

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



March 2, 2004

Advice Letter: 1278-E-I

Akbar Jazayeri
Director of Revenue and Tariffs
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

MAR 08 2004
REVENUE & TARIFFS DEPT.

Reference: Affiliate transactions compliance plan – 2004 interim update

Dear Mr. Jazayeri:

Advice Letter 1278-E-I is effective February 20, 2004. A copy of the advice letter is included herewith for your records.

Sincerely,

A handwritten signature in cursive script that reads "Paul Clanon".

Paul Clanon, Director
Energy Division

February 20, 2004

ADVICE 1278-E-I
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Affiliate Transactions Compliance Plan – 2004 Interim Update
(CP04-I, Effective February 20, 2004)

In compliance with Affiliate Transaction Rule VI.A, Southern California Edison Company (SCE) hereby transmits this interim update to its Affiliate Transactions Compliance Plan (CP04-I). This advice filing updates SCE's compliance statement with regard to one of the Affiliate Transaction Rules (Rules) adopted in R.97-04-011/I.97-04-012.

Specifically, this CP04-I supplements and supersedes the compliance statement for Rule IV.B submitted with SCE's Modified Compliance Plan (MCP), filed December 12, 2001 (Advice 1278-E-F). The compliance statements for all other rules, as presented in the MCP and in the annual compliance plan updates filed in 2002 (CP02, Advice 1278-E-G) and 2003 (CP03, Advice 1278-E-H) remain in effect.

PURPOSE

This advice filing updates SCE's compliance statement regarding Affiliate Transaction Rule IV.B, as presented in SCE's MCP, which remains pending and regarding which SCE received no protest. The updated compliance statement is presented as Appendix A to this letter.

SCE's MCP, CP02, and CP03, taken together with this interim update, address all of the Commission's Affiliate Transaction Rules adopted in R.97-04-011/I.97-04-012. Appendix B to this letter includes the officer verification required by Rules I.A, V.E, and V.G.1. Appendix C notes the most recent and prevailing compliance plan for each Affiliate Transaction Rule.

BACKGROUND

On December 16, 1997, the California Public Utilities Commission (Commission) issued Decision No. 97-12-088 (D.97-12-088) to establish new rules governing the relationship between California's natural gas local distribution companies, electric utilities, and certain of their affiliates. Ordering Paragraph No. 2 of D.97-12-088 requires that "[r]espondent

utilities...file a compliance plan demonstrating to the Commission that there are adequate procedures in place implementing the rules.” SCE filed a Preliminary Compliance Plan (PCP) on December 31, 1997 (Advice 1278-E) and a Supplemental Compliance Plan (SCP) on January 30, 1998 (Advice 1278-E-A). The SCP superseded the PCP in its entirety.

In D.98-08-035, the Commission modified several of the rules adopted in D.97-12-088. On September 17, 1998, the Commission issued Resolution E-3539, which ordered SCE to file a revised compliance plan. SCE incorporated the Resolution’s direction in its Revised Compliance Plan (RCP), filed October 16, 1998 (Advice 1278-E-B), which superseded the SCP in its entirety.

SCE filed its Amended Revised Compliance Plan (ARCP) regarding Rule V.F.1 on February 5, 1999 (Advice 1278-E-C), to reflect the Commission’s direction in D.98-11-027, which the Commission had issued in response to a Petition for Modification filed by SDG&E and SoCalGas. Several changes to the language of Rule V.F.1 were approved by the Commission in D.02-02-046 and were reflected in SCE’s Compliance Plan Update for 2002, noted below.

Rule VI.A requires a utility to file annual updates to its compliance plan when there is some change. SCE filed its Updated Compliance Plan (UCP) on November 12, 1999 (Advice 1278-E-D), its Amended Compliance Plan (ACP) on May 9, 2000 (1278-E-E) and its Modified Compliance Plan (MCP) on December 12, 2001 (Advice 1278-E-F), its Compliance Plan Update for 2002 (CP02) on December 12, 2002 (Advice 1278-E-G), and its Compliance Plan Update for 2003 (CP03) on December 22, 2003 (Advice 1278-E-H). The MCP completely superseded earlier compliance plans on which the Commission had not acted. The Commission has not issued a resolution on SCE’s MCP, CP02, or CP03.

By filing this interim update for 2004, SCE does not in any way waive its right to petition the Commission or other regulatory, legislative, or judicial bodies to modify, rehear, and/or stay D.97-12-088, D.98-08-035, D.98-11-027, D.02-02-046 and/or any of the rules contained therein. Where SCE, in its discussion in its compliance plan of any particular rule, refers to a possible challenge or change to such particular rule, such reference is without waiver of or prejudice to any potential challenge to any other rule.

SCE has made a good-faith effort to understand the Affiliate Transaction Rules and their applicability. The language of several rules, however, remains susceptible to more than one interpretation. Any variance on SCE’s part from the Commission’s intended meaning is unintentional.

No cost information is required for this advice filing.

This advice filing will not increase any rate or charge, cause the withdrawal of any service, or conflict with any other schedule or rule.

EFFECTIVE DATE

This advice filing is made pursuant to Decision 98-08-035, Appendix B, Rule VI.A. It supersedes the compliance statement for Rule IV.B presented in Advice 1278-E-F. All other compliance statements in Advice 1278-E-F, 1278-E-G, and 1278-E-H remain in effect. Pursuant to Rule VI.A., this advice filing will be in effect upon filing, which is February 20, 2004, and until a Commission determination of the advice letter.

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 by the Energy Division and SCE 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
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: TariffManager@sce.com

Bruce Foster
Vice President of Regulatory Operations
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 mailing 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 to Pola Florez at (626) 302-3636 or by electronic mail at TariffManager@sce.com. For changes to the R.97-04-011/I.97-04-012 Service List, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at lpd@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 Gianpiero Doebler at (626) 302-2903 or by electronic mail at Gianpiero.Doebler@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:gwd/pf
Enclosures

Appendix A
Compliance Plan Update

Rule IV.B. Non-Customer Specific Non-Public Information: *A utility shall make non-customer specific non-public information, including but not limited to information about a utility’s natural gas or electricity purchases, sales, or operations or about the utility’s gas-related goods or services, electricity-related goods or services, available to the utility’s affiliates only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions, and keeps the information open to public inspection. Unless otherwise provided by these Rules, a utility continues to be bound by all Commission-adopted pricing and reporting guidelines for such transactions. Utilities are also permitted to exchange proprietary information on an exclusive basis with their affiliates, provided the utility follows all Commission-adopted pricing and reporting guidelines for such transactions, and it is necessary to exchange this information in the provision of the corporate support services permitted by Rule V E below. The affiliate’s use of such proprietary information is limited to use in conjunction with the permitted corporate support services, and is not permitted for any other use. Nothing in this Rule precludes the exchange of information pursuant to D.97-10-031.*

[The underlined language below has been added to update the statement filed with SCE’s Modified Compliance Plan, December 12, 2001.]

SCE Compliance: SCE has long maintained and updated policies and procedures for the handling of proprietary and confidential information. SCE has included in its training materials and online resources a discussion of the restrictions on non-customer specific, non-public information imposed by this Rule. SCE reserves the right not to share non-publicly available information with any other parties, whether affiliated or not. Also, consistent with discussion of Rule III.B.1 above, SCE does not construe this Rule to require that offerings of information be made to other service providers individually. Resolution E-3539 confirms that this is not required (slip op., p. 18). SCE similarly does not construe this Rule to require it to provide additional and/or different visual formatting or sorting of the information, at the request of other service providers, different from that provided to its affiliate. SCE will, however, make data released pursuant to this Rule available in two common and easily-accessible formats, per Commission direction. These will be compatible with the EDI standards developed in the Commission’s Direct Access Proceeding. SCE will determine—whenever possible, through discussion with the service provider obtaining the information—the formats in which information will be released. One such easily-accessible format will be hard copy printed versions of the information.

SCE will make any information transferred pursuant to this Rule available for public inspection at its corporate headquarters in Rosemead at reasonable times consistent with ongoing business responsibilities, subject to the same terms and conditions of release applied to its affiliate. All requests to view information made available pursuant to this rule must be presented, in writing, to:

James A. Kelly
Vice President, Regulatory Compliance & Environmental Affairs
Southern California Edison Company
2244 Walnut Grove Ave.
Rosemead, CA 91770

Pursuant to Rule IV.F, SCE will have three business days to comply with such requests. Resolution E-3539, Finding 46, describes this process as reasonable.

If SCE provides non-customer specific, non-public information to its affiliates, it may charge the affiliate for such information pursuant to the pricing provisions within the Rules (Rule V.H). If so, in order to adhere to the “same terms and conditions” clause noted in this Rule, SCE

will not permit such information to be accessed, copied or removed from its premises by any third party unless and until such party has made payment and met all other conditions of release identical to those imposed on the affiliate which received the same information. Resolution E-3539, Finding 47, describes this process as reasonable.

As described for Rule III.B.1, SCE has established a World Wide Web site (<http://www.sce.com/affiliatebb/index.shtml>) specifically for the notices required by Rules III.B.1, III.F, and IV.B. Notice of availability of information, including relevant terms and conditions of release, will be posted on a regular basis in compliance with this Rule by SCE's Affiliate Compliance Organization with information provided by the business unit offering the information. To be consistent with Rule IV.F, SCE will retain this information for a period of three years, or longer if the Commission or another government agency requires.

As permitted by this Rule, SCE will exchange certain proprietary information with its affiliates on an exclusive basis in order to perform shared oversight, governance, and support services permitted by Rule V.E. Where such support, governance and oversight services are performed for a Class A affiliate—and the information transferred passes *from* the utility *to* the affiliate—SCE will require compensation from its affiliates for that information, in accordance with Rule V.H. Where the support services are performed by the *utility*—and the information passes from the affiliate to SCE—SCE will not compensate the affiliate for the affiliate's information. For example, tax preparation is a permitted shared service performed by utility personnel. An affiliate's tax return data will be considered proprietary, and no payment will be required from the utility when such information is transferred from the affiliate to SCE. Permissible shared oversight, governance, and support services performed for affiliates will be charged to the affiliates pursuant to Rules V.E. and V.H.

Further, SCE operates within a holding company structure and is required to report basic financial information to its parent, which reports consolidated financial information as required by federal and state securities and income tax laws. SCE also operates pursuant to a tax-allocation agreement approved by the Commission, and such basic information must be made available to SCE affiliates in order to operate under that agreement. As required by the Rules, SCE will continue to observe rigorously all Rules prohibiting the dissemination of customer-specific information and other similar market- and competitively sensitive information.

SCE interprets the Rule as not prohibiting the utility from making available at its discretion to senior financial officers of affiliates, on an exclusive basis and without compensation, basic recorded and projected corporate financial performance information (e.g., net income and dividend capacity, financial statistics and projections) outside the scope of performing compensated corporate support, oversight and governance services, when the purpose of doing so is to for senior financial executives to meet and confer to capture the benefits of skill and experience across the corporation, thereby improving the overall effectiveness of financial management and lowering costs. Such information would not directly identify or reveal utility “supply, capacity, services or information” (as used in Rule III.B.1), customer information (as governed by Rule IV.A), or utility activities which are expressly not permitted to be shared as by Rules V.D and V.E (such as “gas and electric purchasing for resale, . . . system operations, and marketing”). SCE's making such information available in this context does not prejudice ratepayers or advantage in any way the affiliate.



APPENDIX B (Advice 1278-E-I)

Officer Verifications

Pursuant to requirements set forth in Appendix A (Rules) of California Public Utilities Commission (CPUC) Decision No. 97-12-088, we make the following verifications:

1. Pursuant to Rule I.A, we verify that the specific mechanisms and procedures described in SCE's Affiliate Transactions Compliance Plan are believed to be sufficient to ensure that Southern California Edison (SCE) is not using its holding company or any of its affiliates not covered by the Rules as a conduit to circumvent any of the Rules.
2. Pursuant to Rule V.E, we verify that specific mechanisms and procedures in place are believed to be sufficient to ensure: a) that SCE follows the mandates of Rule V.E., and b) that SCE is not utilizing joint corporate support services as a conduit to circumvent the Rules.
3. Pursuant to Rule V.G.1, we verify that specific mechanisms and procedures in place are believed to be sufficient to ensure that SCE is not utilizing shared officers and directors as a conduit to circumvent any of the Rules.

Handwritten signature of James A. Kelly in black ink.

James A. Kelly
Vice President
Southern California Edison

Handwritten signature of Thomas M. Noonan in black ink.

Thomas M. Noonan
Vice President and Controller
Edison International



**APPENDIX C
(Advice 1278-E-I)**

**Most Recent and Prevailing Compliance Plan
for Each Affiliate Transaction Rule
Adopted in OIR.97-04-011/OII.97-04-012**

February 20, 2004

MCP = Modified Compliance Plan (Advice 1278-E-F), filed 12/12/01
 CP02 = Compliance Plan Update 2002 (Advice 1278-E-G), filed 12/12/02
 CP03 = Compliance Plan Update 2003 (Advice 1278-E-H), filed 12/22/03
 CP04-I = Interim Update for 2004 (Advice 1278-E-I), filed 2/20/04

Rule(s)	Prevailing Compliance Plan
I	MCP
II.A-B	CP03
II.C through III.A	MCP
III.B	CP02
III.B.1 through III.F	MCP
IV.A	CP03
IV.B	CP04-I
IV.C	CP03
IV.D through V.D	MCP
V.E, V.F.1	CP02
V.F.2 through V.F.5	MCP
V.G.1	CP03
V.G.2 through V.H	MCP
VI.A, VI.B	CP03
VI.C through VII.G	MCP
VII.H	CP03
VII.I	MCP