

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
ENERGY BRANCH

RESOLUTION E-3366\*  
January 19, 1994

R E S O L U T I O N

RESOLUTION E-3366. SOUTHERN CALIFORNIA EDISON REQUEST  
TO CREDIT ITS ECAC BALANCING ACCOUNT WITH THE FUEL-  
RELATED COMPONENT OF CERTAIN TRANSMISSION SERVICE  
REVENUES.

BY ADVICE LETTER 1023-E, FILED ON NOVEMBER 5, 1993.

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SUMMARY

1. Under Edison's contracts with other utilities for transmission services, energy losses associated with the transmission of energy are recouped either through an in-kind crediting of energy to compensate for transmission losses, or through a direct cash payment.
2. Although both the in-kind and cash payment methods compensate Edison for the fuel costs it incurs to generate the energy needed to compensate for transmission losses, there is an inconsistent accounting treatment between the two methods. If Edison receives an in-kind payment, the fuel costs incurred are booked to Edison's ECAC balancing account while if Edison receives a cash payment the revenues are booked to the Other Operating Revenue account as a credit against base revenues.
3. In its Advice Letter filing Edison is requesting consistent accounting treatment between the in-kind and cash payment methods. This is accomplished by booking to the ECAC balancing account any cash payments received under a transmission contract that are associated with transmission losses. Consistent accounting treatment would make utility ratepayers indifferent to the form that any transmission contract takes.
4. The Commission's Division of Ratepayer Advocates (DRA) protested this Advice Letter on November 30, 1993 arguing that approval of Edison's Advice Letter should not be construed as a Commission finding that Edison has correctly billed past transmission revenues.
5. This Resolution approves Edison's request to prospectively book to its ECAC balancing account any cash payments that it receives for transmission losses but does not make any finding as to the reasonableness of Edison's past accounting practices.

**BACKGROUND**

1. Edison sells transmission services to other utilities under various Federal Energy Regulatory Commission (FERC)-approved contracts, including the Western Systems Power Pool (WSPP) agreement.

2. When electric energy is transported across a transmission line, a portion of the energy is lost in transmission. In most instances, transmission contracts between Edison and its transmission customers reflect this energy loss through in-kind replacement of the lost energy.

3. Edison's contract with WSPP, however, does not use in-kind replacement but instead includes any energy losses in determining the price paid for the transmission services. Consequently, a portion of the payment that Edison receives from WSPP, as well as some other transmission customers, reflects a reimbursement for the fuel costs Edison incurs in order to make up for the energy losses associated with the transmission service.

4. Under utility rate-making principles, fuel costs are generally recorded into the utility's Energy Cost Adjustment Clause (ECAC) balancing account while transmission service revenues are recorded as Other Operating Revenue and credited against the utility's base rates. In its Advice Letter, Edison is requesting to record the fuel costs associated with energy losses under its transmission contracts to its ECAC balancing account. The remainder of transmission revenues will continue to be booked to Other Operating Revenue. The purpose of this approach is to ensure that the costs of transmission service are correctly assigned to their appropriate account and that utility ratepayers are indifferent to the form that transmission contracts take.

5. Edison requests authority to begin this accounting treatment on the first day of the month following adoption of Edison's Advice Letter filing.

**NOTICE**

Public notice of Advice Letter 1023-E was made by publication in the Commission calendar and by Edison mailing copies to all interested parties as required under General Order 96-A, Section III.-G.

**PROTESTS**

1. The Commission's Division of Ratepayer Advocates (DRA) protested this Advice Letter on November 30, 1993.

2. While supportive of Edison's suggested accounting treatment, DRA argues that approval of Edison's Advice Letter should not be construed as a Commission finding that Edison has correctly billed past transmission revenues.

3. Edison responded to DRA's protest on December 6, 1993. In its response, Edison notes that it is only requesting prospective rate treatment of its transmission revenues and that the reasonableness of Edison's past actions can be addressed in other Commission proceedings.

#### DISCUSSION

1. Edison's suggested accounting treatment of the costs and revenues associated with transmission losses better reflects the costs that such losses impose on the Edison system and ensure that ratepayers are indifferent to the form that Edison's transmission contracts will take.

2. In its Advice Letter, Edison is only requesting prospective rate treatment of its transmission revenues and is not requesting that it either be applied retroactively or preclude any further reasonableness reviews by the Commission. Edison is correct that DRA can examine the reasonableness of Edison's past recording of transmission revenues and losses in other Commission proceedings such as an ECAC reasonableness review or General Rate Case proceeding.

#### FINDINGS

1. There is an inconsistent accounting treatment between the use of in-kind replacement and/or cash payments to compensate Edison for energy losses that occur during the transmission of electric energy.

2. Edison's Advice Letter filing ensures that there will be consistent accounting treatment between in-kind and cash payments and that utility ratepayers will be indifferent to the form that Edison's transmission contracts with other customers take.

3. Edison's proposed accounting treatment is prospective only and neither applies retroactively nor prejudices the reasonableness of Edison's past accounting of transmission revenues.

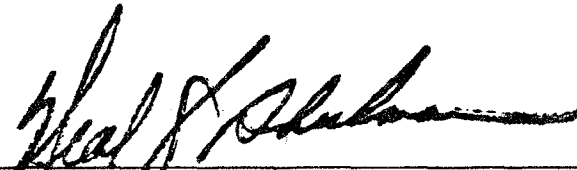
#### **THEREFORE, IT IS ORDERED that:**

1. Southern California Edison Company (Edison) is authorized to credit to its Energy Cost Adjustment Clause (ECAC) balancing account the fuel-related component of any revenues its receives for transmission service as requested through Advice Letter 1023-E.

January 19, 1994

2. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 19, 1994. The following Commissioners approved it:



NEAL J. SHULMAN  
Executive Director

DANIEL Wm. FESSLER  
President  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
P. GREGORY CONLON  
JESSIE J. KNIGHT, Jr.  
Commissioners