

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3369
March 09, 1994

R E S O L U T I O N

RESOLUTION E-3369. SOUTHERN CALIFORNIA EDISON COMPANY REQUESTS TO ESTABLISH A TEMPORARY OFF-SYSTEMS SALES ADDER MEMORANDUM ACCOUNT TO RECORD ITS NON-FUEL COSTS UNTIL THE COMMISSION DECIDES ON APPLICATION NO. 93-08-006, OFF-SYSTEM POWER SALES INCENTIVE MECHANISM.

BY ADVICE LETTER 1034-E FILED ON DECEMBER 21, 1993.

SUMMARY

1. Pursuant to Southern California Edison Company's (Edison's) Off-System Power Sales Incentive Mechanism (OPSIM), Application (A.) 93-08-006, the Commission's administrative law judge, in a prehearing conference held on November 16, 1993 directed Edison to meet with DRA, and other parties involved to determine if an expedited approach could be developed for variable operating and maintenance (O&M) expenses. Edison states that its inability to recover variable O&M expenses is a disincentive to pursuing off-system sales. The result of this proceeding was a workshop that was held on December 1, 1993, at the direction of ALJ Weissman and attended by DRA, Independent Energy Producers (IEP), Cogenerators of Southern California (CSC), Center for Energy Efficiency and Renewable Technologies (CEERT) and Toward Utility Rate Normalization (TURN), (parties). As a result of this workshop, a joint agreement between Edison and the other parties led Edison to file Advice Letter No. 1034-E.
2. Edison requests authority to book in an Off-System Sales Adder (OSSA) Memorandum Account, under the guidelines specified in its Preliminary Statement, Part N, Memorandum Accounts, Section 16, the difference between the actual and adopted levels of non-fuel costs associated with off-system sales. The non-fuel costs per kilowatthour (kWh) will be the Off-System Sales Adder of 0.87 mills per kWh, as agreed in the workshop. The OSSA will remain in effect only until the Commission determines in the OPSIM or any other proceeding what the proper OSSA level should be.
3. No protests were filed for Advice Letter 1034-E.
4. This Resolution approves the request for an OSSA Memorandum Account based on the joint agreement between Edison and other parties at the December 1, 1993 workshop of the OSSA proceeding.

BACKGROUND

1. The Commission established that all revenues from the off-system power sales flow to the ratepayers in Decision 91-12-076 (in Edison's Test Year 1992 general rate case, A. 90-12-018). If the recorded level of off-system sales is greater than the adopted 1,440 gigawatthour level (Appendix B, Page 1 of 2), Edison is unable to retain a portion of its off-system sales revenue as a reimbursement for the unforecasted non-fuel costs incurred to make those sales, nor is Edison able to collect these unforecasted costs from ratepayers. Edison's perspective is that this creates a disincentive to pursuing additional off-system sales for the benefit of its customers.
2. On August 2, 1993, Edison filed Application No. 93-08-006 to establish an Off-system Power Sales Incentive Mechanism. Since Edison is urging the Commission to expedite its approach to remove what it asserts is a disincentive to make off-system sales, the Commission's administrative law judge, in a prehearing conference held on November 16, 1993, in the OPSIM proceeding, directed Edison to meet with DRA, and other parties involved to develop this expedited approach.
3. The result of this proceeding was a workshop that was held on December 1, 1993, at the direction of ALJ Weissman and attended by the parties. As a result of this workshop, a joint agreement between the Commission and the parties led Edison to file Advice Letter No. 1034-E in which Edison requests authority to book in an Off-System Sales Adder (OSSA) Memorandum Account the difference between the actual and adopted levels of non-fuel costs associated with off-system sales.

NOTICE

Edison made public notification of AL 1034-E by publishing it in the Commission calendar on December 23, 1993.

PROTESTS

The Commission Advisory and Compliance Division did not receive any protests for AL 1034-E.

DISCUSSION

1. As a result of the December 1, 1993, workshop, a joint agreement between the Commission and the parties led Edison to file Advice Letter No. 1034-E in which Edison requests authority to book in an Off-System Sales Adder (OSSA) Memorandum Account the difference between the actual and adopted levels of non-fuel costs associated with off-system sales.

2. Edison's Preliminary Statement, Part N, Section 16, describes how Edison will maintain its Off-System Sales Adder (OSSA) Memorandum Account. An OSSA of 0.87 mills per kWh will be used as a temporary measure of the non-fuel costs associated with making off-system sales. The OSSA used in calculating entries to the OSSA Memorandum Account will not be precedential for the determination of the value of non-fuel costs incurred to make additional off-system sales which may be adopted in the OPSIM proceeding, or in any other proceeding.

3. Interest shall accrue to the OSSA Memorandum Account on an annual basis and shall be calculated by applying the Annual Interest Rate as set forth in its Preliminary Statement Part N, Section 2.c.

4. The OSSA of 0.87 mills per kWh will remain in effect until changed by the Commission in the OPSIM or other appropriate proceeding during the interim period prior to the Commission's authorization for rate recovery.

5. The adoption of the OSSA does not mean that the Commission shares the perception that Edison's present inability to recover these costs serves as a significant disincentive to pursuing additional off-system sales.

6. This advice letter does not request a change in ratemaking practices related to off-system sales revenue. It does, however, provide a memorandum account procedure to track certain revenues. The Commission may change the ratemaking procedures in the OPSIM Application.

7. CACD recommends approval of this advice letter.

FINDINGS

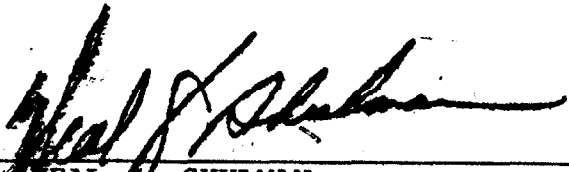
1. The Commission established that all revenues from the off-system power sales flow to the ratepayers in Decision 91-12-076 (in Edison's Test Year 1992 general rate case, A. 90-12-018).
2. Edison asserts that the lack of reimbursement for unforecasted non-fuel costs incurred to make off-system sales is a disincentive to pursuing additional off-system sales for the benefit of its customers.
3. On August 2, 1993, Edison filed Application No. 93-08-006 to establish an Off-system Power Sales Incentive Mechanism. An expedited approach to the disincentive and review of Edison's assertion was developed in the December 1, 1993 workshop.
4. Edison filed Advice Letter No. 1034-E on December 21, 1993, to enable Edison to track the non-fuel costs in an OSSA Memorandum Account.
5. Interest is to be accrued in the OSSA Memorandum Account on an annual basis and shall be calculated by applying the Annual Interest Rate as set forth in its Preliminary Statement Part N, Section 2.c.
6. The OSSA of 0.87 mills per kWh is reasonable.
7. CACD recommends approval of Advice Letter No. 1034-E.

March 09, 1994

THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company is authorized to record in a temporary Off-System Sales Adder (OSSA) Memorandum Account the difference between the actual and adopted levels of non-fuel costs associated with off-system sales, and will accrue interest under the terms and conditions of its Preliminary Statement, Part N, Memorandum Accounts, Section 16.
2. Southern California Edison Company shall not track the non-fuel costs incurred prior to the effective date of this Resolution in the OSSA Memorandum Account.
3. The OSSA of 0.87 mills per kWh shall remain in effect until changed by the Commission in the OPSIM or other appropriate proceeding during the interim period prior to the Commission's authorization for rate recovery.
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 09, 1994. The following Commissioners approved it:



NEAL A. SHULMAN
Executive Director

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