

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3065
December 22, 1987

RESOLUTION

SOUTHERN CALIFORNIA EDISON COMPANY (SCE). ORDER AUTHORIZING RATE ADJUSTMENTS TO REFLECT THE IMPACT OF VARIOUS ADJUSTMENTS TO THE ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM) BALANCING ACCOUNT.

Advice Letter 772-E, filed November 10, 1987.

SUMMARY

1. By Advice Letter 772-E, filed November 10, 1987, SCE requests authorization to reflect in rates various adjustments to the Electric Revenue Adjustment Mechanism Balancing Account (ERAM Balancing Account). These adjustments include both increases, which have previously been approved by the Commission, and decreases which are proposed to promote rate stability.
2. This filing, as set forth on Cal. P.U.C. Sheets Nos. 9471-E through 9510-E, inclusive, revises SCE's effective tariff schedules as well as Part J, ERAM, of the Preliminary Statement to reflect a composite increase in the ERAM Billing Factor of 0.122 cents per kWh.

DISCUSSION

1. An increase to the ERAM Balancing Account of \$49,721,000 is made pursuant to the provisions of Decision 86-10-023 and reflects the transfer of the estimated December 31, 1987 balance in the Interim Major Additions Account (IMAA). When increased by a factor of 0.953%, to reflect Franchise Fees and Uncollectibles (FF&U), this amount yields a 1988 annualized revenue requirement of \$50,195,000. The FF&U factor is that adopted in Decision 87-12-066. (Application 86-12-047), SCE's Test Year 1988 General Rate Case.
2. The IMAA, which will terminate on December 31, 1987, has accumulated revenue requirements and interim revenues related to Palo Verde Nuclear Generating Station Units 1 and 2. The IMAA is similar to SCE's Major Additions Adjustment Clause (MAAC) account for San Onofre Nuclear Generating Station (SONGS). In Applications 82-02-40 et al., in which SONGS capital costs have been reviewed, there remain outstanding issues concerning accrual of interest on unpaid income taxes (and other non-cash

revenue requirements) within the MAAC account. Because the IMAA is modeled after the MAAC, the issues and allocation of capital cost disallowances apply as well to the IMAA. Therefore, recovery of the IMAA balance through ERAM rates should be made subject to adjustment pending resolution of the issues in Applications 82-02-40 et al.

3. Decision 87-08-023 authorized SCE to transfer the balance in the San Onofre Nuclear Generation Station Unit No. 1 (SONGS 1) Memorandum Account to the ERAM Balancing Account. In September, 1987, SCE transferred \$86,773,000, which translates into a 1988 annualized revenue requirement of \$87.6 million when adjusted for FF&U.

4. A decrease of \$44,435,000 to the ERAM Balancing Account is anticipated to occur in December, 1987 as a result of a pending Commission decision concerning the Tax Reform Act of 1986, in OII 86-11-019. This amount results in a decreased 1988 annualized revenue requirement of \$44,858,000 when adjusted for FF&U. Subsequent to the Commission's final decision in OII 86-11-019, SCE will make the appropriate adjustments to the ERAM Balancing Account to comply with that decision.

5. A decrease of \$10,624,000 to the ERAM Balancing Account is anticipated in December, 1987 to reflect a refund of SONGS 1 Nuclear Decommissioning Costs pursuant to Commission Decision 87-11-023 in Phase 2 of OII 86. This amount results in a decreased 1988 annualized revenue requirement of \$10,725,000 when adjusted for FF&U.

6. A decrease of \$3,601,000, including accrued interest, to the ERAM Balancing Account to implement the refunding of certain unspent Conservation Load Management funds (as ordered by Commission Resolution E-3053) will result in a decreased 1988 annualized revenue requirement of \$3,635,000 when adjusted for FF&U.

7. The net result of the above adjustments to the ERAM Balancing Account is a 1988 annualized revenue requirement of \$78,577,000.

8. The purpose of Advice Letter No. 772-E is to incorporate changes in the ERAM Balancing Account balance into SCE rates effective January 1, 1988. In this way these adjustments can be reflected in the rate design authorized in Decision 87-12-066 in SCE's Test Year 1988 General Rate Case. If the adjustments are not authorized, the ERAM Balancing Account will likely undercollect until SCE's next regular fuel offset rate change (anticipated to be June 1, 1988), requiring a rate increase at that time. If the ERAM increase is authorized now, in conjunction with base rate changes in the Test Year 1988 General Rate Case, then the Commission's goals for rate stability can be better achieved.

9. Any adjustments to these ERAM account entries that might be required by the annual ERAM review of the Commission Staff will be made (including all accrued interest) to the ERAM balancing account following such annual review.

10. The Franchise Fee and Uncollectibles factor of 0.953% used by SCE above is the factor used in Decision 87-12-066 in the Test Year 1988 General Rate Case.

11. To recover the above 1988 annualized revenue requirement of \$78,577,000 will require SCE to increase its average rates to all classes of service by 0.122 cents per kWh, resulting in increased revenue for the 12 month period commencing January 1, 1988 of \$78.6 million or 1.4% of the utility's annual gross revenue.

12. None of the ERAM adjustments requested in Advice Letter No. 772-E is dependent upon the rate of return adopted in SCE's Test Year 1988 General Rate Case.

13. The utility requests that this filing become effective for service rendered on and after January 1, 1988, which is more than 40 days after the date filed.

14. No protests have been received in this matter.

FINDINGS

1. We find that the above mentioned rate adjustments are just and reasonable and will promote rate stability by amortizing the rate adjustments to the ERAM Balancing Account.

2. We also find that the ERAM revenue requirement changes adopted herein should be incorporated into the revenue requirement in the final rate design adopted in the Commission's Decision 87-12-Lele in Application No. 86-12-047.

3. We further find that, in order to promote rate stability and avoid multiple rate revisions, this filing should be made concurrent with the effective date of the Decision 87-12-066 in Application 86-12-047. Therefore;

IT IS ORDERED that:

1. Southern California Edison Company is authorized under Sections 454 and 701 of the Public Utilities Code to place the

rate revisions described in Advice Letter 772-E into effect on a date concurrent with the effective date of rate revisions authorized by Decision 87-12-066 in Application 86-12-047 and is also authorized to file revised tariff sheets to reflect the rate adjustments approved herein, in the amount of \$78,577,000 in addition to any rate adjustment ordered by Decision 87-12-066.

2. Such revised tariff sheets shall reflect any modifications in rate design or other rate components authorized by Decision 87-12-066 and shall become effective (in accordance with the provisions of Section 491 of the Public Utilities Code) on the date specified by Decision 87-12-066.

3. Recovery in rates of the December 31, 1987 balance in the Interim Major Additions Account is authorized subject to adjustment, pending further order in Applications 82-02-40 et al.

4. Advice Letter 772-E, accompanying tariff sheets and/or subsequent revised tariff sheets shall be marked to show that they were approved for filing by Commission Resolution E-3065.

5. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its continued meeting of December 22, 1987. The following Commissioners approved it:

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Executive Director