

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



September 3, 2002

Advice Letter: 1449-E

Akbar Jazayeri
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Southern California Edison Company
P O Box 800
Rosemead, CA 91770

SEP 10 2002

REVENUE & TARIFFS DEPT.

Reference: Performance Based Ratemaking (PBR) report for 1999

Dear Mr. Jazayeri:

Advice Letter 1449-E is effective August 22, 2002. A copy of the advice letter is included herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas Long".

Douglas Long
Energy Division

Filed: 4/14/00
Effective: 8/22/02
Resolution: E-3771

April 14, 2000

ADVICE 1449-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Performance Based Ratemaking (PBR)
Performance Report for 1999

In compliance with Decision No. 96-09-092 (D.96-09-092), Southern California Edison Company (SCE) submits for filing its Performance Based Ratemaking (PBR) Distribution Rate Performance Mechanism Report for 1999 (Report).

PURPOSE

This advice filing submits SCE's Report for 1999 which details SCE's distribution rate performance mechanism as set forth in Preliminary Statement, Part CC, PBR Distribution Rate Performance Mechanism (PDRPM).

BACKGROUND

Pursuant to D.96-09-092, and SCE's Preliminary Statement, Part BB, PBR Distribution Rate Adjustment Mechanism, Section 7.b, and Part CC, PDRPM, Section 10, SCE makes an annual filing for each year that the PDRPM is in effect. The advice letter includes: (1) SCE's request, if any, for recognition of and recovery of Potential Z-Factors; and (2) the details of the operation and the results of SCE's performance under the PDRPM; including the derivation of any shared earnings, earned rewards or assessed penalties resulting from application of the separate performance mechanisms for Net Revenue Sharing, Customer Satisfaction, Average Customer Minutes of Interruption (ACMI), Outage Frequency, and Employee Health and Safety.

1999 PBR PERFORMANCE OVERVIEW

(1) Recovery of Potential Z-Factors

SCE is not seeking recovery of any Potential Z-Factors in this advice filing.

(2) PBR Performance

SCE's PBR performance resulted in no sharing of PBR net revenues for 1999. SCE met or exceeded established service quality performance standards. Table 1, below, summarizes these results which are discussed in more detail below and in the attached Report.

Table 1
1999 Net Revenue Sharing and (Rewards)/Penalties

	<u>(Millions of dollars)</u>
(A) Customer Share of PBR Revenues	\$ 0.0
(B) Customer Satisfaction Measure	(10.0)
(C) Reliability Measure, ACMI	0.0
Reliability Measure, Outage Frequency	(2.0)
(D) Employee Health & Safety Measure	<u>(5.0)</u>
Total	<u><u>\$(17.0)</u></u>

(A) PBR Financial Performance¹

SCE's 1999 financial performance resulted in a PBR Distribution Return On Equity (ROE) that was 29 basis points less than the benchmark ROE. Since this result was within the deadband of the net revenue sharing mechanism (within 50 basis points of the benchmark ROE), net revenue sharing was not triggered. For more detailed information, refer to Section III of the Report.

(B) Customer Satisfaction Measure

The Customer Satisfaction Rating measures overall customer satisfaction with SCE's service. This rating is determined annually based on survey results obtained by an outside consultant. SCE has calculated a reward of \$10 million associated with SCE's 1999 Customer Satisfaction Measure.

SCE continued customer satisfaction programs throughout 1999 that increase employee communication, implement cross-functional process improvement

¹ Beginning in April 1998, SCE's nongeneration PBR became a distribution PBR. As filed in Advice 1344-E, revenues and costs associated with ISO-controlled transmission facilities are excluded in calculating the financial performance.

initiatives, and provide training. SCE realized improved performance in service planning and business offices. For more detailed information on the Customer Satisfaction Measure, refer to Section IV.B of the Report.

(C) Reliability Measures, ACMI & Outage Frequency

The Average Customer Minutes of Interruption (ACMI) measures customer service interruptions in terms of the average minutes of service interruptions per customer, excluding all events which have a duration of more than 5.0 minutes of ACMI in a 24 hour period. Outage Frequency measures the number of circuit interruptions excluding all events that contribute interruptions which have a duration totaling more than 5.0 minutes of ACMI in a 24 hour period. These measures are based on two-year rolling averages. The two-year average ACMI index was within the deadband of its mechanism and thus no reward was earned or penalty was assessed. For the two-year Outage Frequency performance, SCE earned a reward of \$2 million.

SCE's 1999 reliability performance was improved over 1998, a year in which performance was impacted by harsh "El Nino" storms. For more detailed information on the Reliability Measures, refer to Section IV.D & E of the Report.

(D) Employee Health & Safety Measure

Rewards or penalties for employee safety are determined based on SCE's performance related to the frequency of all industrial injuries and illnesses. SCE has calculated a reward of \$5 million associated with SCE's Employee Health and Safety Measure.

SCE implemented safety program improvements in 1995 and has been able to significantly reduce injuries and illnesses. Key elements of program improvements are: 1) annual safety goals established by SCE officers which target continued improvement in the frequency of industrial injuries and illnesses throughout SCE; 2) a Corporate Safety Council which meets monthly to discuss and develop safety policies and includes representation from IBEW and UWUA, Business Unit Management, Corporate Audits, Law, and Corporate Safety; 3) SCE's Business Units use of Safety & Environmental Specialists to assist with business unit safety program administration and training; and 4) the implementation of grass roots safety teams by many of SCE's Business Units, largely representing bargaining unit employees, who are actively involved in the day to day safety program and influence the safety culture of their organization. For more detailed information on the Employee Health & Safety Measure, refer to Section IV.F of the Report.

PBR DISTRIBUTION RATE PERFORMANCE MEMORANDUM ACCOUNT (PDRPMA)

In accordance with D.96-09-092, D.97-10-057, and Resolution E-3514, SCE established the PBR Distribution Rate Performance Memorandum Account (PDRPMA) to record revenue sharing resulting from the PBR net revenue sharing mechanism and all rewards and penalties resulting from the application of the service quality performance mechanisms.

Thus, effective January 1, 2000, SCE recorded a debit in the amount of \$17.0 million in the PDRPMA which reflects the service quality performance rewards for 1999. Upon Commission approval of this advice letter, and reconciliation of any ordered adjustments, SCE will recover the balance in the PDRPMA in distribution rates when consolidating all revenue requirement changes in the annual Revenue Adjustment Proceeding (RAP).

COST OF CAPITAL TRIGGER MECHANISM

The Cost of Capital Trigger Mechanism was established to adjust SCE's Authorized Return on Equity for changes in interest rates and to adjust Distribution Rate Performances to account for changes in the Authorized Return on Equity. The Trigger Mechanism uses an index which tracks changes in Aa Utility Bond rates. In Advice 1414-E, SCE reported that the Aa Utility Bond rate for the 12-month period ending September 1999 was 7.23 percent. Since this was less than 100 basis points below the current Trigger Value of 7.50 percent, the Trigger Mechanism was not activated. For more detailed information, refer to Section V of the Report.

DISTRIBUTION FACILITY FAILURE RATE DATA

In D.98-08-015, the Commission ordered SCE to gather data on distribution component and cable connection failure rates and to report such information during the term of the existing PBR.

SCE has assembled data relative to equipment failure rates for its major distribution facilities. In compliance with D.98-08-015, SCE is reporting the number of failures for specific utility distribution facilities listed in General Order 165 and cable connections that resulted in circuit interruptions during 1999. For more detailed information, refer to Section VI of the Report.

DATA REPORTING COMMITMENTS ADOPTED IN D.99-12-035

In D.99-12-035, the Commission ordered SCE to report data relative to busy conditions on inbound customer telephone trunk lines, streetlight repairs, service guarantee commitments, and customer erroneous disconnects. SCE has gathered

this data and is reporting in compliance with D.99-12-035. For more detailed information, refer to Section VII of the Report.

This advice filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule. A resolution is not required for the approval of this filing.

EFFECTIVE DATE

This Report is effective upon Commission approval.

NOTICE

Anyone wishing to protest this advice filing may do so by sending a letter and received by 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

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 to the attention of:

Donald A. Fellows
Manager of Revenue and Tariffs
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 303
Rosemead, California 91770
Facsimile (626) 302-4829

Bruce Foster
Vice President of Regulatory Operations
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile (415) 673-1116

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 and A.93-12-029. Address change requests to the attached GO 96-A service list should be directed to Emelyn Lawler at (626) 302-3985.

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.

Southern California Edison Company

Donald A. Fellows, Jr.

DAF:ms/eml:1449e.doc
Enclosures

SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)

SCE'S PERFORMANCE BASED RATEMAKING (PBR)

DISTRIBUTION RATE MECHANISM

1999 PERFORMANCE REPORT

**Before the
Public Utilities Commission
of the
State of California**

April 14, 2000

SCE'S PERFORMANCE BASED RATEMAKING (PBR) DISTRIBUTION RATE MECHANISM

1999 PERFORMANCE REPORT

(January 1, 1999 through December 31, 1999)

Table of Contents

Table of Contents	1
I. Introduction.....	2
II. PBR Distribution Rate Adjustment Mechanism.....	4
III. PBR Distribution Rate Revenue Sharing Mechanism	5
A. Description	5
B. Results of Operations	5
C. Quantification of Net Revenue Sharing Mechanism Results	8
D. Summary of Sharing Mechanism Results	10
IV. Service Quality Performance Mechanism	11
A. Description	11
B. Customer Satisfaction Measure	11
C. Customer Satisfaction Results	12
D. Reliability Measures	15
E. Reliability Results	15
F. Employee Health and Safety Measure	20
G. Employee Health and Safety Results	20
H. Summary of Service Quality Performance Results	22
V. Cost of Capital Trigger Mechanism	23
A. Description	23
B. Composition of the Cost of Capital Trigger Mechanism Bond Index	23
VI. Data on Failures of Distribution Facilities Listed in General Order 165 and Cable Connections...	25
VII. Data Reporting Commitments Adopted in Decision Number 99-12-035.....	26

I. Introduction

1999 was the third year of operation for Southern California Edison's (SCE or Company) Distribution Performance Based Ratemaking (PBR) mechanism.¹ The purpose of this report is to summarize SCE's 1999 Distribution PBR performance.

This report is filed pursuant to California Public Utilities Commission Decision No. 96-09-092 (D.96-09-092) and SCE's Preliminary Statements Parts BB and CC. This filing includes the financial results of SCE's distribution operations and details the operation of SCE's PBR Distribution Rate Performance Mechanism (PDRPM).

The purpose of the PDRPM is to implement the net revenue sharing mechanism for PBR distribution rate revenues and to provide for rewards and penalties based on SCE's recorded performance measured against established criteria in the following four categories: (1) Customer Satisfaction, (2) Outage Duration, or Average Customer Minutes of Interruption (ACMI), (3) Outage Frequency, and (4) Employee Health and Safety.

SCE's 1999 recorded PBR Distribution Return On Equity (ROE) was within the deadband of the net revenue sharing mechanism – i.e., within 50 basis points of the benchmark ROE. Thus, net revenue sharing was not triggered and customers were neither provided nor responsible for a share of PBR Distribution net revenues. The details of the net revenue sharing mechanism are provided in Section III.C, Quantification of Net Revenue Sharing Mechanism Results.

SCE's 1999 Customer Satisfaction performance resulted in a reward of \$10 million. In the category of Outage Duration, SCE's performance was within the deadband range of the mechanism and, thus, SCE neither earned a reward earned nor was assessed a penalty. In the category of Outage Frequency, SCE's performance yielded a reward of \$2 million. SCE's performance in the Employee Health and Safety category resulted in the maximum reward of \$5 million.

The service quality rewards of \$17.0 million, as summarized in Table I.1, below, are to be recovered through the PBR Distribution Rate Performance Memorandum Account of SCE's Preliminary Statement, Part N, in accordance with D.96-09-092, D.97-10-057, and Resolution E-3514.

¹ SCE, in Advice Letter 1344-E, revised references in its Preliminary Statements to change the title of the PBR mechanism from Nongeneration PBR to Distribution PBR. This change reflects that on April 1, 1998, the Federal Energy Regulatory Commission assumed jurisdiction over the portion of SCE's transmission system subject to operational control by the California Independent System Operator (ISO).

Table I.1

Sum of Net Revenue Sharing and (Rewards)/Penalties	
	(Millions of dollars)
Customer Share of PBR Net Revenues	\$ 0
Customer Satisfaction Measure	\$(10.0)
Reliability Measure, ACMI	\$ 0
Reliability Measure, Frequency	\$ (2.0)
Employee Health and Safety Measure	\$ (5.0)
Total	\$(17.0)

SCE also includes in this report the following information as ordered by the Commission: (1) the composition of the Cost of Capital Trigger Mechanism's bond index; (2) distribution facility failure rate data; and (3) other data as required by D.99-12-035 (SCE's Distribution PBR midterm review decision). In D.96-09-092, the Commission directed SCE to implement a Cost of Capital Trigger Mechanism and to track the monthly composition of the bonds that comprise the mechanism's index. This information is provided in Section V of this report. In D.98-08-015 (the "PBR Service Reliability Decision"), the Commission directed SCE to begin gathering and reporting performance information pertaining to the maintenance, repair, and replacement (MR&R) of distribution facilities included in General Order 165 as well as for cable connections. Section VI of this report provides this information. In D.99-12-035, the Commission directed SCE to report data relative to busy conditions on inbound customer telephone trunk lines, streetlight repairs, service guarantee commitments, and customer service erroneous disconnects. This information is provided in Section VII of this report.

II. PBR Distribution Rate Adjustment Mechanism

The PBR Distribution Rate Adjustment Mechanism (PDRAM) contains an Update Rule that provides an annual adjustment to PBR Distribution Rate levels. This adjustment, calculated as the PBR Distribution Rate Adjustment Factor (PDRAF), is derived from the forecast Consumer Price Index (CPI) and modified by a productivity pledge (expressed as X). After the first year of operation, a correction factor is applied to reflect the difference between the forecast and recorded escalation in the previous year. The PDRAF is reported annually in November of each year that the PBR is in effect through an advice letter to the Commission. Table II.1 summarizes these factors and adjustments.

Table II.1

PBR Distribution Rates Update				
	<u>CPI</u>	<u>X</u>	<u>Correction Factor</u>	<u>Update Rule</u>
1997 ²	3.03%	1.2%	---	1.0183
1998 ³	2.43%	1.4%	0.9925	1.0027
1999 ⁴	2.70%	1.6%	0.9926	1.0035

² Data reported in Advice Letter 1191-E-A.

³ Data reported in Advice Letter 1256-E.

⁴ Data reported in Advice Letter 1345-E-A.

III. PBR Distribution Rate Revenue Sharing Mechanism

A. Description

The PBR Distribution Rate Revenue Sharing Mechanism comprises the principal financial element of SCE's Distribution PBR mechanism. This mechanism establishes a benchmark based on SCE's authorized return on common equity and puts SCE shareholders at risk for variations within 50 basis points of this benchmark. When results vary from the benchmark by more than 50 basis points, the net revenues are shared between SCE shareholders and customers.

This part of the Performance Report will first provide SCE's financial results for distribution operations under PBR. This information will then be used to calculate a PBR Distribution return on equity that is used to determine net revenue sharing.

B. Results of Operations

Financial data from the 12-month period ending December 31, 1999 are presented in this section. Table III.B.1, provides SCE's financial results for its Distribution PBR. Distribution PBR operating revenues are derived from SCE's tariffed distribution rates and Other Operating Revenues. Revenues that have their own ratemaking mechanisms such as flexible pricing option contracts were excluded. Revenues from Non-Tariffed Products and Services subject to the revenue sharing mechanism approved in D.99-09-070 were excluded after September 16, 1999, the effective date of the decision.

PBR Distribution expenses were derived by excluding generation and ISO-related costs. This is reported in Column 1 of Table III.B.1. Those items identified as PBR exclusions are also removed. This includes the removal of costs that receive separate balancing account treatment. Incremental costs associated with Non-Tariffed Products and Services subject to the revenue sharing mechanisms approved in D.99-09-070 were excluded after September 16, 1999. Column 2, labeled "PBR Distribution – Jurisdictional," presents retail customers' results of operations. The separation used to identify the retail component of Column 2 is based on the 1995 GRC retail jurisdictional factor of 99.95%.

Table III.B.1, Results of Operations Report

(Table on following page)

TABLE III.B.1
SOUTHERN CALIFORNIA EDISON COMPANY
RESULTS OF OPERATIONS REPORT
Twelve Months Ended December 31, 1999
(Thousands of Dollars)

Description	PBR Distribution	
	System	Jurisdictional
	(1)	(2)
Operating Revenues:		
Total Revenue	1,897,105	1,897,105
Subtotal	1,897,105	1,897,105
Other Operating Revenue	98,753	98,704
Total Operating Revenues	1,995,859	1,995,809
Operating Expenses:		
Fuel		
Purchased Power		
Power Exchange		
Prov-Reg Adj Clause		
Subtotal	0	0
Production Other		
Transmission	67,923	67,889
Distribution	244,086	243,964
Customer Accounts	260,864	260,734
Uncollectibles	5,845	5,842
Cust Serv & Info	41,175	41,154
Administrative & General	176,037	175,949
Franchise Fees	17,182	17,173
Subtotal	813,111	812,705
Depreciation	423,269	423,057
Taxes Other	61,389	61,358
Taxes Income	183,004	182,913
Subtotal	244,393	244,271
Total Operating Expenses	1,480,773	1,480,033
Net Revenue	515,085	515,776
Rate Base	5,519,668	5,516,908
Rate of Return	9.33%	9.35%

Note: Pensions and Benefits expenses and Payroll Taxes are assigned to direct operating expense categories (e.g., Production, Distribution, Customer Accounts) instead of being shown in the Administrative & General and Other Taxes categories, respectively.

SCE's capital structure, as used for determining the PBR Distribution Return on Equity, is listed in Table III.B.2.

Table III.B.2

Capital Structure (Utility)⁵	
	<u>Capital Ratio</u>
Long-Term Debt	47 %
Preferred Stock	5 %
Common Equity	48 %

The Recorded PBR Distribution Return on Equity for PBR is calculated by subtracting SCE's costs of providing distribution services (including income taxes and a component for Franchise Fees and Uncollectible Accounts expense) from the distribution-related revenues received by SCE and then dividing by the Recorded PBR Distribution Common Equity.

Table III.B.3

Recorded PBR Distribution Return on Equity	
a. Distribution-related revenues from Table III.B.1:	1,995,809
b. Distribution-related costs from Table III.B.1, plus Synchronized Interest (Auth WTCD)	1,480,033
Synchronized Interest (Auth WTCD)	198,101
Preferred Debt (Auth Pref):	18,261
	1,696,395
c. Recorded PBR Distribution Common Equity = Recorded PBR Distribution Rate Base (from Table III.B.1) x Fractional Share of Common Equity (percent from Table III.B.2):	2,648,116
d. Recorded PBR Distribution Return on Equity = (line a - line b) / line c :	11.31 %

⁵ Decision No. 96-11-060, p. 33.

C. Quantification of Net Revenue Sharing Mechanism Results

To determine the net revenues, if any, to be shared with customers requires a comparison of the 1999 Recorded PBR Distribution Return on Equity with the Benchmark Return on Equity. SCE's 1999 Recorded PBR Distribution Return on Equity of 11.31% was provided above in Section III.B. The Benchmark Return on Equity is shown below in Table III.C.1.

Table III.C.1

Benchmark Return on Equity⁶	
Benchmark Return on Equity, 1999	11.60 %

The net revenues to be shared with customers are calculated in Table III.C.2 as follows:

Table III.C.2, Net Revenue Sharing Calculation

(Table on following page)

⁶ D.96-09-092, p.66, and Preliminary Statement Part CC, Section 2.

**TABLE III.C.2
NET REVENUE SHARING CALCULATION
TWELVE MONTHS ENDING DECEMBER 1999**

NET REVENUE SHARING CALCULATION	
(\$000s)	
1. Recorded PBR Distribution Rate Base:	
2. Recorded Rate Base	5,516,908
3. Recorded PBR Distribution Common Equity:	
4. Authorized Common Equity	48.00%
5. Recorded PBR Distribution Common Equity	<u>2,648,116</u>
6. Recorded PBR Distribution Return on Equity:	
7. Distribution-related Revenues	1,995,809
8. Distribution-related Expenses	1,480,033
9. Synchronized Interest (Auth WTCD)	198,101
10. Preferred (Auth Pref)	<u>18,261</u>
11. Subtotal	1,696,395
12. Recorded PBR Distribution ROE	11.31%
13. Benchmark Return on Equity	<u>11.60%</u>
14. Equity Return Variance (ERV)	0.29%
15. If ERV is greater than 0.5% but less than 3.0%	<u>0.50%</u>
16. Ratepayer Equity Sharing Percent (RESP)	0.00%
17. Ratepayer Equity Factor (REF)	0.00%
18. Net to Gross Multiplier	1.8045
19. Net Revenue Subject to Sharing	0

Note:

1. The Equity Return Variance **ERV** = Line 12 minus Line 13; the value of the **ERV**, if less than zero, is multiplied by -1.
2. If the ERV (Line 14) is less than or equal to 0.5% (50 basis points) then no sharing is applicable and lines 16, 17 and 19 are zero.
3. The Ratepayer Equity Sharing Percent, **RESP** = Line 14 minus Line 15, or zero if line 14 is less than 0.5% (50 basis points).
4. The Ratepayer Equity Factor, **REF** = [(Line 16) x 0.75] minus [(Line 16) x (Line 16) x 15], as provided in Edison's Tariff, Preliminary Statement Part CC, Section 3.
5. If the ERV, (Line 14), is greater than 3.00% (300 basis points), the REF, (Line 17), shall equal 0.9375 percent. The RESP, (Line 16), cannot exceed 2.50%.
6. The Net-to-Gross Multiplier, (Line 18), is 1.8045 as adopted in Decision , D.96-01-011.
7. The Net Revenue Subject to Sharing, (Line 19), = (Line 5) x (Line 17) x (Line 18). If the Recorded PBR Distribution ROE, (Line 12), is less than the Benchmark PBR Distribution ROE, (Line 13), then multiply the value in (Line 19) by -1.

D. Summary of Sharing Mechanism Results

SCE achieved a Recorded PBR Distribution Return on Equity of 11.31%. As previously shown, this Return on Equity (ROE) is 29 basis points below the benchmark ROE. Thus, SCE's financial results under the PBR mechanism are within the net revenue sharing deadband (0 – 50 basis points). Thus, in accordance with D.96-09-092, no net revenue sharing amount for 1999 will be recorded in the PBR Distribution Rate Performance Memorandum Account. This memorandum account is described in Resolution E-3514 and Part N of SCE's Preliminary Statement.

IV. Service Quality Performance Mechanism

A. Description

The Service Quality Performance Mechanism consists of incentives for customer satisfaction, service reliability, and employee health and safety. The determination of rewards and penalties for these measures are presented in the following sections.

B. Customer Satisfaction Measure

The Customer Satisfaction Rating measures overall customer satisfaction with SCE's service. This rating is determined annually based on the results of a survey conducted by an outside consultant. The Customer Satisfaction Rating is expressed as the percent of customer responses (rounded to the nearest percent) in the top two of six response categories in the Customer Satisfaction Survey ("completely satisfied" and "delighted" categories). The Customer Satisfaction Rating used to determine any reward or penalty is the average of the customer responses (rounded to the nearest percent) in the top two of six response categories of four measured customer service functions:

- 1) Field Service and Meter Reading Activities;
- 2) In-Person Services;
- 3) Telephone Center Operations; and
- 4) Service Planning Activities.

In Application No. 97-12-047, as amended on April 3, 1998, SCE requested CPUC approval to modify the measurement of customer satisfaction to incorporate survey results from In-Person Services. In-Person Services includes business transactions previously performed at local offices and now performed at additional facilities called Authorized Payment Agencies.⁷ In Decision No. 98-07-077, the Commission adopted SCE's request on an interim basis.⁸

⁷ Authorized Payment Agencies are local businesses (drug stores, check cashing, etc.) that process payments in conjunction with a third-party vendor who handles the banking and data transfer to SCE for account posting.

⁸ The In-Person services category uses the same five transactions originally measured in the Local Office Operations (original category title from Advice 1191-E-A) category – turn-ons/turn-offs, credit/extensions, payments, deposits, and reconnects – but now is weighted based on customers served at Authorized Payment Agencies and remaining local offices.

SCE's Customer Satisfaction Survey was administered by Maritz Marketing Research, Inc., an independent market research company headquartered in St. Louis, Missouri. Maritz adheres to industry guidelines (Council of American Survey Research Organizations (CASRO)) with respect to maintaining confidentiality and objectivity in data collection and reporting. In accordance with CASRO guidelines, surveys were verified by spot checks of no fewer than 15 percent of all surveys completed.

C. Customer Satisfaction Results

The Customer Satisfaction Survey for 1999 resulted in an average of 72% of SCE customers' responding in the "completely satisfied" and "delighted" rankings for SCE's service. This is shown in Table IV.C.1 as follows:

Table IV.C.1

Customer Satisfaction Survey Results Percentage "Completely Satisfied" and "Delighted" 1999	
Field service and meter reading activities	66 %
In-person services	75 %
Telephone center operations	72 %
Service planning activities	77 %
Average of "completely satisfied" and "delighted" responses	72 %

A reward is earned (penalty assessed) annually for a Customer Satisfaction Rating above 67% (below 61%), as shown in Table IV.C.2, below. With the 1999 Customer Satisfaction Rating of 72%, a reward was earned for the year as shown in Table IV.C.2:

Table IV.C.2

Customer Satisfaction Reward (Penalty)	
<u>Cust. Satisf. Rating</u> (Penalty)	<u>Reward</u> (in millions)
72% or higher	\$ 10
71%	\$ 8
70%	\$ 6
69%	\$ 4
68%	\$ 2
67% to 61%	\$ 0
60%	\$(2)
59%	\$(4)
58%	\$(6)
57%	\$(8)
56% or lower	\$(10)

Separate from the Customer Satisfaction Survey Penalty, a Floor Penalty may be assessed if the measured customer response for “completely satisfied” and “delighted” rankings in any of the four customer service functions, rounded to the nearest percent, is less than 56%. The Floor Penalty is assessed based on the lowest performing area. The lowest performing area was Field Service and Meter Reading Activities which had a Customer Service Rating of 66%. Therefore, a Floor Penalty was not assessed for 1999.

Table IV.C.3

Floor Penalty	
<u>Cust. Satisf. Rating</u>	<u>Floor</u>
<u>Penalty</u>	
	(in
	millions)
56% or higher	\$ 0
55%	\$(2)
54%	\$(4)
53%	\$(6)
52%	\$(8)
51% or lower	\$(10)

A reward for Customer Satisfaction, as described above, is not applicable if either of the following conditions apply:

- 1) The average number of responses across the four customer service functions reflect more than 10% of the customer responses (rounded to the nearest percent) in the bottom two of the six categories, or
- 2) A Floor Penalty is assessed.

The average number of responses across the four customer service functions, in the bottom two of the six response categories, was 7% and therefore did not exceed the first condition. As described above, no Floor Penalty was assessed. Therefore, neither condition 1 nor condition 2 listed above was applicable for 1999. With overall Customer Satisfaction Survey results of 72%, SCE earned a Customer Satisfaction reward of \$10 million for 1999.

D. Reliability Measures

Average Customer Minutes of Interruption (ACMI)

The ACMI measures customer service interruptions in terms of the average minutes of service interruptions per customer excluding all events that have a duration of more than five (5.0) minutes of ACMI in a 24 hour period. The ACMI is calculated as the rolling average of two successive years. The ACMI has a performance standard of 59 minutes for the initial year of operation for SCE's Nongeneration PBR Mechanism (1997) and declines by two minutes per year thereafter through 2001. The standard has a deadband of 6 minutes on both sides in which there is no reward or penalty.

Outage Frequency

The Outage Frequency measures the number of circuit interruptions excluding all events that contribute interruptions which have a duration totaling more than five (5.0) minutes of ACMI in a 24 hour period. The Outage Frequency Performance Rating is calculated as the rolling average of two successive years. The Outage Frequency has a performance standard of 10,900 interruptions with a deadband of 1,100 on both sides in which there is no reward or penalty.

E. Reliability Results

The ACMI reliability measure was 50 minutes for 1999.⁹ As the ACMI reliability measure requires a rolling average of two successive years, and given that the 1998 figure was 65 minutes ACMI, the two-year rolling average to be used in determining whether a reward is earned or penalty assessed is 57 minutes ACMI

⁹ Total ACMI for 1999 was 49.8 minutes or 50 minutes rounded to the nearest minute.

as shown in Table IV.E.1.¹⁰

Table IV.E.1

Average Customer Minutes of Interruption (ACMI), Two-Year Rolling Average	
ACMI:	57 Minutes

A reward will be earned (penalty will be assessed) annually for a two-year rolling average ACMI measurement that is outside of the deadband for the year, as shown in Table IV.E.2 on the following page. Because the ACMI index from Table IV.E.1 was between 50 and 62 minutes, no reward was earned or penalty assessed for 1999.

¹⁰ When a distribution circuit outage occurs, field personnel manually log the event and compile related information about the event, including when the outage ends and the reason for the outage. That information is subsequently transferred to the database used to calculate SCE's performance with respect to the PBR system reliability standards adopted by the Commission in D.96-09-092. In the past several years, SCE has implemented a number of process changes to improve the accuracy and completeness of its distribution circuit outage data. We believe that these process improvements have resulted in fewer instances where outage information is not transferred to the database, compared to the prior data collection process. This may be causing our reported ACMI and circuit outage frequencies to be overstated (higher) relative to the historic performance that was used to set the PBR system reliability standards.

Table IV.E.2

Service Reliability Reward (Penalty) 2-Year Average ACMI Measure (In Minutes)				
1998	1999	2000	2001	Reward (Penalty) (In millions)
34 or less	32 or less	30 or less	28 or less	\$ 18
35	33	31	29	\$ 17
36	34	32	30	\$ 16
37	35	33	31	\$ 15
38	36	34	32	\$ 14
39	37	35	33	\$ 13
40	38	36	34	\$ 12
41	39	37	35	\$ 11
42	40	38	36	\$ 10
43	41	39	37	\$ 9
44	42	40	38	\$ 8
45	43	41	39	\$ 7
46	44	42	40	\$ 6
47	45	43	41	\$ 5
48	46	44	42	\$ 4
49	47	45	43	\$ 3
50	48	46	44	\$ 2
51	49	47	45	\$ 1
52 to 64	50 to 62	48 to 60	46 to 58	\$ 0
65	63	61	59	\$(1)
66	64	62	60	\$(2)
67	65	63	61	\$(3)
68	66	64	62	\$(4)
69	67	65	63	\$(5)
70	68	66	64	\$(6)
71	69	67	65	\$(7)
72	70	68	66	\$(8)
73	71	69	67	\$(9)
74	72	70	68	\$(10)
75	73	71	69	\$(11)
76	74	72	70	\$(12)
77	75	73	71	\$(13)
78	76	74	72	\$(14)
79	77	75	73	\$(15)
80	78	76	74	\$(16)
81	79	77	75	\$(17)
82 or more	80 or more	78 or more	76 or more	\$(18)

If an ACMI of 55 minutes or less (rounded to the nearest minute) is achieved over the 5-year PBR cycle (1997 - 2001), any penalty assessed during that period shall be reversed.

The Outage Frequency reliability measure was 9,107 for 1999. Because Outage Frequency is calculated as a rolling two-year average, and given that the 1998 Outage Frequency was 9,913, the two-year rolling average to be used in determining whether a reward is earned or penalty assessed is a frequency index of 9,510 as shown in Table IV.E.3.¹¹

Table IV.E.3

Outage Frequency, Two-Year Rolling Average	
Outage Frequency:	9,510

A reward will be earned (penalty will be assessed) annually for a two-year rolling average Outage Frequency Performance Rating that is below 9,800 (above 12,000). Based on the Outage Frequency Index from Table IV.E.3, SCE earned a reward of \$2 million for the year 1999 as shown in Table IV.E.4 on the following page.

¹¹ See footnote 10, above.

Table IV.E.4

Outage Frequency Reward (Penalty)	
<u>Outage Frequency Performance Rating</u>	<u>Reward (Penalty) (In millions)</u>
6,682 or less	\$ 18
6,683 to 6,866	\$ 17
6,867 to 7,049	\$ 16
7,050 to 7,232	\$ 15
7,233 to 7,416	\$ 14
7,417 to 7,599	\$ 13
7,600 to 7,782	\$ 12
7,783 to 7,966	\$ 11
7,967 to 8,149	\$ 10
8,150 to 8,332	\$ 9
8,333 to 8,516	\$ 8
8,517 to 8,699	\$ 7
8,700 to 8,882	\$ 6
8,883 to 9,066	\$ 5
9,067 to 9,249	\$ 4
9,250 to 9,432	\$ 3
9,433 to 9,616	\$ 2
9,617 to 9,799	\$ 1
9,800 to 12,000	\$ 0
12,001 to 12,183	\$(1)
12,184 to 12,367	\$(2)
12,368 to 12, 550	\$(3)
12,551 to 12,733	\$(4)
12,734 to 12,917	\$(5)
12,918 to 13,100	\$(6)
13,101 to 13,283	\$(7)
13,284 to 13,467	\$(8)
13,468 to 13,650	\$(9)
13,651 to 13,833	\$(10)
13,834 to 14,017	\$(11)
14,018 to 14,200	\$(12)
14,201 to 14,383	\$(13)
14,384 to 14,567	\$(14)
14,568 to 14,750	\$(15)
14,751 to 14,933	\$(16)
14,934 to 15,117	\$(17)
15,118 or more	\$(18)

F. Employee Health and Safety Measure

Rewards or penalties for employee safety are determined based on SCE's performance related to the frequency of all industrial injuries and illnesses. The Employee Health and Safety Rating is measured in terms of the number of injuries and illnesses per 200,000 hours worked. This frequency rate, or index number, is normalized by using the factor of 200,000, which represents the average number of hours worked by 100 full-time workers in one year (40 hours per week for 50 weeks a year). The expression for this is as follows:

$$\text{Frequency Rate (Index)} = \frac{\text{Number of incidents} \times 200,000(\text{normalizing factor})}{\text{Actual workhours}}$$

Expressing the index in this normalized manner is necessary to enable valid comparisons of the injury and illness statistic, from year to year, against the mechanism standard described in the next section. The index is rounded to the nearest first decimal.

G. Employee Health and Safety Results

SCE's Employee Health and Safety Rating is 6.4 for 1999, as shown in Table IV.G.1:

Table IV.G.1

Employee Health and Safety Index, 1999	
Number of injuries and illnesses:	813
X 100 employees at 2,000 hours/year:	200,000
= injuries and illnesses, statistic X employee-hours/year per 100 employees:	162,600,000
÷ Total utility employee-hours per year:	25,447,762
= Index:	6.4 per 200,000 hours worked

A reward is earned (penalty assessed) annually for an Employee Health and Safety Rating that results in an index below 12.7 (above 13.3), as

shown in Table IV.G.2, below. Since the Employee Health and Safety Index was below 11.8, SCE earned a reward for the year 1999 of \$5 million as shown in Table IV.G.2.

Table IV.G.2

Employee Health and Safety Reward (Penalty)	
<u>Employee Health and Safety Index</u> (per 200,000 hours worked) thousands)	<u>Reward (Penalty)</u> (In thousands)
11.8 or less	\$ 5,000.0
11.9	\$ 4,444.4
12.0	\$ 3,888.9
12.1	\$ 3,333.3
12.2	\$ 2,777.8
12.3	\$ 2,222.2
12.4	\$ 1,666.7
12.5	\$ 1,111.1
12.6	\$ 555.6
12.7 to 13.3	\$ 0
13.4	\$(555.6)
13.5	\$(1,111.1)
13.6	\$(1,666.7)
13.7	\$(2,222.2)
13.8	\$(2,777.8)
13.9	\$(3,333.3)
14.0	\$(3,888.9)
14.1	\$(4,444.4)
14.2 or more	\$(5,000.0)

H. Summary of Service Quality Performance Results

Table IV.H.1 summarizes SCE's Service Performance Mechanism results for 1998:

Table IV.H.1

Summary of Service Quality Performance Results 1999	
Customer Satisfaction Measure	Reward = \$10.0 million
Reliability Measure, ACMI	\$0
Reliability Measure, Frequency	Reward = \$2.0 million
Employee Health and Safety Measure	Reward = \$5.0 million
Total	Net Reward = \$17.0 million

In accordance with D.96-09-092 and D.97-10-057, the net reward will be recorded in the PBR Distribution Rate Performance Memorandum Account. This memorandum account is described in Resolution E-3514 and SCE's Preliminary Statement, Part N.

V. Cost of Capital Trigger Mechanism

A. Description

In D.96-09-092, the Commission directed SCE to implement a Cost of Capital Trigger Mechanism (Trigger Mechanism). The Trigger Mechanism was established to adjust SCE's Authorized Return on Equity for changes in interest rates and to adjust PBR Distribution Base Rates to account for changes in the Authorized Return on Equity.

The Trigger Mechanism uses an index which tracks changes in Aa utility bond rates. In implementing the Trigger Mechanism, SCE selected Moody's Long Term Corporate Bond Yield Average for Aa Public Utilities which is reported in "Moody's Credit Perspectives," a publication of Moody's Investor Service. The Commission ordered SCE to track the monthly composition of this index in its annual report (D.96-09-092, p. 40).

B. Composition of the Cost of Capital Trigger Mechanism Bond Index

Table V.B.1 lists the bonds that make up Moody's Long Term Corporate Bond Yield Average for Aa Public Utilities, as reported in Moody's "Credit Survey."

(Table on following page)

Table V.B.1

Monthly Composition of the Cost of Capital Trigger Mechanism Bond Index			
<u>Company Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Rating</u>
<i>As of January, 1999</i>			
Bell Telephone Co. of Pennsylvania	7.375	03/15/33	Aa1
Dayton Power & Light Co.	7.875	02/15/24	Aa3
Duke Energy Corp.	7.375	03/01/23	Aa3
Duke Energy Corp.	6.750	08/01/25	Aa3
Florida Power & Light Co.	7.050	12/01/26	Aa3
Florida Power & Light Co.	7.000	09/01/25	Aa3
Florida Power Corp.	7.000	12/01/23	Aa3
Illinois Bell Telephone Co.	7.250	03/15/24	Aa1
Michigan Bell Telephone Co.	7.500	02/15/23	Aa1
National Rural Utilities Coop. Fin.	7.350	11/01/26	Aa3
New England Tel. & Tel. Co.	6.875	10/01/23	Aa2
Northern States Power Co. Wisconsin	7.375	12/01/26	Aa3
Southwestern Bell Telephone Co.	7.625	03/01/23	Aa3
Southwestern Bell Telephone Co.	6.625	09/01/24	Aa3
US West Communications Inc.	6.875	09/15/33	Aa3
US West Communications Inc.	7.125	11/15/43	Aa3
Wisconsin Electric Power Co.	7.750	01/15/23	Aa2

In Advice Letter 1414-E, SCE reported the Aa Utility Bond rate for the 12-month period ending September 1999 was 7.23 percent. Since this is less than 100 basis points below the current Trigger Value of 7.50 percent, as set forth in SCE's Preliminary Statement DD, Section 3.e., the Trigger Mechanism was not activated. Thus, as reported in Advice Letter 1414-E, there was no change to SCE's Authorized Return on Equity.

VI. Data on Failures of Distribution Facilities Listed in General Order 165 and Cable Connections

In Decision No. 98-08-015, the Commission directed SCE to report the frequency of circuit interruptions resulting from the failure of the types of equipment listed in General Order (G.O.) 165 and cable connections. SCE reports this information in Table VI.1.¹² This data excludes all circuit interruptions occurring during events that have a circuit interruption duration totaling more than five (5.0) minutes of ACMI.

Table VI.1

Number of Non-Catastrophic Circuit Interruptions Resulting from Equipment Failure (By Distribution Equipment Type Listed in G.O. 165) 1999	
G.O. 165 Facility Type	
Transformers	89
Switching/Protective Devices	300
Regulators/Capacitors	18
OH Conductors	215
UG Cables	302
UG Terminations	126
Streetlighting	1
Wood Poles	11

¹² Effective August 1998, SCE modified its internal outage reporting guidelines to better identify instances in which structure or equipment failure (including cable connections) cause a circuit interruption. The revised procedures require that an Equipment and Maintenance (E&M) Engineer review and validate equipment failures, complete material failure reports, and investigate incomplete or questionable data. Final validation of the outage report by the E&M Engineer ensures that the cause codes of the circuit interruptions have been accurately recorded.

VII. Data Reporting Commitments Adopted in Decision Number 99-12-035

In Decision No. 99-12-035, the Commission directed SCE to report data relative to busy conditions on inbound customer telephone trunk lines, streetlight repairs, service guarantee commitments, and customer service erroneous disconnects. In Tables VII.1 and VII.2, SCE reports this information

Table VII.1

Street Light Outage Data	
On an annual basis, for the street light outages <u>not</u> caused by a source energy feed problem (e.g., broken cable), the percentage of streetlights repaired within three working days and the percentage repaired within five working days.	
Repairs made within three days:	98.9%
Repairs made within five days	99.7%
On an annual basis, for street light outages caused by a source energy feed problem (e.g., broken cable), the percentage of streetlights repaired within 17 working days.	
Repairs made within 17 days:	92.2%

Table VII.2

(Table on following page)

Table VII.2
PBR Data Reporting and Gathering Requirements
(D.99-12-035)
Year: 1999

Call Center Performance

	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99
Percentage of time all primary inbound trunk lines at Edison's call centers are busy	0.02%	0.00%	0.01%	0.04%	0.01%	0.00%	0.03%	0.04%	0.00%	0.00%	0.02%	0.04%

Service Guarantee Program

	Annual Number	Annual Amount Paid Out
Service guarantees not met		
1. New Meter Installation and Service Initiation	71	\$3,550.00
2. Responding Quickly to Service Disruptions	865	\$43,250.00
3. Restoring Service Within 24 Hours of Notification	427	\$21,350.00
Total	1363	\$68,150.00

Erroneous Disconnects

	Annual
Number of occurrences in which a customer's service was erroneously disconnected	
Total	1,293
Credit-related	1,085
Percentage of erroneous disconnects as a percentage of disconnects*	0.31%

* This percent is credit-related disconnects in error versus total credit-related disconnects. Erroneous disconnects can also occur as a result of a turn-off order. Adding turn-off orders into this calculation is not meaningful because a turn-off order is not generally a disconnect. It is instead either matched to a turn-on order or is simply a meter read.