Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for Expedited Approval of Servicing Agreement between State of California Department of Water Resources and Southern California Edison Company Pursuant to Chapter 4 of the Statutes of 2001 (Assembly Bill 1 of the First 2001-2002 Extraordinary Session).	Application 01-06-044 (Filed June 25, 2001)

OPINION GRANTING THE MOTION OF SOUTHERN CALIFORNIA EDISON COMPANY WITH RESPECT TO INCREMENTAL COSTS

Summary

In Decision (D.) 01-09-014, we approved the servicing agreement between Southern California Edison Company (SCE) and the California Department of Water Resources (DWR). The servicing agreement set forth the terms and conditions under which SCE is to provide transmission and distribution of DWR-purchased electricity, as well as billing, collection and related services. As part of the servicing agreement, DWR agreed to pay SCE's incremental costs for providing the services associated with the 20/20 rebate program, and for billing services, metering services, and meter reading services.

We expressed concern about the possible overestimate of incremental costs and stated that we would order subsequent proceedings to review the costs that SCE charges to DWR, and to determine if those costs are reasonable. The Commission ordered SCE to file a motion "seeking approval of the basis on

which the incremental costs contained in the servicing agreement and charged to DWR were calculated." (D.01-09-014, Ordering Paragraph (OP) 8, p. 20.)

Today's decision grants SCE's motion and approves the incremental costs charged by SCE to DWR as reasonable.

Background

On October 1, 2001, SCE filed its motion in compliance with OP 8 of D.01-09-014. The motion describes the bases upon which the estimated incremental costs to be charged to DWR were calculated.

Prior to finalizing Attachment G of the servicing agreement, SCE had a detailed discussion with DWR regarding the bases for SCE's incremental costs. SCE states that Attachment G of the servicing agreement contains the level of detail requested by DWR, and that the estimates reflect DWR's desire that the estimates be based on the "maximum effort expected with any contingencies."

The costs set forth in Attachment G of the servicing agreement are estimates only. SCE states that its intent is to charge DWR for only the actual, incremental costs incurred by SCE in order to implement the charges required by D.01-03-081[1] and the servicing agreement.

SCE states that it will compare its actual monthly expenses for billing and tracking systems and mechanisms to the incremental cost estimates on a quarterly basis. If the comparison shows that actual costs are 15% higher than estimated, SCE will inform DWR of the reasons for the variance and will invoice

[1] In D.01-03-081, the Commission ordered SCE to make changes to its billing system in order to implement the DWR remittance methodology described in that decision.

the difference as additional fees. If the comparison shows that actual costs are 15% lower than estimated, SCE will provide DWR with a refund.

If DWR requests additional services which are not provided for in the servicing agreement, SCE states that the services are to be mutually agreed upon prior to rendering the service to determine labor and systems constraints and costs.

The narrative descriptions in SCE's motion provide a breakdown of the estimated costs of the various services that SCE will provide to DWR. The cost information provided in the motion parallels the cost information that was contained in Attachments F and G of the servicing agreement, and approved in D.01-09-014 as part of the servicing agreement.

SCE states that the costs described in the motion are reasonable and consistent with the provisions of the servicing agreement as agreed to by DWR and approved by the Commission. SCE requests that the Commission approve the basis on which the incremental costs set forth in the servicing agreement and charged to DWR were calculated.

No one filed any response to SCE's motion.

Discussion

As we stated in D.01-09-014, we must review the incremental costs that SCE charges DWR to ensure that they are reasonable. If we determine that the expenses are unreasonable in any part, we will require the utility to reduce its bill to DWR.

SCE's motion provides explanations as to how the estimated incremental start-up costs and ongoing costs in Attachments F and G of the servicing agreement were calculated. SCE states that the costs set forth in the servicing agreement are estimates only, and that SCE will bill DWR only for actual,

incremental costs incurred by SCE, which may vary from the estimates in the servicing agreements.

We have reviewed the details of the cost estimates contained in the motion and the basis for all of the charges, and have compared the estimates to what was included in Attachments F and G of the servicing agreement. We conclude that the incremental costs that SCE bills to DWR for providing services under the servicing agreement are reasonable. Since we have determined that these incremental costs are reasonable, no further proceedings to review these costs are necessary and this proceeding should be closed.

Since this matter is uncontested, and this decision grants the relief requested, the comment period is waived as provided for in Rule 77.7(f)(2).

Findings of Fact

1. D.01-09-014 approved the servicing agreement between SCE and DWR.
2. D.01-09-014 expressed concern about the possible overestimate of incremental costs, and ordered SCE to file a motion to seek approval of the basis on which the incremental costs contained in the servicing agreement and charged to DWR were calculated.
3. SCE's motion provides a description of the estimated costs of the various services that SCE will provide to DWR, and parallels the cost information that was contained in Attachments F and G of the servicing agreement.
4. We have reviewed the details of the cost estimates contained in the motion and the basis for all of the charges, and have compared the estimates to Attachments F and G of the servicing agreement.

Conclusions of Law

1. The incremental costs that SCE bills to DWR for providing services under the servicing agreement are reasonable.

2. No further proceedings are needed to review the reasonableness of the incremental costs, and this proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The October 1, 2001 motion of Southern California Edison Company (SCE) in compliance with Ordering Paragraph 8 of Decision (D.) 01-09-014 is granted. The bases upon which the incremental costs charged by SCE to the California Department of Water Resources pursuant to the servicing agreement approved in D.01-09-014 are deemed reasonable.

2. This proceeding is closed.

This order is effective today.

Dated _____, at San Francisco, California.