
November 19, 2004

ADVICE 126-G
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Tariff Revisions to Reflect an Increase in Income Tax Component of Contribution (ITCC) Factor

Southern California Edison Company (SCE) hereby submits for filing the following changes to its tariffs to reflect an increase of the Income Tax Component of Contribution (ITCC) gross-up factor from 0.22 to 0.35. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

This advice filing revises Preliminary Statement, Part G, Income Tax Component of Contribution Provision to reflect an increase of the ITCC gross-up factor from 0.22 (22%) to 0.35 (35%).

BACKGROUND

The ITCC factor is being revised in accordance with SCE's Advice Filing 120-G, which temporarily requested a lower ITCC rate due to a change in the Federal Depreciation Provisions of the Internal Revenue Code (IRC), pursuant to Title II, Section 201 of P.L. 108-27, the Jobs and Growth Tax Relief Reconciliation Act of 2003 (H.R.2). Section 201 of H.R. 2 authorized temporary bonus depreciation allowances that sunset on December 31, 2004. Therefore, SCE requests that the ITCC gross-up factor revert to the applicable percentage as determined pursuant to SCE's Advice 94-G (as calculated by utilizing the current statutory income tax rates of 8.840% (California) and 35% (Federal)).

SCE's Preliminary Statement, Part G, provides that Contributions in Aid of Construction and Advances for Construction (Contributions) consist of two components: The ITCC and the Balance of the Contribution (Balance of Contribution). The ITCC is calculated by multiplying the Balance of Contribution by the tax factor. The tax factor is established using Method 5 as set forth in and pursuant to Decision (D.) 87-09-026 in OII 86-11-019.

This advice filing revises Section 3.a of Preliminary Statement, Part G, to reflect the change of the tax factor from 0.22 to 0.35. This increase shall be applicable to contributions received by SCE on or after January 1, 2005. Contributions received by SCE prior to the effective date of this advice filing will be subject to the applicable previous ITCC tax factors approved by the California Public Utilities Commission (Commission).

Included as Attachment B are the computations showing the revised tax factors.

Except as noted above, this filing will not increase or decrease any rate or charge, conflict with any other schedules or rules, or cause the withdrawal of service.

EFFECTIVE DATE

Consistent with the Federal IRC, this advice filing will become effective on January 1, 2005.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be mailed to:

IMC Program Manager
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Akbar Jazayeri
Director of Revenue and Tariffs
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 303
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: TariffManager@sce.com

Bruce Foster
Vice President of Regulatory Operations
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
E-mail: Karyn.Gansecki@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section III, Paragraph G, of General Order No. 96-A, SCE is furnishing copies of this advice filing to the interested parties shown on the attached service list. Address change requests to the attached GO 96-A Service List should be directed by electronic mail to TariffManager@sce.com or at (626) 302-3636. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing open for public inspection at SCE's corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE's web site at <http://www.sce.com/adviceletters>.

For questions, please contact Alfred Lopez at (626) 302-8797 or by electronic mail at Alfred.Lopez@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:al/pf

Enclosures

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 723-G	Preliminary Statement Part G	Revised 639-G
Revised 724-G	Table of Contents	Revised 712-G

PRELIMINARY STATEMENT

Sheet 7

(Continued)

G. INCOME TAX COMPONENT OF CONTRIBUTION PROVISION

1. General. All Contributions in Aid of Construction and Advances For Construction (Contributions) made to SCE pursuant to its tariffs shall include a cost component to cover SCE's estimated liability for Federal Income Tax resulting therefrom. California Corporate Franchise Tax (CCFT) shall be collected beginning January 10, 1992.

2. Definitions.

a. Contributions: Contributions shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon provided to SCE by a person or agency. The value of all contributions shall be based on SCE's estimates. Contributions shall consist of two components as follows:

- (1) Income Tax Component of Contribution (ITCC); and
- (2) The balance of the Contribution (Balance of Contribution).

b. Government Agency: For purposes of administering this part of the Preliminary Statement, a Government Agency shall be a California state, county, or local government agency.

c. Public Benefit: Where, in the opinion of SCE, a benefit to the public as a whole is clearly shown by the Government Agency making the Contribution for a project.

3. Determination of ITCC.

a. The ITCC shall be calculated by multiplying the Balance of the Contribution by the Tax Factor of 0.35 (35%). The 35% Tax Factor shall be applicable to contributions received by SCE on or after January 1, 2005. Contributions received prior to the effective date of Advice 126-G, will be subject to the applicable ITCC factors approved by the California Public Utilities Commission. (I) (T) (T)

b. The tax factors included herein are established using Method 5 as set forth in and pursuant to the Commission's Decision No. 87-09-026 as modified by Decision No. 87-12-028. Should the Internal Revenue Service (IRS) deem Method 5 to be a violation of the tax normalization rules, any penalties, interest or taxes incurred by SCE shall be recovered through general rates.

(Continued)

(To be inserted by utility)
 Advice 126-G
 Decision _____

Issued by
John R. Fielder
 Senior Vice President

(To be inserted by Cal. PUC)
 Date Filed Nov 19, 2004
 Effective Jan 1, 2005
 Resolution _____



TABLE OF CONTENTS

Sheet 1

	<u>Cal. P.U.C. Sheet No.</u>	
TITLE PAGE	131-G	
TABLE OF CONTENTS - RATE SCHEDULES	724-G	(T)
TABLE OF CONTENTS - LIST OF CONTRACTS AND DEVIATIONS	739-G	
TABLE OF CONTENTS - RULES	740-G	
TABLE OF CONTENTS - SAMPLE FORMS	740-G	
 PRELIMINARY STATEMENT:		
A. Territory Served by the Utility	162-G	
B. Types and Classes of Service	162-G	
C. Procedure to Obtain Service	162-G	
D. Symbols	162-G	
E. Baseline Service	371-372-G	
F. Santa Catalina Island Gas Cost Adjustment Clause (GCAC)	355-399-708-G	
G. Income Tax Component of Contributions Provision	723-460-G	(T)
 SERVICE AREA MAP	 3-G	

RATE SCHEDULES

<u>Schedule No.</u>	<u>Title of Sheet</u>	<u>Cal. P.U.C. No.</u>
DE	Domestic Service to Utility Employees	123-G
G-1	Domestic Service	709-710-G
G-2	General Service	711-429-G
GM	Domestic Service, Multifamily Accommodation	376-G
G-SE	Service Establishment Charge	278-G
RF-G	Surcharge to Fund Public Utilities Commission Reimbursement Fee	669-G

LIST OF CONTRACTS AND DEVIATIONS

	<u>Cal. P.U.C. Sheet No.</u>
List of Contracts and Deviations	696-G

(Continued)

(To be inserted by utility)

Advice 126-G
Decision _____

Issued by

John R. Fielder
Senior Vice President

(To be inserted by Cal. PUC)

Date Filed Nov 19, 2004
Effective Jan 1, 2005
Resolution _____

Attachment B

**CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES
FOR 2005**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)		
YEAR	CIAC OF \$1,000	TAX BASIS	CALIFORNIA DEPRECIATION RATES	CALIFORNIA RATES	STATE TAX BENEFIT	MODIFIED MACRS RATES	FEDERAL TAX RATE	FEDERAL TAX BENEFIT	REMAINING CIAC PAYABLE	WTD. AVG. UNRECOVERED TAX PMT.	PRE-TAX RATE OF RETURN 17.000%	REVENUE REQUIREMENT ON REMAINING INVESTMENT	DISCOUNT FACTOR 0.12	DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT		
1	438.4	1,000	3.334%	8.840%	2.9473	3.750%	35.00%	13.1250	422.3277	430.3639	17.000%	73.1619	0.8929	65.3231	1	-0.8929
2	-30.94		6.445%		5.6974	7.219%		24.2349	361.4554	391.8916	17.000%	66.6216	0.7972	53.1103	2	-0.7972
3			6.016%		5.3181	6.677%		21.3754	334.7619	348.1086	17.000%	59.1785	0.7118	42.1221	3	-0.7118
4			5.615%		4.9637	6.177%		19.7582	310.0400	322.4010	17.000%	54.8082	0.6355	34.8316	4	-0.6355
5			5.241%		4.6330	5.713%		18.2582	287.1488	298.5944	17.000%	50.7611	0.5674	28.8032	5	-0.5674
6			4.892%		4.3245	5.285%		16.8760	265.9484	276.5486	17.000%	47.0133	0.5066	23.8184	6	-0.5066
7			4.566%		4.0363	4.888%		15.5944	246.3176	256.1330	17.000%	43.5426	0.4523	19.6965	7	-0.4523
8			4.261%		3.7667	4.522%		14.4143	228.1367	237.2271	17.000%	40.3286	0.4039	16.2880	8	-0.4039
9			3.977%		3.5157	4.462%		14.2987	210.3223	219.2295	17.000%	37.2690	0.3606	13.4396	9	-0.3606
10			3.712%		3.2814	4.461%		14.3830	192.6579	201.4901	17.000%	34.2533	0.3220	11.0286	10	-0.3220
11			3.465%		3.0631	4.462%		14.4685	175.1263	183.8921	17.000%	31.2617	0.2875	8.9870	11	-0.2875
12			3.234%		2.8589	4.461%		14.5414	157.7260	166.4261	17.000%	28.2924	0.2567	7.2620	12	-0.2567
13			3.018%		2.6679	4.462%		14.6164	140.4417	149.0838	17.000%	25.3442	0.2292	5.8082	13	-0.2292
14			2.817%		2.4902	4.461%		14.6797	123.2717	131.8567	17.000%	22.4156	0.2046	4.5867	14	-0.2046
15			2.630%		2.3249	4.462%		14.7454	106.2014	114.7366	17.000%	19.5052	0.1827	3.5635	15	-0.1827
16			2.455%		2.1702	4.461%		14.7998	89.2314	97.7164	17.000%	16.6118	0.1631	2.7097	16	-0.1631
17			2.367%		2.0924	4.462%		14.8574	72.2816	80.7565	17.000%	13.7286	0.1456	1.9995	17	-0.1456
18			2.367%		2.0924	4.461%		14.8812	55.3080	63.7948	17.000%	10.8451	0.1300	1.4103	18	-0.1300
19			2.367%		2.0924	4.462%		14.8847	38.3310	46.8195	17.000%	7.9593	0.1161	0.9241	19	-0.1161
20			2.367%		2.0924	4.461%		14.8812	21.3574	29.8442	17.000%	5.0735	0.1037	0.5260	20	-0.1037
21			2.367%		2.0924	2.231%		7.0762	12.1889	16.7731	17.000%	2.8514	0.0926	0.2639	21	-0.0926
22			2.367%		2.0924			(0.7323)	10.8288	11.5088	17.000%	1.9565	0.0826	0.1617	22	-0.0826
23			2.367%		2.0924			(0.7323)	9.4687	10.1488	17.000%	1.7253	0.0738	0.1273	23	-0.0738
24			2.367%		2.0924			(0.7323)	8.1087	8.7887	17.000%	1.4941	0.0659	0.0984	24	-0.0659
25			2.367%		2.0924			(0.7323)	6.7486	7.4287	17.000%	1.2629	0.0588	0.0743	25	-0.0588
26			2.367%		2.0924			(0.7323)	5.3886	6.0686	17.000%	1.0317	0.0525	0.0542	26	-0.0525
27			2.367%		2.0924			(0.7323)	4.0285	4.7085	17.000%	0.8005	0.0469	0.0375	27	-0.0469
28			2.367%		2.0924			(0.7323)	2.6684	3.3485	17.000%	0.5692	0.0419	0.0238	28	-0.0419
29			2.367%		2.0924			(0.7323)	1.3084	1.9884	17.000%	0.3380	0.0374	0.0126	29	-0.0374
30			2.367%		2.0924			(0.7323)	(0.0517)	0.6284	17.000%	0.1068	0.0334	0.0036	30	-0.0334
31			1.184%		1.0467			(0.7323)	(0.3660)	(0.2089)	17.000%	(0.0355)	0.0298	(0.0011)	31	-0.0298
32					0.0000			(0.3663)	0.0003	(0.1829)	17.000%	(0.0311)	0.0266	(0.0008)	32	-0.0266
			<u>100.000%</u>		<u>88.3996</u>	<u>100.000%</u>		<u>319.0601</u>				<u>700.0453</u>		<u>347.0939</u>		
	<u>407.46</u>							<u>407.4597</u>				347.0939	/ 1000	<u>34.7100%</u>		
														<u>35.0000%</u>		