulations Contravene Statutory Provisions or Prior Commission Decisions

None of the three agreements/stipulations violates any statute or Commission decision, and all are consistent with provisions and rules relating generally to burdens of proof.

D. Each Settlement Conveys to the Commission Sufficient Information to Permit the Commission to Discharge Future Regulatory Obligations With Respect to the Parties and Their Interests

All parties have filed testimony in this proceeding on some or all the issues resolved by each settlement. The testimony provides the Commission with sufficient information regarding the components of each settlement and all the information needed to calculate the total revenue requirement for the 1996 forecast period and calculate QF payments for the 1996 forecast period. These settle-

ments integrate fully with the requirements of the forecast period. In addition, each party has filed testimony, the settled parties were able to adduce the evidence necessary to support their position in proceedings before the HAGC.

QUESTION 10: ANOTHER SET OF CONTRASTED ISSUES IN A 'NOVEL'

A. On Edison's Rate Stabilization Proposals According to the forecast EGC projected

The major contested issue in the proceedings is the appropriate ratemaking treatment for the forecast \$191.8 million December 31, 1995, ECAC balancing account overcollection. Edison proposes to reflect \$41.85 million of the overcollection in 1996 rates and to defer \$150 million of the overcollection for 1997. DRA, CLECA, CIU, CFBF, and TURN opposed Edison's proposal. CLECA, CIU, & CFBF, and TURN recommended that the entire overcollection be returned to customers by amortizing the entire balancing account through rates in 1996. Although DRA initially proposed this ratemaking treatment, DRA changed its recommendation during hearings and now recommends that the entire overcollection be returned via a one-time bill & crédit fix or rate increase.

Mr. J. Edison asserts that its rate stabilization proposal should be adopted because it brings up very nil attack of passenger

SDR is to provide the best opportunity among the three proposals to ensure a steady and continued downward system average rate trajectory for 1996 and beyond.

- Is consistent with Commission precedent, appropriately considers rate stability and the need for an adequate and accurate pricing signals; and
 - Is consistent with Edison's commitment to reduce its system average rate by 25% by the year 2000, after adjusting for inflation and with DRA's testimony that a downward trajectory is essential to the success of the

~~referentiality~~ for piece of present, country gains a late language in
presumes no one piece, which is not uniquely given the

⁹ Edison's alternate proposal is to use up to \$150 million of the estimated overcollection to buy out QP contracts to reduce future power costs for customers. That proposal is discussed in Section IV.B. below.

Edison's proposal is one of three options with respect to the ratemaking treatment of the forecast ECAC balancing account overcollection. (All three will refund this entire overcollected amount plus interest.) Thus, customers will be made whole for the amount they overpaid in 1995. Edison argues that its rate stabilization proposal results in a 1996 system average rate decrease in 1996 and will also result in an estimated decrease of 0.9% in 1997. This 1997 decrease is estimated to be 4.1%, less than what would otherwise occur with the traditional approach advocated by all other option parties except DRA. Under the traditional ratemaking approach, the entire overcollection would be reflected in 1996 rates, resulting in a system average decrease of 4.8% in 1996. Edison predicts that this would result in a system average rate increase of approximately 3.12% in 1997, of which 2.7% would be due simply to zeroing out the balancing account rate. Even without any increase in costs in 1997 compared to 1996 and an accurate forecast of 1996 costs, there is a real possibility of a rate increase in 1997. Thus, the traditional ratemaking approach must be rejected if the Commission wants a continued downward system average rate trajectory in 1996 and 1997.

The one-time bill credit proposal would have different rate impacts in 1996 than Edison's proposal for traditional amortization of the overcollection. Edison's proposal preserves \$150 million of the overcollection to offset potential rate increases in 1997. The one-time bill credit disposes of the entire overcollection in one month in 1996 and leaves no reserve to offset potential cost increases in 1997. Thus, any upward pressure on gas prices, which is not unlikely given the relatively low prices at present, could cause a rate increase in 1997 if the 1996 bill credit proposal is to add up to \$150 million. Edison's one-month overcollection to pay off the 1996 overcollection to reflect future power costs for consumers. That proposal is discussed in section IV.B, below.

Incapco Edison claims that other parties in this proceeding seem to imply that there is something illegitimate about its rate stabilization proposal. Counsel for TURN attempted to scoff off this characterization. Edison's proposal uses "involuntary prepayments," which Edison points out, that rate stability is a valid concern to EUD recognized by the Commission in determining the appropriate amortization period. For example, in D.83-084-056, the Commission stated "[w]e do consider rate stabilization a legitimate basis for consideration in deciding the appropriate amortization period." (D.83-084-056, p. 16) In the past, the Commission has been more implemented reductions over two years to avoid volatility in retail rates and to offset other increases. Edison believes its rate stabilization proposal provides the best opportunity for a declining system average rate in 1996 and 1997. Edison contends that it is the only proposal that considers the objective of rate stability and provides more certainty that rates will continue to decrease in 1996 and 1997 than any competing proposal. It also provides better rate signals to users.

Edison agrees that price signals that accurately reflect utility costs to serve is a recognized objective in setting customers' rates. Edison asserts that its rate stabilization proposal provides more accurate pricing signals in 1996 and 1997 than would traditional 12-month amortization of the overcollection in 1996 rates. Industrial customers are more now interested in having all rate changes predictably tied to cost than they are concerned with rate stability. If the entire base overcollection were reflected in rates in 1996, rates would be set below costs and there would be a significant built-in gain increase in 1997 system average rates, not due to increased costs, but to balancing account changes. This would send the wrong price signals to customers who would assume the increase is due to a rate increase. Instead of doing so, our corporation has chosen to do its own rate base. But because of the difference between the two bases, the difference in the two rates is

due to increased costs of Edison's rate stabilization proposal addresses this problem by spreading the rate impact of the overcollection over two years, which results in rate levels more closely matching forecast expense levels. While the one-time bill credit also provides accurate price signals, it does not provide the assurance of a continued downward rate trajectory. Moreover, looking beyond 1997, Edison is committed to continuing the declining rate trajectory through year 2000. If necessary, Edison may propose deferring recovery of its forecast expenses from 1998 until 1999, when Edison anticipates cost decreases. Therefore, Edison contends that its rate stabilization proposal should be adopted in order to meet Edison's and DRA's long-term goal of the continued downward system average rate trajectory.

Other parties CLECA, CIU, TURN, and CFBF all oppose Edison's rate stabilization proposal. They recommend the traditional one-year ECAC amortization schedule, set to expire on 31 December 1997. They argue that to achieve its rate reduction goals, Edison must reduce operating costs and improve productivity and operating efficiency. Rate reductions must not be the result of forecast or spreadsheet manipulations that provide no net benefit to customers. Edison will overcollect approximately \$192 million in 1995 as a result of an inaccurate gas cost forecast. Edison acknowledges this money belongs to its customers. Yet Edison wants to defer the return of a \$150 million in order to achieve the illusion that Edison's rates are declining, thereby avoiding the need for Edison to do anything on its own to achieve rate reductions. This should not be permitted. They say that Edison must face up to and directly deal with the problems caused by its cost structure. In other words, Edison must make its own choices. They believe that Edison's rate stabilization proposal is a thinly disguised attempt to manipulate rates for Edison's own corporate purposes. Pursuant to its proposal, Edison seeks to defer the return of an arbitrarily selected \$150 million of

ratepayer funds to 1997 in order to turn a potential rate-caused increase in 1997 into a rate decrease. They argue that deferring desperately needed rate reductions to future years (and using ed ratepayer funds to accomplish corporate publicity-driven goals) is not in Edison's customers' best interests and should be rejected.

DA CLECA feels particularly strongly about the proposed retention of the overcollection, because CLECA's members based allocation of last year's revenue requirement was increased substantially specifically due to the excessive marginale gas cost estimate. They have paid a disproportionate amount of the overcollection and are anxious to see the return of their overpayments. The Commission should reject entirely the so-called rate stabilization proposal and order the return of those dollars through rates to begin effect in 1996. No one has suggested that

TURN urges the Commission to reject Edison's proposal to withhold \$150 million until 1997 or it says that only a non-monopoly utility could claim that such a proposal meets the non-stated desires of its customers, even as every customer group and active in this proceeding is calling for the proposal's immediate rejection. More importantly, TURN reasons that Edison's position relies on forecasts of 1996 and 1997 that are likely to be at least as inaccurate, albeit for different reasons, as those which led to the overcollection in the first place. The proposed rate stabilization could easily turn out to be wholly unnecessary. In TURN's view, the better approach is to use the full amount of the overcollection to reduce Edison's 1996 rates. This would be far entirely consistent with Edison's desire to send a signal to its customers that costs are declining over time and it would also more closely comport with the stated desires of the utility's customer customers, none of whom support the rate stabilization proposal. Now I agree with those opposed to Edison's rate stabilization proposal. Edison says it is for the benefit of its customers, but every customer group rejected it. We are in a 'ARG'

persuaded that Edison's proposal was made to insure that Edison could claim a rate decrease in 1997 of Ratepayer funds should not be used for that purpose. It is Edisons own belief that it is requested that Edison's Alternate QF Buyout Proposal does not allow for recovery of the \$150 million set aside. Edison also made an alternate ratemaking proposal to set aside \$150 million of the forecast December 1995 ECAC balancing account overcollection, to buy out QF contracts to help reduce future power costs for its customers in compliance with the Commission's guidelines for terminating QF contracts if feasible (D.88-10-032, p.29 CPUC 12d 415, nat. 1439-442). A buyout would be done only if the Commission finds that the QF project is viable, that ratepayers interests will be served demonstrably better by the buyout, and that the terms of the buyout are found reasonable by the Commission. Edison is not seeking approval in this quoniam application to spend this money as Edison would file an application requesting approval of any proposed buyout, but this money would be used only after the Commission has approved each buyout on a contract-by-contract basis. If any portion of the \$150 million set aside for this purpose is not used by the end of 1996, that money would be returned to the ratepayers.

Edison claims that using the ECAC overcollection for this purpose would allow it to buyout projects by making up front payments that it could not ordinarily do given Edison's policy of not doing any buy-out that would result in increased rates in that year. It says the QF buyout would not increase rates in 1997 and could cause annual savings of approximately \$31 million in 1997 with annual savings gradually decreasing to \$12 million by 2014 when it is expected that most participating QFs contracts begin to expire. Every party representing Edison's customers vehemently opposed this buy-out proposal. The only party supporting it was EIBP, a group of QFs. The other QF parties expressed no opinion. DRA's argument sums up the opposition: "It's just another

"Edison's QF buyout/buydown proposal should be rejected. There is no benefit to non ratepayers in Edison's retention of a significant portion of the overcollection for the purpose of renegotiating current uneconomic QF contracts should the opportunity arise. There is no basis for assuming that ratepayers should shoulder 100 percent of the burden of such renegotiations. Further, there is no justification for creating a set-aside "slush fund" when Edison has produced no evidence of the benefits of such buydowns or even identified candidate to do contracts for such treatment. It is hard to envision a more speculative request than this one. It can not possibly benefit ratepayers or to defer a refund for this purpose. No other party supports this proposal. The Commission should reject it."

The presiding ALJ's comments at the hearing are fitting.

"I just don't see how...the buyout plan...could possibly work to be in the interest of the ratepayers. I mean if I were to accept buyout and have my money in hand I envision that if...ratepayer money were not given to Edison to buy out QF contracts and if I was a QF contractor with one of these contracts, I would be racing to Edison to get that money...absolutely. I mean I know a dollar in the hand is always worth more than the dollar down the road."

"And not only that, knowing that once I got the money, my plant is still going, I'm still generating electricity. I'm still going to get avoided costs from someone which is always going to be better than anything I can negotiate on my own. As so it's to me that's just an invitation to exorbitant settlements."

"And since Edison has really no incentive it's not their dollars that they're negotiating with, there's no incentive to be hard bargainer. It's always easy to take other people's money and to negotiate with other people's money. It's not a problem."

It's only when you're negotiating with your own money that it becomes a real problem. (TR 2:153.) Not today, though, it appears that no one is going to be negotiating. Edison's buy-out proposal is rejected.

C. The Refund

The recorded December 31, 1995 amount of the ECAC balancing account overcollection is approximately \$237.2 million, all of which is to be refunded. We have already rejected Edison's proposals to delay or eliminate the refund. The remaining question is whether to order a one-time refund or continue the routine procedure of a one-year amortization.

The ALJ requested the parties to comment on the possibility of a one-time refund of the ECAC overcollection dollars, in conformity with D.95-09-075 in which gas cost overcollections in a Southern California Gas Company (SoCalGas) proceeding were returned to customers through a one-time refund. Except for DRA and Edison, all commenting parties oppose this change in the normal ECAC procedures. They believe that such a refund is an unnecessary departure from the approved process of including the overcollection amount in the cost of service for the new year. They argue that the Commission has established a process for the return to customers of overcollection amounts and this process has worked well for many years. The overcollection dollars at issue do not represent an extraordinary item, but rather reflect the normal process of estimating expenses and then truing up based on actual results. They point out that this case does not raise the concern evident in the SoCalGas proceeding about the need to ensure that commodity gas prices reflect current market levels so that suppliers in competition with the utility are not disadvantaged and so that customers are given accurate price signals. At this time Edison is not concerned with competitive suppliers of electricity as it will not face such competition until the Commission issues a policy decision and

numerous implementing decisions in its electric restructuring docket, the avoidability doctrine would have a limited application.

SoCalGas DRA recommends a one-time bill credit refund. DRAacob observes that the bill credit, when based on a cents/kWh rate calculation, is administratively simple. DRA argues that equity concerns about benefits to those who did not contribute revenues during the period of overcollection, and a lesser return to some customers who contributed greater revenues, would best be mitigated through basing the refund on an average monthly usage for the 12-month period ending September 1995. DRA submits that the same advantages identified in the Commission's discussion of the SoCalGas one-time credit are present here. The solution of a one-time bill credit has the advantage of returning the refund quickly to customers who are entitled to the money and reducing uncertainty.

DRA contends that the facts assessed and policies being expressed by the Commission in D.95-09-075 are entirely analogous and applicable to the current overcollection of Edison's ECACnet balancing account. The argument that Edison's customers do not yet have the opportunity to obtain electricity from alternative suppliers and core gas customers do have such an opportunity is not dispositive. This fact alone does not distinguish the circumstances in this proceeding from those in SoCalGas' case. In addition to the identical ratemaking mechanisms employed in both cases which include reliance upon forecast methodologies, balancing account tracking mechanisms, and annualized true-up, DRA maintains that every pending Edison case is preoccupied with the question of increased competition in the electricity selling industry. The policy questions faced by ratepayers and the Commissioners in each pending electric proceeding with respect to Edison's rates echo the policy questions engendered by the industry restructuring debate. From the ratepayers' perspective, the restructuring outcome will be judged by the degree to which customers can realize the benefits of a more competitive market.

industry). The same need to assess the relationship between Edison's rates and those of other market alternatives exists, despite the fact that competition is in an earlier stage of development in the electric industry than it currently is as it has experienced in gas markets. The one-time bill credit refund is the best method of returning the current Edison ECAO balancing account overcollection to DRA, urges its adoption by the Commission as a primary recommendation. Should the Commission decide that a one-time bill credit is not the appropriate mechanism for refund of the balancing account, DRA secondarily recommends full refund amortized over the next 12 months. Since DRA also notes Edison argues that given the option of a 12-months off amortization or a one-time refund, the one-time refund is more reasonable because it sends a more accurate price signal to Edison's customers than an 12-month amortization of the overcollection. It points out that rate stability has been a key concern in this proceeding. Edison opposes a 12-month off amortization method because it has a built-in increase in rates for 1997 of \$314 million (based on then \$237.2 million December 31, 1995 record ECAO balancing account overcollection) to just to offset the impact of the amortization of the balancing account reflected in 1996 rates. In addition, it is imperative that customers have accurate rate information. Rates that include a refund of this magnitude (\$237.2 million) are not reflective of cost-based rates. A 12-month amortization would send an inaccurate price signal to customers with 1996 rates set below costs, and with a significant built-in increase in 1997 system average rates even with no increase in costs, customers would incorrectly assume that the increase is due to increased costs alone. We believe

that we agree with DRA and Edison on this. Commission's most recent refund decision, we ordered SoCalGas to refund just \$160 million to its customers (in a one-time refund) (Re: Southern California Gas Company, D.A.95-08-001 p.D.98-09-0759). We believe

the reasons given in that decision to support the one-time refund are equally applicable here. Therefore, we shall refund it to all ratepayers the approximately \$237.2 million Edison overcollected at one time, as soon as possible. This departure from prior ECAC procedure is warranted because of the rapidly changing and often environment in which electric rates are determined. We are of moving (towards) competition; rates should move in the same (same) direction. As the Commission, the electric utilities, and the public continue to discuss ways and means to achieve more meaningful competition, it is imperative that we have accurate rateexit information. A rate that includes a refund is not a cost-based rate; indeed it is unique in every aspect. It is now time for us to move forward in ratemaking today, in which we rely on forecasts, balancing accounts, and annualized true-ups; this is imprecise, but we're moving in the wrong direction by making it more imprecise when we include refunds over a 12-month period. A one-time refund is accurate, efficient, and promotes rate stability. We agree with DRA's staff argument that ratepayers (and the Commission) need to assess the relationship between Edison's rates and those of marketed alternatives when considering the timing and degree of restructuring needed in the electric industry. To the more accurate the rate, the more reasonable the result, but if you do not believe this to be the case, then the refund should be based on each retail customer's average monthly usage for the period of January 1, 1995 through December 31, 1995, reflected in the bills of June 1996. At this interest for the \$237.2 million refund from January 1, 1996 to the date of the refund should be credited to the ECAC balancing account.

D. Combustion Turbine (CT) Costs In this proceeding, Edison presented new CT cost calculations which were substantially different in methodology and resulting costs than its earlier filing in Phase I of its still pending GRC. For this ECAC proceeding, these costs are used in a

In the calculation of avoided capacity costs for payments to QFs, DRA did not take issue with the validity of this new analysis. However, the policy and ratemaking implications of this action by Edison led DRA to recommend that the improvements in CT costs be also be reflected in the calculation of fixed O&M costs related to Edison's steam plants. Edison had estimated \$81.47/kW-year in (1995\$) of fixed O&M costs. This was reduced to \$11.87/kW-year in (1996\$). In the ECAO filing, DRA's recommendation is that if such significant reductions have been realized, Edison should reduce its fixed O&M costs for its own steam plants as well, so this would ensure that Edison is actually as efficient as its capacity value implies and would allow the ratepayers to capture the benefits. DRA also recommends that Edison's contingency costs factor be similarly treated. Edison adds a contingency of 10% to the direct and indirect costs of the CT. A similar standard should be applied to its steam plant overhaul projects. DRA says that there is no justification for Edison to request higher capacity values from ratepayers than it calculates are avoided for the purpose of valuing payments to QFs, a point not noted earlier.

Edison asserts that DRA's recommendations go beyond its calculating CT costs and seeking to find a standard appropriate standards to be applied to steam plant O&M and overhaul expenses, an issue that has no relevance to this ECAO or Phase 12 of the GRC. It says there is no evidence in this record concerning fixed O&M costs for steam plants in this proceeding. All data regarding capital additions refer exclusively to GTs of Edison's testimony in this proceeding and in Phase 2 and also exclusively with CT costs only.

Edison proposes that if the standard for fixed O&M costs and overhaul costs is to be changed, it should be done in a proceeding where those costs are being examined and a record is developed from which the Commission can determine whether the standard should be changed and whether ACT maintenance costs should

steam plant maintenance costs are even comparable, Edison does not believe DRA or any other party would be prejudiced by making this recommendation in a future proceeding where these costs are at issue. Therefore, Edison recommends that DRA's recommendation not be adopted by the Commission.

We will not order Edison to reduce its fixed O&M costs for its own steam plants to the level of fixed O&M costs for CT costs. But we agree with DRA that it is anomalous that Edison requests higher capacity values from ratepayers than it calculates are avoided for the purpose of valuing payments to QFs. Edison may be correct that fixed O&M costs for CT plants have no relationship to fixed O&M costs for steam plants. We have no evidence on this record to make that determination. Our concern, like DRA's, is that in Edison's next proceeding where the costs of steam plants are an issue, Edison does not argue that any changes should be made in yet another proceeding. In its next proceeding where the costs of steam plants are an issue, Edison shall make a showing regarding the need for differences between fixed O&M costs of CT plants and steam plants. That is the place for DRA to challenge Edison's showing.

No party contested Edison's proposed CT capacity cost value of \$5.24/kW/year for the 1996 forecast period. This value is based on an updated cost estimate that reflects the latest technological advances and current market conditions and is considerably lower than the CT cost proxy value of \$8.68/kW-year that was adopted in D.94-12-046 (Mimeo. p. 22). The working capital loader which was used in the CT cost calculation is now \$6.06/kW, based on existing (as of 1/1/95) non-refundable contract terms.

Findings of Fact

1. The "Stipulation of Southern California Edison Company and the Division of Ratepayer Advocates Concerning Energy Cost Adjustment Clause Revenue Changes for the Forecast Period January 1, 1996 through December 31, 1996" (Exhibit 20)

recommends that the Commission adopt a revenue requirement of \$7,377,661,000 which would be passed on to you by the DRA for the period from January 1, 1996 through December 31, 1996. The adopted revenue requirement and revenue changes to the ECABF, ERABF, CARE, and base rates in this proceeding are shown below:

Adopted ECAC Revenue Requirement and Revenue Change

| <u>Rate</u> | <u>Revenue Requirement</u> (\$000) | <u>Revenue Change</u> (\$000) |
|-------------|---------------------------------------|----------------------------------|
|-------------|---------------------------------------|----------------------------------|

| | | |
|-----------------------|-----------|-----------|
| ECABF | 3,253,559 | (263,857) |
| ERABF | (6,424) | (73,923) |
| CARE | 15,421 | 20,132 |
| Authorized Base Rates | 4,115,105 | 75,717 |
| Total | 7,377,661 | (241,931) |

The adopted revenue requirement and revenue change for the period from January 1, 1996 through December 31, 1996 is \$7,377,661,000.

Appendix D contains a table of the differences between the adopted revenue requirement and the revenue requirement authorized in other proceedings.

The adopted revenue requirement, when added to the changes authorized in other proceedings, decreases to \$7,281,627 (Appendix E).

The adopted revenue requirement and resultant revenue incorporate Edison's recorded December 31, 1995 balances in the ECAC, ERAM, and CARE balancing accounts.

In the Stipulation, DRA and Edison recommend that the Commission adopt a nonfuel off system sales revenue forecast of \$61 million.

The Stipulation (Exhibit 20) is sponsored by parties that filed testimony on the issues resolved in the Stipulation who are fairly reflective of the affected interests.

The Stipulation (Exhibit 20) contains no term contravening statutory provisions or prior Commission decisions.

If the stipulation of Settlement California Energy Commission Governor Gray Davis, Division of Ratepayer Advocacy, Consumer Protection Bureau, and the California Public Utilities Commission for the Period from January 1, 1996 through December 31, 1996 (Exhibit 20)

Agreement on Rates and Revenue Guidelines for the Period from January 1, 1996 through December 31, 1996 (Exhibit 20)

8. via The Stipulation (Exhibit 20) conveys sufficient information to permit the Commission to discharge its future regulatory obligations with respect to the parties and their interests; the nonparty opposes this finding and the Iqobs.

9.a No party opposes the Stipulation (Exhibit 20) and nothing concerning revenue requirement or the revenue change. All active parties had an opportunity to cross-examine the sponsoring witnesses and investigate the terms and basis for the settlement.

10. In the Stipulation (Exhibit 20) Edison and DRA propose recommend a Permian Basin Average Gas Price of \$1160/M³Btu during the forecast period. Iqobs, a nonparty, opposes this finding.

11.b In Exhibits 19, Edison, DRA, CIU, and CLECA recommend a Permian Basin Average Gas Price of \$1260/M³Btu for the forecast period.

12.a No party opposes the recommended 1996 gas components recommended by Edison, DRA, CIU, and CLECA. All active parties had an opportunity to cross-examine the sponsoring witnesses and investigate the terms and basis for the recommendations.

13. In the Settlement Agreement regarding the IER and O&M adder (Exhibit 17), Edison, DRA, ACAC, CCC, WCC, and IPB recommend an IER of 9300 Btu/kWh and an O&M adder of 110 mills/kWh for the 1996 forecast period. Iqobs, a nonparty, opposes this finding.

14.a The Settlement Agreement on the IER and O&M adder (Exhibit 17) is sponsored by all the active parties who filed testimony on the issues resolved by the Settlement Agreement, and who are fairly reflective of the affected interests, and is nonbinding.

15.b The Settlement Agreement on the IER and O&M adder (Exhibit 17) does not contravene any statute of Commission's jurisdiction, and it conveys enough information to allow the Commission to discharge its future regulatory obligations given the circumstances.

16. No party opposes the Settlement Agreement concerning the IER and O&M adders (Exhibit 17). All active parties had an IER of 9300 Btu/kWh and O&M adder of 110 mills/kWh.

opportunity to cross-examine the sponsoring witnesses and investigate the terms and basis for the settlements and to file

17. Edison's proposal to consolidate the revenue changes adopted in this proceeding with the revenue changes adopted in other proceedings on or before January 20, 1996; for a single-rate level change on April 1, 1996; is reasonable and should be adopted; notwithstanding the outcome of the proceeding on June 18, Edison should be authorized to update its balancing accounts to reflect data recorded after August 1995 in implementing its consolidated rate changes without a hearing.

18. No party opposed Edison's proposal that the Palo Verde annual recovery amounts for PVNGS Units 1&2 and 3 under the Palo Verde phase-in plan be \$40,801 million, \$40,402 million, and \$41,897 million, respectively.

19. For forecast purposes, no party contested Edison's estimated ECAC, ERAM, and CARE balancing account balances through December 31, 1995; notwithstanding the outcome of the proceeding on June 18.

20. The total amount of fuel in Edison's fuel inventories was not contested by any party except DRA for the value of \$10.16/kW/year for the forecast period; table 120 in the DRA addendum 20 to RAB 16.

21. No party contested Edison's recommended annualized ACTI cost of \$52.37/kW/year for use in the derivations of capacity payments to QFs for gas available capacity; table 121 in the DRA addendum 20 to RAB 16.

22. No party contested DRA's value of \$10.16/kW/year for the forecast period; table 122 in the DRA addendum 20 to RAB 16.

23. No party contested Edison's proposed 1996 GT capacity cost value of \$5.24/kW/year; table 123 in the DRA addendum 20 to RAB 16.

24. No party contested the working capital component of Edison's proposed 1996 GT capacity cost value (\$6106/kW); table 124 in the DRA addendum 20 to RAB 16.

25. No party contested Edison's proposed 1996 GT capacity cost value of \$5.24/kW/year; table 125 in the DRA addendum 20 to RAB 16.

26. DRA does not dispute Edison's oil inventory, nuclear and in-core fuel inventory, gas inventory, or coal inventory, both of forecasts and actuals; table 126 in the DRA addendum 20 to RAB 16.

27. Edison should be authorized to recover short-term debt carrying costs on the total fuel oil inventory, total coal

inventory, total gas inventory, and total nuclear "in-core" inventory, all of which are subject to reasonableness review by FERC. Edison has overcollected approximately \$237.2 million in its ECAC balancing account. This money belongs to Edison's customers and should be returned to customers in a timely refund. (footnote 28)

No. 29 (b) Edison's rate stabilization proposal would use some of ratepayer funds to create future rate decreases, but does not provide Edison an incentive to reduce costs to avoid future rate increases.

30. (b) Edison's QPA buy-out proposal does not identify candidate contracts; cannot be evaluated for cost-effectiveness or ratepayer benefit, and does not provide sufficient information to justify retention of any portion of Edison's overcollection in its ECAC balancing account. (footnote 29)

31. There is no impediment to Edison's pursuit of economic renegotiation of QPA contracts with, or without, retention of a portion of the ECAC balancing account overcollection. (footnote 30)

32. (d) The benefits of Edison's buy-out proposal in this case application are speculative, however, given the jump to no. 33 (e). The entire ECAC overcollection should be returned to ratepayers through a refund based on each customer's average monthly usage for the 12-month period ending December 31, 1995, reflected in the bills of June 1996. The interest for the \$237.2 million accrued from January 1, 1996 to the date of the refund should be credited to the ECAC balancing account. (footnote 31)

33. (e) Fixed O&M cost is one of the components used to help determine both the marginal generation capacity cost or the avoided capacity cost of supplying QPs. (footnote 32 to 34)

35. Edison revised the fixed O&M cost from \$8.47/kW/year (1995\$) to \$12.87/kW/year (1996\$) in this ECAC proceeding. (footnote 35)

36. Edison's reduced O&M costs were developed based on its revised maintenance practices and new cost information.

37. If Edison uses a lower CT cost to calculate capacity payments to QFs than the CT cost used to establish rates for its own steam capacity, the result is that ratepayers will pay more for capacity from Edison's plants than Edison pays for the capacity purchased from QFs, and therefore ed blanda has a good argu-

38. Edison shall, in its next proceeding in which the cost of operating its steam plants is an issue, present evidence on why its standard for determining fixed O&M costs for CTs differs from its standard for steam plants, evidence as to the obviou
Conclusions of Law

1. The stipulation of Edison and DRA (Exhibit 20), concerning revenue changes for the forecast period meets the standards of Rule 51.1 in that it is reasonable in light of the whole record, is consistent with the law, is in the public interest because it constitutes an equitable resolution of the issues, and is therefore adopted. *ed blanda is a good argu*

2. The Settlement Agreement between Edison, DRA, CAC, CCC, WCC, and IEP (Exhibit 17) concerning the IER and the O&M adder, meets the standards of Rule 51.1 in that it is reasonable in light of the whole record, consistent with the law, is in the public interest because it constitutes an equitable resolution of the issues, and is therefore adopted. *ed blanda is a good argu*

3. The jointly recommended average annual IER of 9300 Btu/kWh is reasonable and is adopted for the 1996 forecast period. *ed blanda is a good argu*

4. The jointly recommended O&M adder value of \$1.10 mills/kWh is reasonable and is adopted for the 1996 forecast period. *ed blanda is a good argu*

5. An ERI of 0.1 and an annualized CT cost of \$2.37/kWh year for the 1996 forecast period is reasonable and is adopted for use in the derivation of capacity payments to QFs for 1996 as available capacity more than 2000 MW above a threshold of 3000 MW. *ed blanda is a good argu*

Joint motion for rehearing denied.

6. Consolidating rate level changes for service rendered on and after January 20, 1996, is reasonable and is adopted.

Such rate level changes are authorized to take place on April 1, 1996.

7. The total combined revenue change should be based on the Commission's decision in this proceeding and the decisions in other proceedings which authorize such revenue requirement changes.

8. If Edison is able to realize increased efficiencies when valuing avoided cost capacity payments to QFs, it should also reflect these same efficiencies when evaluating capacity costs included in rates reflecting its own steam generation or explain why it cannot pass on these savings to its customers.

9. Refunds shall be made to Eligible Customers as follows:

a. An Eligible Customer is a retail customer of record on June 1, 1996 and was an Edison customer during

January 1995, but did not receive aid in the previous year.

b. Edison shall determine the total average monthly kilowatt hours billed (average kWh billed) to Eligible Customers in 1995, adjusted for the discounts to Edison's employees and CARE customers.

c. Edison shall divide the refund amount by the average kWh billed. The quotient is the refund amount per kWh.

d. Edison shall determine each Eligible Customer's refund by multiplying the quotient by the average monthly kWh's billed to the Eligible Customer during 1995. If necessary, Edison shall prorate the Eligible Customer's January 1995 bill and January 1996 bill to eliminate 1994 and 1996 usage. Edison should also adjust the average monthly kWh's billed to its employees and CARE customers by the

for rebates or percentage of the discounts received
in 1995.

f. The refund shall be a credit on the level of the
Eligible Customer's June 1996 bill,
and succeeding months, if necessary.

g. The board of directors agrees to award rebates to the
Eligible Customer who terminates
service before exhausting the credit

amounts to be determined as DIR'D & R'lds in the .8
bill of 1990 of the California Public Utilities Commission
REBATE IS ORDERED that is reasonable and sufficient to
meet the revenue requirements and supporting revenue and
expense data found reasonable in this decision shall be used to
set the reasonable rates and charges in Southern California

Edison Company's general rate case A/93-12-0259 in .8

2. Southern California Edison shall refund \$237,167,000 to
its ratepayers in the manner set forth in this decision.

This order is effective today.
Dated February 23, 1996, at San Francisco, California.

DANIEL W. FESSLER

President

P. GREGORY CONLON

JESSIE J. KNIGHT, JR.

HENRY M. DUQUB

JOSIAH L. NEEPER

Commissioners

APPENDIX A

List of Appearances

Applicant: Bruce A. Reed, Attorney at Law, and Janet K. Lohmann, Attorney at Law, for Southern California Edison Company.

Interested Parties: Thomas J. Knobloch, by Roger Green, for Brubaker & Associates; William Marcus, for JBS Energy, Inc.; Patrick McGuire, for Crossborder Services; Keith Melville, Attorney at Law, for San Diego Gas & Electric Company; Karen Mills, Attorney at Law, for the California Farm Bureau Federation; Judy Pau and Phil Endom, Attorney at Law, for El Paso Natural Gas Company; James A. Ross, for RCS, Inc.; Bartle Wells Associates, by Reed V. Schmidt, for City of Santa Barbara; Slater Consulting, by Mark Younger, Morrison & Foerster, by Steven Kotz and Jerry R. Bloom, Attorneys at Law, and Elizabeth Kientzle, for California Cogeneration Council (CCC); Peter Hirst, Attorney at Law, for Brady & Berliner; Ater, Wynne, Dodson & Skerritt, by Paul J. Kaufman, Attorney at Law, for Kern River Cogeneration; Pat King, for Watson Cogeneration Company; Ronald Nichols, by Michael Strauch, for Diamond Energy, Inc.; Graham & James, by Peter W. Hanshen, Attorney at Law, for Agricultural Energy Consumers Association (AECA); David Branchcomb, for Independent Energy Producers (IEP); McCracken, Byers & Bergeron, by David J. Byers, Attorney at Law, for California City-County Street Light Association (CAL-SLA); William H. Edwards, Attorney at Law, for Pacific Gas and Electric Company; Robert Finkelstein and Peter V. Allen, Attorneys at Law, for Toward Utility Rate Normalization (TURN); Norman J. Furuta, Attorney at Law, by Roger Green, for Department of Defense; Grueneich Resources Advocates, by Dian Grueneich, Attorney at Law, for Department of General Services; Ellison & Schneider, by Douglas Kerner and Lynn Haug, Attorneys at Law, for Independent Energy Producers Association; LeBoeuf, Lamb, Greene & MacRae, by Christopher A. Hilen, Attorney at Law, for Pacific Gas Transmission Company; Ater, Wynne, Hewitt, Dodson & Skerritt, by Michael P. Alcantar, Attorney at Law, for C.A.C.; Barakat & Chamberlin, Inc., by Helen Arrick, for Barakat & Chamberlin; Carolyn Baker, Attorney at Law, for Edison & Modisette; Barbara Barkovich, for Barkovich & Yap, Inc.; Jackson, Tufts, Cole & Black, by William H. Booth, Attorney at Law, for California Large Energy Consumers Association (CLECA); and Downey, Brand, Seymour & Rohwer, by Ronald Liebert, Attorney at Law, and Philip A. Stohr, for California Industrial Users.

Commission Advisory and Compliance Division: Wade McCartney, Patricia Ma, and Scarlett Liang-Uejio.

Division of Ratepayer Advocates: Joseph de Ulloa, Godson Ezekwo, and Irene Moosen, Attorney at Law.

(END OF APPENDIX A)

**SETTLEMENT AGREEMENT REGARDING THE INCREMENTAL
ENERGY RATE AND THE O&M ADDER**

PREAMBLE

1. The Parties to this Settlement Agreement (SA) are Southern California Edison Company (Edison or SCE), the Division of Ratepayer Advocates (DRA), Cogeneration Association of California (CAC), California Cogeneration Council (CCC), Watson Cogeneration Company (WCC) and Independent Energy Producers (IEP), hereinafter referred to as Parties. CAC, CCC, and IEP represent entities who operate qualifying facilities (QFs).
2. Each of the Parties to this SA filed testimony in SCE's Energy Cost Adjustment Clause (ECAC) proceeding, Application No. (A.) 95-05-049, before the California Public Utilities Commission (CPUC or Commission).
3. The Incremental Energy Rate (IER), and Operation and Maintenance (O&M) Adder are components used to compute Edison's Short-Run Avoided Cost (SRAC) for energy payments to QFs. The determination of adopted values for these components has been the subject of intense litigation in ECAC proceedings, and these components are contested issues in A. 95-05-049.
4. The Parties wish to avoid time-consuming and costly litigation of the IER and O&M Adder in A.95-05-049 and believe the Parties' time and resources could be used more productively in proceedings other than this ECAC. Settlement of the IER and O&M Adder would give the Parties the opportunity to discuss SRAC reform in other proceedings.
5. The Parties recognize that there is a range of possible outcomes of litigating these issues in Edison's ECAC proceedings. The Parties consider the resolution of these issues, as set forth in the SA, to fall within the range of possible outcomes of litigating these issues in this Application. The Parties are not aware of any facts that would cause the overall outcome of such litigation to be substantially different from that recommended in this SA.

**SEPARATELY DETERMINED INTEGRATING AGREEMENT
AND O&M ADDER AGREEMENT**

The Parties to this SA agree to recommend to the Commission:

1. The resolution of issues as provided in this agreement should be adopted for the Forecast Period of January 1, 1996 through December 31, 1996, unless superseded by the implementation by the Commission of a comprehensive change in SRAC methodology. The Parties believe that the IER and O&M adder values recommended in this SA reflect a reasonable outcome based on the record in this proceeding. Adoption of this SA will allow the Parties to avoid costly and time-consuming litigation, reduce ratepayer expense in resolving the issues presented, and allow the Parties and the Commission to focus resources on SRAC issues in other proceedings.
2. The IER and the O&M Adder used to compute SCE's SRAC for energy payments to QFs should be established at the levels set forth below and in the Appendices to this SA.
3. For the Forecast Period January 1, 1996 through December 31, 1996, the annual average IER shall be 9300 Btu/kWh, and the O&M Adder shall be 1.1 mills/kWh.
4. This SA is a package reflecting compromise between the Parties. The components of the agreement are interrelated with one another and no issue should be evaluated in isolation from the package. The Parties believe this SA is reasonable in light of the whole record, that this SA is consistent with the law, and that it is in the public interest.
5. Should this SA not be adopted by the Commission, the recommendations contained herein should not be construed as the position of any Party hereto.

obtaining by the Parties, either the Commission or the SRAC pricing methodology. It will be determined by the Commission whether a particular methodology is acceptable to the Commission prior to December 31, 1996.

SCOPE, LIMITATIONS AND CONDITIONS

1. The Parties will not contest in this proceeding, either in hearings or in any other manner before the Commission, or in any other forum, the recommendations contained herein, and will exercise good faith in supporting the adoption of this SA by the Commission as an entire document and agreement of the Parties. The IER and O&M Adder adopted in this proceeding are to be used solely for the purpose of determining payments made to QFs. This SA shall not be construed to be acceptance by the Parties of the methodologies, data, resource assumptions, arguments, or positions taken independently by any parties in this proceeding.
2. Except as expressly provided for in this SA, none of the principles or the methodologies underlying this SA shall be deemed by the Commission or any other entity as precedent in any proceeding or in any litigation except in order to implement in this proceeding the recommendations contained herein. The Parties expressly reserve the right to advocate different principles or methodologies from those underlying this SA in other proceedings.
3. The Parties understand and agree that this SA is subject to each and every condition set forth herein, including its acceptance by the Commission in its entirety and without change or condition. The Parties agree to extend their best efforts to ensure the adoption of these recommendations by the Commission.
4. The Parties agree to actively defend this SA and develop a mutually acceptable defense if its approval is opposed by non-parties to this SA.
5. The Parties acknowledge that there are ongoing efforts to reform SRAC pricing for utility payments to QFs, both through ongoing negotiations and through formal CPUC proceedings such as I.89-07-004, R.94-04-031 and I.94-04-032. The Parties agree that the adoption of the recommended IER and O&M values in this proceeding shall have no precedential effect on SRAC pricing discussions among the Parties, or on the positions of the Parties in any regulatory proceeding, other than this ECAC.
6. The Parties agree that the IER and O&M Adder values adopted in this proceeding shall not preclude the development, adoption and implementation of a different SRAC pricing methodology prior to December 31, 1996.

7. If the Parties' and/or the Commission's efforts to reform SRAC pricing do not culminate in a decision, by March 30, 1996, adopting a new pricing methodology to be implemented on or before Edison's January 1, 1997 ECAC revision, Edison agrees to perform and include an econometric study for use in determining its O&M Adder in its May 1996 ECAC application. This Section does not preclude Edison from including an alternate study using a different methodology for calculating an O&M adder in addition to the econometric study in its May 1996 Application. If a new pricing methodology is pending before the Commission after March 30, 1996, Edison reserves the right to request from the Commission a delay in filing any testimony on O&M adder.
8. The Parties agree that the Commission shall have exclusive jurisdiction over any issues related to this SA, and that no other court, regulatory agency, or other governing body shall have jurisdiction over any issue related to the interpretation of this SA, the enforcement of the SA, or the rights of the parties to the SA (with the exception of the California Supreme Court in connection with review of any Commission decision). All rights and remedies are limited to those available before the Commission. The Parties further agree that no signatory to this SA, officer, director, or employee of any Party, or any member of the staff of the Commission assumes any personal liability as a result of this SA. The Parties agree that no legal action may be brought in any state or federal court, or in any other forum, against DRA or any individual signatory representing DRA, or any officer, director or employee of the other Parties related to this SA. Nothing in this SA preempts or limits the provisions of Public Utilities Code Section 583.
9. The Parties further agree that they will not enter into any ex parte discussions with any Commission decision maker regarding the recommendations contained in this Joint Recommendation, whether reportable under the Commission's Rules or not, except in the presence of the other Parties hereto, or unless otherwise agreed to by all the Parties.
6. The Parties agree that the SRAC proceedings shall be conducted in accordance with the procedures set forth in the SRAC Rules of Practice and Procedure, including the following:
 - a. The Parties shall file joint exhibits in the SRAC proceedings, and shall not file separate exhibits, unless otherwise agreed to by the Parties.
 - b. The Parties shall file joint exhibits in the SRAC proceedings, and shall not file separate exhibits, unless otherwise agreed to by the Parties.
 - c. The Parties shall file joint exhibits in the SRAC proceedings, and shall not file separate exhibits, unless otherwise agreed to by the Parties.
 - d. The Parties shall file joint exhibits in the SRAC proceedings, and shall not file separate exhibits, unless otherwise agreed to by the Parties.

EXECUTION

The undersigned, on behalf of the Parties they represent in this proceeding, hereby agree to abide by the conditions and the recommendations set forth herein. The Parties agree that this SA may be executed in counterparts.

Dated this 6th day of October, 1995.

Southern California Edison Company

Division of Ratepayer Advocates

Janet K. Lohmann
Janet K. Lohmann
Attorney for SCE

Irene Moosen
Irene Moosen
Attorney for DRA

Cogeneration Association of California

California Cogeneration Council

Michael A. Leahart
Michael A. Leahart
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Jerry R. Bloom
Jerry R. Bloom
Attorney for CCC

Independent Energy Producers

Watson Cogeneration Company

Douglas K. Kerner
Douglas K. Kerner
Attorney for IEP

Jonathan A. Bromson
Jonathan A. Bromson
Attorney for WCC

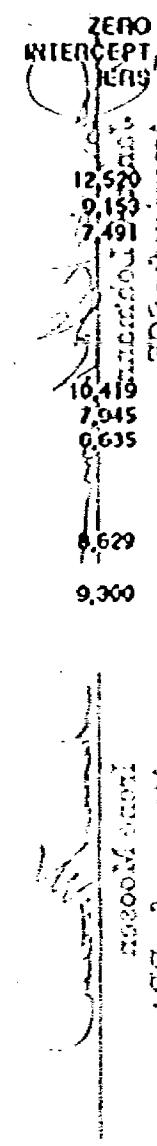
ZONES

1995 TIME-DIFFERENTIATED IERS:

| | |
|-------------------------|----------|
| SUMMER PEAK | 122 DAYS |
| MID PEAK | 125 DAYS |
| OFF-PEAK | 132 DAYS |
| SUMMER AVERAGE | 124 DAYS |
| WINTER PEAK | 244 DAYS |
| MID PEAK | 245 DAYS |
| OFF-PEAK | 246 DAYS |
| SUPER-OFF-PEAK | 247 DAYS |
| WINTER AVERAGE | 248 DAYS |
| ANNUAL WEIGHTED AVERAGE | 249 DAYS |
| OFFS-IN/OFS-OUT IER | 250 DAYS |

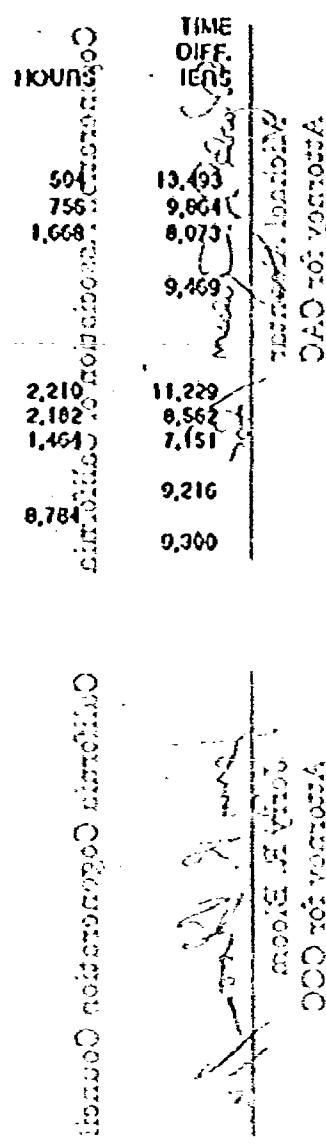
Detailed Description of Generation by Source

Detailed Description of Generation by Type

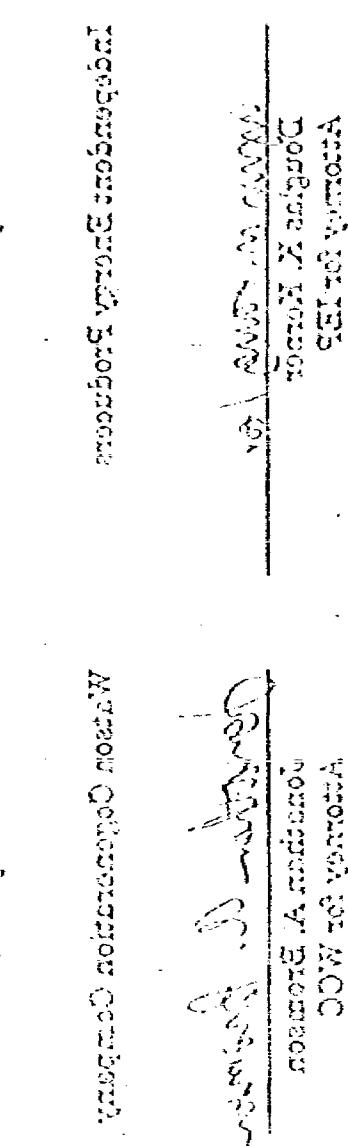


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Detailed Description of Generation by Type



Detailed Description of Generation by Type



Detailed Description of Generation by Type



2000 CACB

2

Joint Comparison Exhibit Supporting The Settlement Agreement On The
Incremental Energy Rate And Operation & Maintenance Adder

Attached is the Joint Comparison Exhibit of the Settlement Agreement between Southern California Edison Company (Edison), the Division of Ratepayer Advocates (DRA), the California Cogeneration Council (CCC), the Cogeneration Association of California (CAC), Watson Cogeneration Company (WCC), and the Industrial Energy Producers Association (IEP), collectively referred to as the Parties. This Joint Comparison Exhibit compares the Parties' positions in this case with regard to the Incremental Energy Rate and the Operation & Maintenance (O&M) Adder, and the agreement of the Parties on each of these issues.

The Parties jointly believe that adoption of the Settlement Agreement presented herein constitute a reasonable compromise for ratemaking purposes and for calculating payments to variable-priced qualifying facilities (QFs).

As the recommended values are within a reasonable range of the initial and/or updated positions of the Parties, the Parties recommend that the Commission adopt the IER and O&M Adder values identified herein.

The Parties agree and jointly recommend that the Commission adopt an IER of 9,300 Btu/kWh. The IER recommended by the Parties is a negotiated compromise, which recognizes the reasonable range of possible litigation outcomes, between Edison, DRA, CCC, CAC, and IEP positions.

The Parties agree and jointly recommend that the Commission adopt an O&M Adder of 1.10 mills/kWh to be used to compute Edison's Short-Run Avoided Cost of energy payments to QFs for the 1996 Forecast Period.

| ISSUE | Joint Comparison Exhibit Supporting the Settlement Agreement on the Incremental Energy Rate and Operation & Maintenance Adder | | | | | SETTLEMENT AGREEMENT |
|---|---|-------|-------|------|-------|---------------------------------|
| | DRA | CCC | CAC | WCC | IEP | |
| Incremental Energy Rate - Bulk Wh | 9,239v | 8,972 | 9,449 | NP | 9,624 | 1.10 For 1996 Forecast Period |
| Operation & Maintenance Adder mills/kWh | 1.03v | .31 | 56 | 1.66 | 1.60 | 9,300y For 1996 Forecast Period |
| September Update | 9,204v | .55v | 9,474 | NP | 9,624 | 1.10 For 1996 Forecast Period |
| July Update | This is a negotiated compromise which does not use a specific gas price. | | 2,68 | 1.66 | 1.60 | 9,300y For 1996 Forecast Period |
| September Update | Includes an overhaul component. | | NP | NP | NP | 9,300y For 1996 Forecast Period |
| July Update | | | NP | NP | NP | 9,300y For 1996 Forecast Period |

(END OF APPENDIX B)

**STIPULATION OF SOUTHERN CALIFORNIA EDISON COMPANY AND
THE DIVISION OF RATEPAYER ADVOCATES CONCERNING ENERGY
COST ADJUSTMENT CLAUSE REVENUE REQUIREMENT FOR THE
FORECAST PERIOD JANUARY 1, 1996, THROUGH DECEMBER 31, 1996**

APPLICATION NO. 95-05-049

WE PD Recipient's demand for the 1996 Forecast Period to

§35866 million (SAC-18 Step I-3)

To the parties to this **PARTIES** (Edison, DRA and Commission) by written notice to

The parties to this Stipulation are Southern California Edison Company

("Edison") and the California Public Utilities Commission's ("Commission")

Division of Ratepayer Advocates ("DRA"), (referred to hereinafter collectively
as "Parties").

On October 6, 1995, the California Public Utilities Commission ("CPUC") issued CPUC-95-049-0030

to RAB on behalf of the 1996 Forecast Period, in Part II.

RECITALS

2.1 Edison is an investor-owned public utility in the State of California,

and is subject to the jurisdiction of the Commission with respect to

providing electric service to its CPUC jurisdictional retail customers.

2.2 DRA is the division of the Commission responsible for advocating on

behalf of the interests of utility customers.

2.3 Both of the Parties filed testimony in Edison's Energy Cost Adjustment Clause Proceeding, Application (A) 95-05-049, recommending EOAC

base revenue requirement changes for the 1996 Forecast Period,

of January 1, 1996, through December 31, 1996.

2.4 In its Forecast testimony, dated August 1995, DRA forecasted Fuel & Purchased Power (F&PP) revenue requirement for the 1996 ECAC Forecast

and the Forecast Period of \$3,226 million. (SCE-12, Table 1-3.)

2.5 In its Rebuttal testimony dated September 1995, Edison forecasted a

F&PP revenue requirement for the 1996 ECAC Forecast Period of \$3,266 million. (SCE-12, Table 1-3.)

2.6 On October 6, 1995, Edison, DRA, the Cogeneration Association of California, the California Cogeneration Council, Watson Cogeneration Company, and the Independent Energy Producers entered into a Settlement Agreement Regarding the Incremental Energy Rate and O&M adder ("QF Pricing Agreement"), which recommended that the Commission adopt for the 1996 Forecast Period, an IER of 9300 /Btu/kWh, and an O&M adder of 1.1 mills/kWh.

2.7 As a result of the QF Pricing Agreement, the Parties refined their F&PP budgets to determine the impact of the QF Pricing Agreement on their respective revenue requirements. As a result of this Agreement, Edison's revised recommended F&PP revenue requirement was \$3,268 million and DRA's revised F&PP revenue requirement was \$3,241 million.

2.8 Based upon the prepared direct and rebuttal testimony in the Forecast Phase of this ECAC proceeding, and additional information exchanged through settlement meetings, the Parties perceived a potential to

reach a compromise on various issues affecting the revenue requirement. The Parties have entered into this Stipulation to resolve among themselves all issues affecting the EOAC revenue requirement by virtue of A.95-049, Edison's 1996 Forecast Period ECAC proceeding. The Parties believe that this Stipulation is a reasonable compromise of all sides' opposing positions. ~~with justifications, notwithstanding~~ ~~and incorporate~~ ~~AMC 2.9(b)~~ This Stipulation does not resolve the Parties' positions with respect to ~~regulatory stabilization, QF buyout or bill credit issue.~~

3.0 The Parties have reached this Stipulation after taking into account the possibility that each Party may or may not prevail on the few resource assumptions or forecasts the Parties disagreed on. The Parties further recognize that there is a range of possible outcomes of litigating these issues in this ECAC proceeding. The Parties consider resolution of these issues, as set forth in this Stipulation, to fall within the range of possible outcomes of litigating the different resource assumptions and revenue forecasts in this Application. The Parties are not aware of any facts that would cause the overall outcome of such litigation to be substantially different from that recommended in the Stipulation.

RECOMMENDATIONS**Recommended ECAC Case Revenue Requirements**

The testimony of Edison and the DRA support independently derived revenue requirements. Edison and the DRA, upon evaluation of each other's recommendations, determined that their differences were reconcilable. In the interest of regulatory and administrative efficiency, Edison and the DRA agreed to stipulate to the following revenue requirements for this proceeding:

Recommended ECAC Revenue Requirement¹

| Rate | Revenue Requirement (\$M¹) |
|------------------|--|
| ECABF | 3,061,802 |
| ERABF | 41,362 |
| CARE | 13,381 |
| Auth. Base Rates | 4,115,105 |
| TOTAL | 7,231,650 |

The derivation of this revenue change is set forth in Appendix A to this exhibit.

¹ No rate stabilization shown.

Section A) (ii) Recommended ECABF Revenue Requirement

To calculate The Energy Cost Adjustment Billing Factor (ECABF) revenue requirement is set forth in Appendix B to this exhibit. Edison and the DRA recommend that the Commission adopt an ECABF revenue requirement in this proceeding of \$3,062 million. Edison and DRA agree that the ultimately adopted revenue requirement and resultant revenue change should incorporate Edison's forecast December 31, 1995, balance in the ECAC Balancing Account which may be updated to reflect more recent recorded data.

To stipulate In stipulating to this recommended ECAC revenue requirement, the Parties compromised by agreeing to a revenue requirement at approximately the mid-point between their respective positions.

Except for the QF Pricing Settlement IER and Q&M adder values and the Permian Basin gas price discussed in Section III.(a) below, the

Parties explicitly acknowledge that this compromise does not include an agreement on any other contested resource assumption or forecast.

Edison and the DRA agree that the resource assumptions underlying the jointly recommended revenue requirement provide a reasonable basis for, and are offered in support of, the adoption and implementation of the recommended revenue requirement set forth herein. The resource assumptions underlying this stipulation are set

forth in Appendix C, Edison and the DRA further agree that these underlying assumptions do not reflect the independent positions of either Edison or the DRA and should not be deemed by the Commission or any other entity or party as precedent in any proceeding, or be construed to be an abdication of the rights of either Edison or the DRA to advocate different principles, methodologies or assumptions in other proceedings.

1002, passed in the RGCG Regulation Account which was filed in 1991.

(1) Permian Basin Gas Price

In May 1995, Edison forecast that it would be able to procure gas from the Permian Basin at an average cost of \$1.65/M³Btu during the Forecast Period. In August 1995, the DRA forecast that Edison would be able to procure Permian Basin gas at an average of \$1.55/M³Btu during the Forecast Period.

In October 1995, the Parties met to discuss the settlement of this issue. The Parties agreed to compromise their respective

positions by agreeing to a forecast average Permian Basin gas price of \$1.60/M³Btu which is the midpoint between the Parties' basin gas forecasts. This price was used to determine the recommended implementation of the ECABE revenue requirement. The lessor's share of this revenue will be determined based on the number of wells drilled per acre. The lessor's share of this revenue will be determined based on the number of wells drilled per acre.

(d)(b) Recommended ERABF Revenue Requirement

DRA recommended that the Commission adopt an off-system sales non-fuel related revenue forecast in the amount of \$67.394 million. Edison's forecast of off-system sales non-fuel related revenues was \$55.463 million. The Parties agreed to compromise their respective positions by agreeing to a forecast of \$61,000 million, which is approximately the mid-point between the Parties' two forecasts.

This resulted in a forecast January 1, 1996 ERABF revenue requirement of \$41,362 million. Edison and the DRA agree that the adopted revenue requirement should incorporate Edison's forecast December 31, 1995 balance in the ERAM Balancing Account which may be updated to reflect more recent recorded data.

c) Recommended CARE Revenue Requirement

Edison and the DRA recommend that the Commission adopt a California Alternate Rates for Energy (CARE) revenue requirement in this proceeding of \$13,381 million. Edison and the DRA agree that the adopted revenue requirement should incorporate Edison's forecast in order to reflect more recent recorded data.

December 31, 1995 balance in the DARE Balancing Account which
may be updated to reflect more recent recorded data.

d) Recommended Base Rate Revenue Requirement

Edison and the DRA agree that the previously authorized Base
Rate revenue requirement of \$4.115 million is reasonable and appropriate.
Rate revenue requirement is \$4.115 million.

IV. GENERAL TERMS

Edison and the DRA agree that no Party will contest the issues resolved by this Stipulation, by cross-examination of any Party witness on these issues during briefing or any other manner before this Commission, or in any other forum, and will exercise good faith in supporting the adoption of this Stipulation. Except as expressly provided for in this exhibit, this Stipulation shall not be construed to be acceptance by Edison or the DRA of the principles, methodology, resource assumptions, arguments, or positions taken independently by Edison or the DRA in this proceeding.

5. Recommendation of DARE Revenue Requirement

Except as expressly provided for in this exhibit, none of the principles or the methodologies underlying this Stipulation shall be deemed by the Commission or any other entity or party as precedent in any proceeding or in any litigation except in order to implement in this proceeding the recommendations contained herein.

Edison and the DRA expressly reserve the right to advocate different principles or

methodologies from those underlying this Stipulation in other proceedings as long
as this does not conflict with recommendations explicitly set forth in this
Stipulation.

01 9869

Edison and the DRA understand and agree that this Stipulation is subject to each and every condition set forth herein, including its acceptance by the Commission in its entirety and without change or condition. Edison and the DRA agree to extend their best efforts to assure the adoption of these recommendations by the Commission.

The Parties agree to actively defend this Stipulation and develop a mutually acceptable defense if its approval is opposed by others who are not parties to this Stipulation.

A XICIVN9TA

V.

EXECUTION

The undersigned Parties agree to this Stipulation through their Council of Record in this proceeding. Edison and the DRA agree that this Stipulation may be signed in counterparts.

Dated this 17th day of October, 1995.

Southern California Edison Company

Division of Ratepayer Advocates

By

Janet K. Lohmann

LW952850034

By

Irene K. Moosen

Irene K. Moosen

metropoliopolis from those undergoing reclassification or other blockades as long as this does not conflict with recommendations explicitly set forth in this
Substitution

Region and the DIA understand and agree that this Substitution is subject to
each and every condition set forth herein, including its acceptance by the
Commission in its current and without change of conditions. Region and the DIA
agree to extend their best efforts to assist the adoption of these recommendations
by the Commission.

The Parties agree to actively defend this Substitution and develop a timely
acceptable defense if this proposal is opposed by others who are not parties to this
Substitution

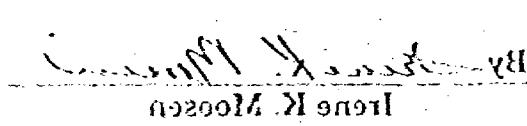
APPENDIX A

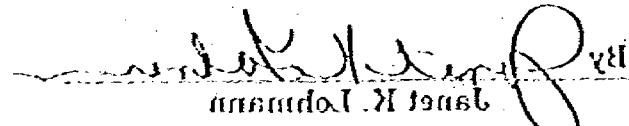
EXECUTION

The undersigned Parties agree to this Substitution through their Council to
record in this proceeding. Region and the DIA agree that this Substitution may be
signed in counterparts.

Dated this 11th day of October, 1989.

Southern California Region Company Division of Ratepayer Advocate


Irene K. Moosman


James K. Lopatin

e

148585063

SCCPRA STIPULATION

**SOUTHERN CALIFORNIA EDISON COMPANY'S
JANUARY 1/1996 REVENUE CHANGE BY PROCEEDING**
With Rate Stabilization Proposal II
(Thousands of Dollars) (1)

| Line No. | Revenue Components | Revenue Requirement | Present Rate Revenues | Revenue Change |
|----------|---|---------------------|-----------------------|----------------|
| 1. | ECAC PROCEEDING | | | |
| 2. | Energy Cost Adjustment Billing Factor (ECABF): | | | |
| 3. | Fuel and Purchased Power | 3,253,559 | 3,326,186 | (72,627) |
| 4. | ECAC Balancing Account (125,191) | (191,757) | (191,270) | (383,027) |
| 5. | Rate Stabilization/QF Buyout Adjustment | 150,000 | 150,000 | |
| 6. | Total ECABF | 3,211,802 | 3,517,456 | (305,654) |
| 7. | Electric Revenue Adjustment Billing Factor (ERABF): | | | |
| 8. | ERAM Balancing Account (255,051) | (20,738) | (2,835) | (17,903) |
| 9. | Off-System Sales (900,10) | (61,000) | (53,475) | (7,525) |
| 10. | Palo Verde 1 | 103,01 | 40,801 | 41,036 |
| 11. | Palo Verde 2 | 103,01 | 40,402 | 40,635 |
| 12. | Palo Verde 3 | 103,11 | 41,897 | 42,138 |
| 13. | Total ERABF | 41,362 | 67,499 | (26,137) |
| 14. | California Alternative Rates for Electricity (CARE): | | | |
| 15. | Previously Authorized Base Rate Retention | 13,381 | (4,711) | 18,092 |
| 16. | Total ECAC Proceeding | 7,381,650 | 7,619,793 | (238,143) |

SCE/DRA STIPULATION¹²

SOUTHERN CALIFORNIA EDISON COMPANY¹³
JANUARY 1, 1996 REVENUE CHANGE BY PROCEEDING¹⁴
Without Rate Stabilization Proposal
(Thousands of Dollars)¹⁵

| Line No. | Base Case Revenue Component | Present Rate Revenues | Revenue Change |
|--|--------------------------------|-----------------------|---------------------|
| 1. ECAC PROCEEDING | | | |
| 2. Energy Cost Adjustment Billing Factor (ECABF): | (181,033) | 3,326,186 | (22,627) |
| 3. Fuel and Purchased Power | 322,675.5 | | |
| 4. ECAC Balancing Account | (191,757) | 191,270 | (383,027) |
| 5. Rate Stabilization/QF Buyout Adjustment | 0 | 0 | 0 |
| 6. Total ECABP | 503,115.5 | 3,061,802 | 3,517,456 (455,654) |
| 7. Electric Revenue Adjustment Billing Factor (ERABF): | (181,033) | 67,499 | (17,903) |
| 8. ERAM Balancing Account | (20,738) | (2,835) | (17,903) |
| 9. Off-System Sales | (61,000) | (53,475) | (7,525) |
| 10. Palo Verde 1 D.1 | 103.91 | 41,036 | (235) |
| 11. Palo Verde 2 D.0 | 504.01 | 40,632 | (233) |
| 12. Palo Verde 3 L.5 | 198.11 | 42,138 | (241) |
| 13. Total ERABF | 586.13 | 41,362 | 67,499 (26,137) |
| 14. California Alternative Rates for Energy (CARE) | (31,381) | (4,711) | 18,092 |
| 15. Previously Authorized Base Rate Revenue | 4,115,105.8 | 14,039,518 | 75,557 |
| 16. Total ECAC Proceeding | 522,125.5 | 7,231,650 | 7,619,793 (388,143) |

FOR THE FISCAL PERIOD

(Through October)

| Account | Description | Debit | Credit |
|---------|-------------|-------|--------|
| 3000 | | 10 | 1 |
| 4000 | | 3 | |
| 5000 | | 3 | |
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| 296000 | | 8 | |
| 297000 | | 8 | |
| 298000 | | 8 | |
| 299000 | | 8 | |
| 300000 | | 8 | |
| 301000 | | 8 | |

Based on Stipulation
**CALCULATION OF THE ENERGY COST ADJUSTMENT
 BILLING FACTOR REVENUE REQUIREMENT (ECABF)
 FOR THE 1996 FORECAST PERIOD**
 (Thousands of Dollars)

| Line No. | Description | Amount |
|----------|--|------------------|
| 1. | Oil | 2,030 |
| 2. | Gas | 478,437 |
| 3. | Coal | 138,262 |
| 4. | Nuclear | 83,469 |
| 5. | Purchased Power Energy | 1,817,883 |
| 6. | Sub-Total | 2,520,101 |
| 7. | Less: Off-Systems Revenues | 51,487 |
| 8. | Less: WSPP Fuel-Related Transmission Revenues | 1,640 |
| 9. | Total Fuel and Purchased Power Energy Costs | 2,468,974 |
| 10. | Plus: Nuclear Fuel Carrying Costs | 6,118 |
| 11. | Fuel Oil Carrying Costs | 3,799 |
| 12. | Coal Carrying Costs | 640 |
| 13. | Gas Carrying Costs | 958 |
| 14. | Total Fuel Inventory Carrying Costs | 11,515 |
| 15. | Total Fuel, Purchased Power Energy and Related Expenses | 2,478,489 |
| 16. | CPUC Energy Allocation Factor | <u>99.5873%</u> |
| 17. | CPUC Jurisdictional Allocation of Energy | 2,468,262 |
| 18. | Purchased Power Capacity | 743,716 |
| 19. | CPUC Demand Allocation Factor | <u>99.4238%</u> |
| 20. | CPUC Jurisdictional Allocation of Capacity | 739,431 |
| 21. | Less: AER Allocation 1/ | 0 |
| 22. | Plus: Gas Storage Reservation Fees (CPUC %) | 8,433 |
| 23. | Total ECAC-Included Fuel, Purchased Power and Other Energy Related Expenses (Line 17 + Line 20 + Line 21 + Line 22) | 3,216,126 |
| 24. | Plus: FF&U Expenses 2/ | 37,433 |
| 25. | Total Energy Related Expense Component of the ECABF Revenue Requirement | 3,253,559 |
| 26. | Estimated JANUARY 1, 1996 ECAC Balancing Account Balance | (186,434) |
| 27. | Estimated Remaining JANUARY 1, 1996 QF Settlement Sub-account Balance | (3,117) |
| 28. | Plus: FF&U Expenses 2/ | (2,206) |
| 29. | Total Balancing Account Component of the ECABF Revenue Requirement | (191,757) |
| 30. | TOTAL ECABF REVENUE REQUIREMENT (Line 25 + Line 29) | 3,061,802 |

1/ Reflects suspension of the AER pursuant to OII 90-08-006.

2/ Based on an FF&U Rate of 1.1505%.

Note: ECAC b/w recorded through 8/31/95

Permian Basin Price: 1.60

(END OF APPENDIX C)

EXHIBIT D

YUAN SOUTHERN CALIFORNIA EDISON COMPANY
202 FORECAST YEAR 1996
ADOPTED ENERGY EXPENSES
AND
ENERGY COST ADJUSTMENT BILLING FACTOR (ECBAF)
REVENUE REQUIREMENT

With Bill Credit

(Thousands of Dollars)

| Forecast Period: January 1 Through December 31 | | | | Total Costs (\$000) | Line No. | Revenue Element |
|---|-------------|-----------|-----------|------------------------|--------------------------|---|
| 1 | 2 | 3 | 4 | | | |
| 1. Oil System Revenues | (100,000) | 100,000 | 100,000 | 1,050,911 | 1 | Oil System Revenues |
| 2. Gas System Revenues | (100,000) | 100,000 | 100,000 | 476,437 | 2 | Gas System Revenues |
| 3. Coal System Revenues | (100,000) | 100,000 | 100,000 | 138,262 | 3 | Coal System Revenues |
| 4. Nuclear System Revenues | (100,000) | 100,000 | 100,000 | 103,459 | 4 | Nuclear System Revenues |
| 5. Purchased Power Energy | (100,000) | 100,000 | 100,000 | 1,817,883 | 5 | Purchased Power Energy |
| 6. Sub-Total 1-5 | (500,000) | 500,000 | 500,000 | 2,820,161 | 6 | Sub-Total 1-5 |
| 7. Less: Oil System Revenues | (500,000) | 500,000 | 500,000 | 51,607 | 7 | Less: Oil System Revenues |
| 8. Less: WSPP Fuel Related Transmission Revenues | (50,000) | 50,000 | 50,000 | 1,640 | 8 | Less: WSPP Fuel Related Transmission Revenues |
| 9. Total Fuel and Purchased Power Energy Costs | (1,050,911) | 1,050,911 | 1,050,911 | 2,466,874 | 9 | Total Fuel and Purchased Power Energy Costs |
| 10. Plus: Nuclear Fuel Carrying Costs | | | | 6,118 | 10 | Nuclear Fuel Carrying Costs |
| 11. Fuel Oil Carrying Costs | | | | 3,799 | 11 | Fuel Oil Carrying Costs |
| 12. Coal Carrying Costs | | | | 640 | 12 | Coal Carrying Costs |
| 13. Gas Carrying Costs | | | | 958 | 13 | Gas Carrying Costs |
| 14. Total Fuel Inventory Carrying Costs | | | | 11,616 | 14 | Total Fuel Inventory Carrying Costs |
| 15. Total Fuel, Purchased Power Energy and Related Expenses | | | | 2,478,493 | 15 | Total Fuel, Purchased Power Energy and Related Expenses |
| 16. CPUC Energy Allocation Factor | | | | 99.5674% | 16 | CPUC Energy Allocation Factor |
| 17. CPUC Jurisdictional Allocation of Energy | | | | 2,468,262 | 17 | CPUC Jurisdictional Allocation of Energy |
| 18. Purchased Power Capacity | | | | 743,716 | 18 | Purchased Power Capacity |
| 19. CPUC Demand Allocation Factor | | | | 99.4238% | 19 | CPUC Demand Allocation Factor |
| 20. CPUC Jurisdictional Allocation of Capacity | | | | 133,151 | 20 | CPUC Jurisdictional Allocation of Capacity |
| 21. Less: AER Allocation (1) | | | | 21 | Less: AER Allocation (1) | |
| 22. Plus: Gas Storage Reservation Fees (CPUC %) | | | | 8,433 | 22 | Plus: Gas Storage Reservation Fees (CPUC %) |
| 23. Total ECAC-Includeable Fuel, Purchased Power and Other Energy Related Expenses (Line 17+Line 20+Line 21+Line 22) | | | | 3,216,116 | 23 | Total ECAC-Includeable Fuel, Purchased Power and Other Energy Related Expenses (Line 17+Line 20+Line 21+Line 22) |
| 24. Plus: FF&U Expenses (2) | | | | 37,433 | 24 | Plus: FF&U Expenses (2) |
| 25. Total Energy Related Expenses Component of the ECABF Revenue Requirement | | | | 3,253,550 | 25 | Total Energy Related Expenses Component of the ECABF Revenue Requirement |
| 26. ECAC Balancing Account Balance, Recorded through 12-31-95 | | | | (233,738) | 26 | ECAC Balancing Account Balance, Recorded through 12-31-95 |
| 27. OF Settlement Sub-Account Balance, Recorded through 12-31-95 | | | | (7,000) | 27 | OF Settlement Sub-Account Balance, Recorded through 12-31-95 |
| 28. Plus: FF&U Expenses (2) | | | | (2,729) | 28 | Plus: FF&U Expenses (2) |
| 29. Total Balancing Account Component of the ECABF Revenue Requirement | | | | (237,167) | 29 | Total Balancing Account Component of the ECABF Revenue Requirement |
| 30. Bill Credit | | | | 237,167 | 30 | Bill Credit |
| 31. Total ECABF Revenue Requirements (Line 25 + Line 28 + Line 30) | | | | 3,253,550 | 31 | Total ECABF Revenue Requirements (Line 25 + Line 28 + Line 30) |

(1) Reflects suspension of the AER pursuant to OIL 90-06-006.
(2) Based on a FF&U Rate of 1.1506%.

Sources: Settlement Agreement (Exhibit 20) and February 2, 1996 filing.

(END OF APPENDIX D)

APPENDIX E

**SOUTHERN CALIFORNIA EDISON COMPANY
REVENUE CONSOLIDATION WITH BILL CREDIT
RELATIVE TO REVENUE AT PRESENT RATES**

| Line No. | Revenue Element | REVIEW OF 1996 REVENUE REQUIREMENT | | | | | | Line No. |
|----------|---|------------------------------------|-------------------------|---------------------------|-----------------------------------|--------------------------------|--|----------|
| | | Present Rate Revenue (\$000) | Proposed Rate (%) | Proposed Change (%) | Revenue Requirement (\$000) | Average Rate (Cents/kWh) | Source for 1996 Adopted Revenue Requirement | |
| 1 | Base Rates | 6,933,388 | - | - | 6,933,388 | \$0.1045 | D96-12-045 | 1 |
| 2 | Previously Authorized Rate (1995) (1) | 6,933,388 | 75.01% | 4115.05 | 6,933,388 | \$0.1045 | D96-05-042 | 2 |
| 3 | Palo Verde Overage (1/1/95) | - | - | (22) | (22) | - | D96-04-036; AL1102-E | 3 |
| 4 | SGC933 & Anchorage Charge (1/1/95) | - | - | (1,601) | (1,601) | - | D96-05-058; AL1102-E | 4 |
| 5 | ACPA/CRA Annual Charge (1/1/96) | - | - | 391 | 391 | - | D96-05-058; AL1102-E | 5 |
| 6 | 1995 Cost of Capital (1/1/95) (2) | - | - | (33,071) | (33,071) | - | D96-11-062; AL1102-E | 6 |
| 7 | 1995 Cost of Capital Adjusted (1/2/95) | - | - | 22 | 22 | - | D96-04-011; AL1102-E | 7 |
| 8 | 1995 ORC - Adjusted (1/2/95) (2) | - | - | (9,067) | (9,067) | - | D96-04-011; AL1102-E | 8 |
| 9 | 1995 ORC - CEMA Capital Related Costs (1/2/95) | - | - | (332) | (332) | - | D96-04-011; AL1102-E | 9 |
| 10 | 1995 ORC - Franchise Fee Rate Adjusted (1/2/95) | - | - | (74) | (74) | - | D96-04-011; AL1102-E | 10 |
| 11 | Nuclear Refueling Adjustment (1/2/95) | - | - | (24,018) | (24,018) | - | D96-04-011; AL1102-E | 11 |
| 12 | Non-Demand PFR (D-1-1%) | - | - | - | - | - | A96-12-029; AL1102-E | 12 |
| 13 | Generation PFR (Derived from X-1-1%) | - | - | - | - | - | A96-12-029 | 13 |
| 14 | Electric Vehicle Program Implementation | - | - | - | - | - | D96-11-033; AL1102-E | 14 |
| 15 | Total Base Rates | 6,933,388 | (2.505) | 6,910,883 | 6,910,883 | \$0.10374 | - | 15 |
| 16 | Energy Cost Adjustment Billing Factor (ECABF) | - | - | - | - | - | - | 16 |
| 17 | Energy Related Expenses | 3,326,148 | (2.509) | 3,253,559 | 3,253,559 | \$0.04513 | E96-20; Stipulation | 17 |
| 18 | ECAC Balancing Account | 191,268 | (428,433) | (237,167) | (30,000.29) | \$0.04313 | E96-6; December Recorded | 18 |
| 19 | Palo Verde Overage Settlement | - | - | - | - | - | D96-05-042; To ECAC B/A-1/1/95 | 19 |
| 20 | Bill Credit | - | - | 237,167 | 237,167 | \$0.00329 | - | 20 |
| 21 | Total ECABF | 3,517,416 | (63,857) | 3,253,559 | 3,253,559 | \$0.04313 | - | 21 |
| 22 | Electric Revenue Adjustment Billing Factor (ERABF) | - | - | - | - | - | - | 22 |
| 23 | ERAM Balancing Account | (2,835) | (65,689) | (68,524) | (68,524) | \$0.04313 | E96-6; December Recorded | 23 |
| 24 | Off-System Sales | (53,475) | (1,525) | (61,000) | (36,000) | \$0.04313 | E96-20; Stipulation | 24 |
| 25 | Palo Verde 1 | 41,036 | (233) | 40,801 | - | \$0.1045 | E96-6 | 25 |
| 26 | Palo Verde 2 | 40,635 | (233) | 40,402 | - | \$0.1045 | E96-6; E96-21 | 26 |
| 27 | Palo Verde 3 | 42,138 | (241) | 41,897 | - | \$0.1045 | E96-6; E96-21 | 27 |
| 28 | Hazardous Substance Cleaning & Other Costs B/A | - | - | 3,154 | 3,154 | \$0.1045 | D96-05-020; To ERAM B/A-9/1/95 | 28 |
| 29 | R/D&D Refund | - | - | - | - | - | AL93-E-B; AL109-E | 29 |
| 30 | DSM Refund | - | - | - | - | - | AL93-E-B; AL109-E | 30 |
| 31 | Kramer-Victor Transmission Line C/PEN | - | - | - | - | - | To E96-34; AL109-E | 31 |
| 32 | DSM Incentives (1993 and 1994) | - | - | 8,124 | 8,124 | \$0.04313 | A96-03-026; E96-55 | 32 |
| 33 | Fuel Oil Pipeline and Storage System | - | - | (0.016) | (0.016) | \$0.04313 | D96-12-021; D95-12-054 | 33 |
| 34 | California Property Tax Memorandum Account | - | - | (9,120) | (9,120) | \$0.04313 | D96-07-047; AL104-E-A; To ERAM B/A-12/31/95 | 34 |
| 35 | EMT Memorandum Account | - | - | 580 | 580 | \$0.04313 | D96-11-013 | 35 |
| 36 | 1995 ORC-Mechanically Scratched Capacity Memo Account | - | - | (234) | (234) | \$0.04313 | D96-01-011; AL1102-E | 36 |
| 37 | 1995 ORC-R/D&D Royalties Memo Account | - | - | (1,056) | (1,056) | \$0.04313 | D96-12-076; To ERAM B/A-12/31/95 | 37 |
| 38 | 1995 ORC-Off System Sales Adder Memo Account | - | - | 2,542 | 2,542 | \$0.04313 | D96-01-011; AL1102-E | 38 |
| 39 | 1995 ORC-Prior Period CEMA Capital Related Adj | - | - | (392) | (392) | \$0.04313 | D96-01-011; AL1102-E | 39 |
| 40 | Palo Verde Overage Settlement - Plant-In-Service | - | - | - | - | - | D96-05-042; To ERAM B/A-7/1/95 | 40 |
| 41 | CEAC Balancing Account | - | - | (348) | (348) | \$0.04313 | D96-08-053; AL1114-E | 41 |
| 42 | Total ERABF | 67,459 | (71,735) | (4,276) | (50,000.00) | - | - | 42 |
| 43 | California Allowable Rate for Energy (CAR) | (4,111) | 60,713.50 | 15,421.50 | 50,000.00 | \$0.10104 | E96-6; December Recorded | 43 |
| 44 | Total Retail Revenue Requirement | 7,619,591 | 0.9565 | 7,281,617 | 50,101.04 | - | - | 44 |
| 45 | Percent Change | 7,619,591 | -4.4% | - | - | - | - | 45 |
| 46 | Total Sales (GTV) | 7,619,591 | - | - | 72,065,250 | \$0.10104 | - | 46 |
| 47 | System Average Rate (cents/kWh) | - | - | - | - | - | - | 47 |

(G) Present Rain Revenues reflect rate design changes by Schedule GS-1 and the elimination of Schedule TOU-ALMP-3, pending the CRC Phase II decision by April 30, 2013.

**THE BOSTONIAN AND THE
NEW ENGLANDER.**

(END OF APPENDIX E)

১০০ টাকা টেলিফোন ব্যবস্থা রয়েছে। একটি প্রতিশেষ স্মার্টফোন প্রদর্শন করা হচ্ছে।

2000-0001-Agencia de la Oficina del Director de Inteligencia Nacional

State of California

Public Utilities Commission
San Francisco

MEMORANDUM

Date : February 21, 1996

To : The Commission
(Agenda Distribution List)

From : ALJ Robert Barnett

File No.: A.95-05-049

Subject : Revised Order for Agenda Item 2
Meeting of February 23, 1996

These changed pages provide for a one-time refund of \$237.2 million, as proposed by Commissioner Knight. It also brings all revenue requirement figures up-to-date. The overall reduction in revenue requirement is \$338 million. The decision provides a method to refund the \$237.2 million.

RAB:tcg

State of California

2
Public Utilities Commission
San Francisco

MEMORANDUM

Date : February 22, 1996

To : The Commission
(Agenda Distribution List)

From : Robert Barnett
Administrative Law Judge

File No.: A.95-05-049

Subject : Notice of Nonsubstantive Revision for the Commission
Meeting of February 23, 1996, Item 2

Since the above-referenced proposed decision was distributed,
changes have been made by the Administrative Law Judge Division on
the following pages:

9, 24-33, Appendices D and E

Attachment