

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION R-3425
March 13, 1996

R E S O L U T I O N

RESOLUTION R-3425. SOUTHERN CALIFORNIA EDISON COMPANY REQUESTS AUTHORIZATION TO REFUND TO RATEPAYERS UNSPENT RESEARCH, DEVELOPMENT AND DEMONSTRATION FUNDS, WITH INTEREST, FROM ITS 1992-1994 GENERAL RATE CASE CYCLE BY CREDITING ITS ELECTRIC REVENUE ADJUSTMENT MECHANISM BALANCING ACCOUNT.

BY ADVICE LETTER 1097-E, FILED ON MARCH 31, 1995.

SUMMARY

1. By Advice Letter 1097-E, Southern California Edison Company (Edison) requests approval to return to ratepayers unspent Research, Development and Demonstration (RD&D) funds of \$9.503 million from its 1992-1994 General Rate Case (GRC) cycle by transferring the funds, plus interest, from its RD&D one-way balancing account to its Electric Revenue Adjustment Mechanism (ERAM) balancing account.
2. No protests have been filed.
3. This Resolution approves Advice Letter 1097-E as filed.

BACKGROUND

1. The Commission directed Edison, in Decision (D.) 87-12-066, to establish and maintain a separate one-way balancing account for RD&D expenditures to insure that funds approved for RD&D would be spent only on RD&D or returned to ratepayers with interest.
2. In D.91-12-076, the Commission, among other things, (1) continued Edison's RD&D one-way balancing account, (2) authorized RD&D funding levels for Test Year 1992 and attrition years 1993 and 1994, (3) ordered the Commission Advisory and Compliance Division (CACD) to conduct an independent comprehensive financial audit of Edison's RD&D expenditures for the period 1988 through 1992, and (4) allowed Edison a second opportunity to present evidence on RD&D capitalization projects for 1992.
3. CACD selected the Barrington-Wellesley Group (BWG) to perform the financial audit ordered in D.91-12-076. The audit commenced in February and was completed in June 1993. BWG's final report was submitted as an exhibit for consideration in Edison's 1995 GRC.

4. On March 31, 1995, Edison filed Advice Letter 1097-E requesting Commission authorization to return to ratepayers unspent RD&D funds of \$9.503 million from its 1992-1994 GRC cycle by transferring the funds, plus interest, from its RD&D one-way balancing account to its ERAM balancing account.

5. On January 10, 1996, the Commission issued D.96-01-011 in Edison's 1995 GRC. In this decision, the Commission, among other things, addressed and resolved the outstanding BWG audit recommendations.

NOTICE

1. Advice Letter 1097-E was served on other utilities, government agencies, and to all interested parties who requested such notification, in accordance with the requirements of General Order 96-A.

PROTESTS

1. No protests were filed.

DISCUSSION

1. Edison submitted the following information for the 1992 through 1994 GRC cycle:

RD&D One-Way Balancing Account
(\$ x 1,000)

Year	Authorized Revenues (A)	Expenses ¹ (B)	Net Under/(Over) (C) = (A) - (B)	Interest (D)
1992	54,098	40,368	13,730	209
1993	54,687	49,844	4,843	443
1994 ²	55,193	64,263	(9,070)	560
1995 ²				160
Total Refund			9,503	1,372

2. In establishing the RD&D one-way balancing account, the Commission specified that within a rate case cycle, funds not

¹ Recorded expenses for 1992 include recommended adjustments from BWG audit.

² Interest is for January 1, 1995 through March 31, 1995 only. Edison will update the interest through the date of the transfer to its ERAM balancing account upon receiving authorization.

used in one year may be used in subsequent years or refunded to ratepayers at the end of the rate case cycle.

3. Edison underspent its authorized expenditures in 1992 and 1993 by a total of \$18.573 million. Edison carried forward this amount to offset overexpenditures in 1994. For the GRC cycle, Edison calculated a total refund owed to ratepayers of \$9.503 million, plus interest.

4. CACD believes that Edison's reconciliation of the RD&D one-way balancing account and its methodology for calculating the refund to ratepayers is correct.

FINDINGS

1. Edison filed Advice Letter 1097-E on March 31, 1995 requesting Commission authorization to return to ratepayers unspent RD&D funds of \$9.503 million from its 1992-1994 GRC cycle by transferring the funds, plus interest, from its RD&D one-way balancing account to its ERAM balancing account.

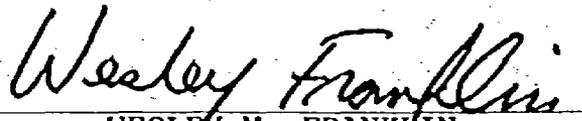
2. Edison's reconciliation of the RD&D one-way balancing account and its methodology for calculating the refund to ratepayers is correct.

4. Advice Letter 1097-E should be approved with the requirement that Edison revise its interest calculations to include interest through the date of the transfer to the ERAM balancing account.

THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company is granted authorization to refund to ratepayers unspent RD&D funds of \$9.503 million from its 1992-1994 General Rate Case cycle by transferring the funds, plus interest, from its Research, Development and Demonstration one-way balancing account to its Electric Revenue Adjustment Mechanism balancing account by April 13, 1996.
2. Southern California Edison Company shall revise its interest calculation to include interest through the date of the transfer to the Electric Revenue Adjustment Mechanism balancing account.
3. Advice Letter 1097-E shall be marked to show that it was approved by Commission Resolution E-3425.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 13, 1996. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEPPER
Commissioners