

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3554  
SEPTEMBER 3, 1998

RESOLUTION

RESOLUTION E-3554. SOUTHERN CALIFORNIA EDISON COMPANY'S REQUEST THAT ITS UNSPENT RESEARCH, DEVELOPMENT AND DEMONSTRATION (RD&D) FUNDS IN ITS RD&D BALANCING ACCOUNT AND THE OPERATION OF ITS RD&D BALANCING ACCOUNT BE CONTINUED UNTIL FINAL DISPOSITION IN THE UPCOMING REVENUE ADJUSTMENT PROCEEDING IS APPROVED.

BY ADVICE LETTER 1303-E FILED MARCH 31, 1998

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SUMMARY

In Advice Letter (AL) 1303-E Southern California Edison Company (SCE) reports the unspent funds reflected in the RD&D one-way balancing account for SCE's 1995 to 1997 General Rate Case (GRC) cycle and its intention to maintain the operation of the RD&D Balancing Account until final disposition can be determined in the upcoming Revenue Adjustment Proceeding (RAP).

We grant SCE's proposal in Advice Letter 1303-E to maintain the operation of the RD&D balancing account until SCE can propose in the RAP the appropriate ratemaking treatment to return unspent RD&D funds to ratepayers.

No protests were received.

This Resolution approves SCE's request.

BACKGROUND

SCE's one-way balancing account was first established in Decision (D.) 87-12-066, SCE's 1988 GRC, adopting a one-way balancing account to insure that RD&D funds are spent on RD&D programs.

In D.91-12-076, SCE's 1992 GRC, we authorized SCE to continue SCE's existing one-way balancing account that allows unspent RD&D funds to be spent in subsequent years, through the end of each GRC cycle. That decision also ordered SCE to dispose of any unspent funds from the 1988-1991 cycle by a credit to the Electric Revenue Adjustment Mechanism (ERAM) balancing account.

In D.92-12-057, we again continued a separate account for RD&D funding which accrues annual interest at the short term commercial paper rate and allows use of the unspent funds in subsequent years of the rate case cycle. We also ordered unspent funds at the end of the rate case cycle to be returned to ratepayers through a credit to the ERAM balancing account.

In D.97-10-057, the streamlining proceeding, R.94-04-031/I.94-04-032, the Commission eliminated SCE's ERAM balancing account, effective January 1, 1998.

In D.97-11-022 Ordering Paragraph 2, we modified D.97-02-014 by adding the following language: "SDG&E, SCE, and PG&E shall transfer these amounts to the CEC from their existing RD&D balancing accounts." Our reference was to the transfers of collected funds for RD&D to the CEC required by Assembly Bill (AB) 1890 (Stats. 1996, Ch. 854).

SCE proposes in AL 1303-E to maintain the operation of the RD&D Balancing Account until a mechanism for disposing of unspent funds can be established in the upcoming Revenue Adjustment Proceeding (RAP).

SCE reported a total of \$6,252,000 underspent in the years 1995 to 1998 not including \$60,000 SCE expects in billings to SCE in 1998.

Edison proposes to return to ratepayers the unspent 1995 GRC Cycle RD&D funds of \$6,471,000, including franchise and uncollectibles through a reduction to the 1999 public purpose revenue requirement as reported in its "1998 Revenue Adjustment Proceeding Report" filed in A.98-07-026. The estimate is greater than that reported in AL 1303-E by additional billing received and interest accumulated.

#### **NOTICE**

Notice of Advice letter 1303-E was made by publication in the Commission's calendar and by mailing copies to interested parties in accordance with Section III of General Order 96-A.

#### **PROTESTS**

No protests to AL 1303-E were received.

#### **DISCUSSION**

In past decisions we gave authority to SCE to maintain a balancing account for RD&D expenditures, accrue annual interest on the balance, apply annual overexpenditures to

the balancing account, and return them to the ratepayers at the end of the three year cycle. The overexpenditures would be returned to the ratepayers through a credit to the ERAM balancing account. Since we eliminated the ERAM, another mechanism must be developed to return unspent funds to the ratepayers, and the RAP is the appropriate place develop that mechanism.

**FINDINGS**

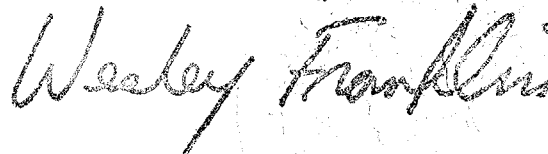
1. Edison filed AL 1303-E on March 31, 1998, reporting its unspent RD&D expenses.
2. D.91-12-076 ordered SCE to dispose of unspent RD&D funds by a credit to the ERAM balancing account.
3. D.92-12-057 again ordered unspent RD&D funds returned through a credit to the ERAM account.
4. D.97-10-057 eliminated SCE's ERAM balancing account.
5. D.97-11-022 OP2 ordered SCE to transfer amounts collected for RD&D to the CEC from their existing RD&D balancing accounts.
6. SCE needs a new mechanism for returning unspent RD&E funds to the ratepayers.
7. It is reasonable to approve Edison's request to continue its RD&D balancing account until final disposition of unspent funds is made in the upcoming RAP.

**THEREFORE, IT IS ORDERED that:**

1. SCE's Advice Letter 1303-E is approved.
2. Advice Letter 1303-E shall be marked to show that it was approved by Commission Resolution E-3554.
3. This Resolution is effective today.

September 3, 1998

I hereby certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on September 3, 1998. The following Commissioners approved it.



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WESLEY M. FRANKLIN  
Executive Director

RICHARD A. BILAS  
President  
P. GREGORY CONLON  
JESSIE J. KNIGHT, JR.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners