

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



March 13, 2003

Advice Letter: 1659-E/1659-E-A

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

MAR 20 2003  
REVENUE & TARIFFS DEPT.

Reference: The update rule to the PRB distribution rates

Dear Mr. Jazayeri:

Advice Letter 1659-E is effective December 1, 2002 and Advice Letter 1659-E-A is effective January 1, 2003. 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

jjr

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November 1, 2002

**ADVICE 1659-E**  
**(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
ENERGY DIVISION

**SUBJECT:**     **The Update Rule to the PBR Distribution Rates**

In compliance with Decision (D.) 02-04-055 and D.96-09-092, Southern California Edison Company (SCE) hereby submits for filing the following changes to its tariff schedules applicable to the 2003 Performance Based Ratemaking (PBR) Distribution Revenue Requirement. The revised tariff sheets are listed on Attachment A and are attached hereto.

**PURPOSE**

Pursuant to D.02-04-055 and D.96-09-092, this advice filing: (1) establishes a PBR Distribution Revenue Requirement for calendar year 2003; (2) updates the PBR Distribution Revenue Requirement Adjustment Factor (PDRRAF) for 2003 based on CPI-X; (3) establishes SCE's 2003 Authorized Funding Level for Economic Development Programs in conformance with the change in the PDRRAF; and (4) revises Preliminary Statement, Parts Y, BB, CC, DD, and XX, to be consistent with California Public Utilities Commission (Commission) D.02-04-055.

**INFORMATION**

Pursuant to D.96-09-092, Section 7.b., an advice letter shall be filed no later than November 1 of each year. The advice letter shall include: (1) the PDRAF for the Subject Year resulting from the application of the PBR Distribution Revenue Adjustment Mechanism (PDRAM); (2) the determination of PBR Distribution Rate levels for the Subject Year; and (3) the operation of the Cost of Capital Trigger Mechanism, described under Preliminary Statement, Part DD. For the purpose of this advice letter, the Subject Year is 2003 and the Current Year is 2002.

### **1. PBR Economic Development Adjustment Clause (EDAC)**

SCE's Preliminary Statement, Part Y, EDAC is being revised to reflect the 2002 Economic Development Program authorized funding level escalation of the CPI-X factor (0.05%) pursuant to D.96-09-092.

### **2. PBR Distribution Revenue Requirement Adjustment Factor**

Preliminary Statement, Part BB, contains an Update Rule, which provides for an escalation in PBR Distribution Revenue Requirements as measured by the Consumer Price Index (CPI) modified by a productivity pledge<sup>1</sup> (expressed as X). Consistent with D.02-04-055, application of the Update Rule will result in a PBR Distribution Revenue Requirement increase of 0.05 percent effective January 1, 2003. Appendix B of this filing sets forth the derivation of the 0.05 percent.

### **3. Changes in Worker Safety, Customer Satisfaction and Outage Frequency Incentive Mechanisms**

Pursuant to Ordering Paragraph 5 of D.02-04-055, SCE is revising Preliminary Statement, Part CC, PBR Distribution Revenue Requirement Performance Mechanism, to implement the revised incentive program benchmarks. Specifically, effective in 2003 and until superseded by SCE's next GRC, SCE will:

- Revise the benchmark for worker safety incentive program based on the last seven years of injury data (1995-2001);
- Revise the benchmark for customer satisfaction incentive program based on the historic experience from 1992-2001;
- Revise the outages benchmark based on the historic experience from 1992-2001; and
- Maintain the performance standard for the Average Customer Minutes of Interruptions (ACMI) in 2003 at the same level as that for 2002.

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<sup>1</sup> The annual Productivity Pledge (X-Factor) for PBR Distribution Rates as adopted in D.02-04-055 is 1.6 percent for 2002 and 2003.

#### **4. Cost of Capital Trigger Mechanism**

Preliminary Statement, Part DD, sets forth the Cost of Capital Trigger Mechanism. Pursuant to Section 3.f, the AA Utility Bond Rate for the 12-month period ending September 2002 is 7.31 percent. Since this is less than 100 basis points below the current Trigger Value of 7.50 percent, as set forth in Section 3.e, according to Section 4, the Cost of Capital Trigger Mechanism is not activated. Thus, there is no change to SCE's Authorized Return on Equity.

#### **5. PBR Distribution Revenue Requirement**

Pursuant to D.02-04-055, Ordering Paragraph 2.b, SCE is establishing a 2003 PBR Distribution Revenue Requirement of \$2.195 billion. Appendix A of this filing sets forth the calculation of the 2003 PBR Distribution Revenue Requirement pursuant to the methodology adopted in D.02-04-055, and as set forth in Preliminary Statement, Part XX.

Pursuant to discussions with Energy Division staff, SCE will file a supplemental advice letter revising its rate component tables which reflect: 1) an increase in Distribution rates associated with the adopted 2003 PBR Distribution Revenue Requirement; and 2) a decrease in Generation rates by an amount equal to the increase in Distribution rates such that there is no change in overall rate levels to bundled service customers, consistent with SCE's Settlement Agreement with the Commission.

No cost information is required for this advice filing.

This advice filing will not increase any rate or charge to bundled service customers, cause the withdrawal of service, or conflict with any other schedule or rule. The .05% increase in PBR Distribution Revenue Requirement proposed in this advice filing will result in lower generation rates credited to direct access customers and thereby a bill increase to those customers.

#### **EFFECTIVE DATE**

Pursuant to Ordering Paragraph 5 in D.02-04-055, this advice filing shall become effective on the 30<sup>th</sup> day after the date filed which is December 1, 2002, subject to review by the Energy Division, with the rate changes effective for service beginning January 1, 2003.

**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  
c/o Jerry Royer  
505 Van Ness Avenue, Room 4002  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto: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  
c/o Emelyn Lawler  
2244 Walnut Grove Avenue, Rm. 303  
Rosemead, California 91770  
Facsimile: (626) 302-4829  
E-mail: [Emelyn.Lawler@sce.com](mailto:Emelyn.Lawler@sce.com)

Bruce Foster  
Vice President of Regulatory Operations  
Southern California Edison Company  
c/o Karyn Gansecki  
601 Van Ness Avenue, Suite 2040  
San Francisco, California 94102  
Facsimile: (415) 673-1116  
E-mail: [Karyn.Gansecki@sce.com](mailto: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 and R.02-01-011. Address change requests to the attached GO 96-A Service List should be directed to Emelyn Lawler at (626) 302-3985 or by electronic mail at [Emelyn.Lawler@sce.com](mailto:Emelyn.Lawler@sce.com). For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at [ven@cpuc.ca.gov](mailto:ven@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/> and choose Regulatory Info Center/Advice Letters.

For questions, please contact John Montanye at (626) 302-2308 or by electronic mail at [John.Montanye@sce.com](mailto:John.Montanye@sce.com).

**Southern California Edison Company**

Akbar Jazayeri

AJ;jm

Enclosures



**Appendix B**  
**PBR Distribution Revenue Requirement Adjustment Factor**  
**(PDRRAF)**

(Note: For the purpose of this advice letter, the Subject Year is 2003 and the Current Year is 2002)

The Update Rule is the mechanism authorized in D.96-09-092 that allows for the application of an annual PDRRAF. The Update Rule allows for the PBR Distribution Revenue Requirement to change based on the annual change in escalation as measured by the CPI, modified by the Productivity Pledge. The Update Factor (UF) will be used as the annual multiplier in establishing subsequent years PBR Distribution Revenue Requirements to account for input price inflation, less the Productivity. The UF for the Subject Year is expressed as 1 plus the Forecast Escalation Rate for the Subject Year (expressed as fER<sub>s</sub>), less the Productivity Pledge for the Subject Year (expressed as X<sub>s</sub>), or:

$$UF_s = 1.0 + fER_s - X_s$$

2002 to 2003 Update Factor Calculation

$$UF_{03} = 1.0 + 2.69\% - 1.60\% = 1.0109$$

The Correction Factor (CF) for the Subject Year (CF<sub>s</sub>) is the annual multiplier developed through the Update Rule that corrects for the ratio between the Forecast Escalation Rate (ER) included in the UF for the Current Year and the Recorded ER (rER<sub>c</sub>) for the Current Year. The Correction Factor is expressed as: (1) the quantity 1 plus the Recorded ER for the Current Year minus the Productivity Pledge for the Current Year (X<sub>c</sub>), divided by (2) the quantity 1 plus the Forecast ER for the Current Year (fER<sub>c</sub>) minus the Productivity Pledge for the Current Year, or:

$$CF_s = (1.0 + rER_c - X_c) / (1.0 + fER_c - X_c)$$

2001 to 2002 Correction Factor Calculation

$$CF_{02} = (1.0 + 1.27\% - 1.60\%) / (1.0 + 2.31\% - 1.60\%) = 0.9897$$

The PDRRAF is the annual multiplier developed through the Update Rule to be applied to the existing PBR Distribution Revenue Requirement to determine the PBR Distribution Revenue Requirement that shall be applicable for service rendered on and after the Revision Date each year. The PDRRAF is the combination of the Update Factor and the Correction Factor and shall be expressed as the Update Factor multiplied by the Correction Factor, or:

$$PDRRAF = UF_s \times CF_s$$

PDRRAF for 2002 to 2003 Calculation

$$1.0109 \times 0.9897 = 1.0005$$

As indicated above, the 2002 PBR Distribution Revenue Requirement will be escalated using the PDRRAF in the calculation of the 2003 PBR Distribution Revenue Requirement.

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 32055-E	Preliminary Statement Part Y	Revised 31328-E
Revised 32056-E*	Preliminary Statement Part BB	Revised 31334-E*
Revised 32057-E	Preliminary Statement Part CC	Revised 31338-E
Revised 32058-E*	Preliminary Statement Part CC	Revised 31340-E
Revised 32059-E	Preliminary Statement Part CC	Revised 31344-E
Revised 32060-E	Preliminary Statement Part CC	Revised 31344-E
Revised 32061-E	Preliminary Statement Part CC	Revised 31345-E*
Revised 32062-E	Preliminary Statement Part CC	Revised 31345-E*
Revised 32063-E	Preliminary Statement Part CC	Revised 31346-E*
Revised 32064-E	Preliminary Statement Part CC	Revised 31347-E*
Revised 32065-E	Preliminary Statement Part CC	Revised 31348-E
Original 32066-E	Preliminary Statement Part CC	Original 31349-E
Revised 32067-E	Preliminary Statement Part CC	Revised 31350-E
Revised 32068-E	Preliminary Statement Part CC	Original 31351-E
Revised 32069-E	Preliminary Statement Part CC	Revised 31352-E
Revised 32070-E	Preliminary Statement Part CC	Original 31353-E
Revised 32071-E	Preliminary Statement Part CC	Revised 31354-E
Revised 32072-E*	Preliminary Statement Part CC	Original 31355-E
Revised 32073-E	Preliminary Statement Part DD	Revised 31357-E
Revised 32074-E	Preliminary Statement Part DD	Revised 31359-E
Revised 32075-E	Preliminary Statement Part XX	Original 31361-E
Revised 32076-E	Preliminary Statement Part XX	Original 31362-E
Revised 32077-E	Preliminary Statement Part XX	Original 31363-E
Revised 32078-E	Preliminary Statement Part XX	Original 31367-E
Revised 32079-E	Table of Contents	Revised 31937-E
Revised 32080-E	Table of Contents	Revised 31563-E

PRELIMINARY STATEMENT

Sheet 2

(Continued)

DD. COST OF CAPITAL TRIGGER MECHANISM (Continued)

3. Definitions. (Continued)

d. Authorized Return on Equity:

The Authorized Return on Equity for 1997 shall be 11.60 percent as approved in Decision 96-11-060. For subsequent years, the Authorized Return on Equity shall be equal to the preceding years Authorized Return on Equity adjusted by the Return on Equity Adjustment, as described in Section 3, below. Table A sets forth the Authorized Return on Equity.

Table A  
Authorized Return on Equity

<u>Year</u>	<u>Authorized Return on Equity</u>
1997	11.60 percent
1998	11.60 percent
1999	11.60 percent
2000	11.60 percent
2001	11.60 percent
2002	11.60 percent
2003	11.60 percent

(N)

e. Trigger Value:

The Trigger Value shall initially be equal to the 1996 AA Utility Bond Rate of 7.50 percent as calculated pursuant to Decision 96-09-092. If the Cost of Capital Trigger Mechanism is activated, the Trigger Value shall be revised to be equal to the AA Utility Bond Rate for the year in which the Cost of Capital Trigger Mechanism was activated. Table B sets forth the Trigger Values.

Table B  
Cost of Capital Trigger Values

<u>Year</u>	<u>Trigger Value</u>
1996	7.50 percent

(Continued)

(To be inserted by utility)

Advice 1659-E  
Decision 96-09-092  
2H16 02-04-055

Issued by

John R. Fielder  
Senior Vice President

(To be inserted by Cal. PUC)

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PRELIMINARY STATEMENT

Sheet 4

(Continued)

DD. COST OF CAPITAL TRIGGER MECHANISM (Continued)

3. Definitions. (Continued)

i. Net-To-Gross Multiplier:

The Net-To-Gross Multiplier is used to derive the incremental change in required operating revenue resulting from a required change in net revenue. The initial value for the Net-To-Gross Multiplier shall be as adopted in Decision No. 96-01-011. The Utility may file an Advice Letter to adjust the Net-To-Gross Multiplier for any changes in tax rates, uncollectible accounts expense or franchise fees. Table C sets forth the Net-To-Gross Multiplier for each year.

Table C  
Net-To-Gross Multiplier

<u>Year</u>	<u>Net-To-Gross Multiplier</u>	<u>Authorization</u>
1996	1.8045	D.96-01-011
1997	1.8045	D.96-01-011
1998	1.8045	D.96-01-011
1999	1.8045	D.96-01-011
2000	1.8045	D.96-01-011
2001	1.8045	D.96-01-011
2002	1.8045	D.96-01-011
2003	1.8045	D.96-01-011

(N)

4. Return on Equity Adjustment.

The Cost of Capital Trigger Mechanism shall be activated for the Subject Year when the AA Utility Bond Rate for the Current Year varies by more than 100 basis points from the then-effective Trigger Value.

Upon activation of the Cost of Capital Trigger Mechanism, the Authorized Return on Equity for the Subject Year shall be revised to be equal to the Authorized Return on Equity for the Current Year plus one-half of the difference between the effective Trigger Value for the Current Year and the AA Utility Bond Rate for the Current Year. The revised Authorized Return on Equity shall then be used in calculating the Capital Market Adjustment.

(Continued)

(To be inserted by utility)

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PRELIMINARY STATEMENT

Sheet 3

(Continued)

Y. Economic Development Adjustment Clause (EDAC) (Continued)

4. Economic Development Adjustment Account (EDAA). (Continued)

a. Expenditures for ED Programs recorded during the month, including charges for employees not assigned to ED Programs, but who perform analyses in direct support of ED Programs.

b. Less: The result of the following calculation:

(1) the applicable Authorized Funding Level for the ED Programs from Table A below, less a provision for Franchise Fees and Uncollectible Accounts, divided by twelve:

Table A  
Authorized Funding Level  
for ED Programs

<u>Effective Date</u>	<u>Authorized Funding Level</u>	<u>Decision</u>
01/20/96	\$ 3,283,000	D.96-01-011
01/01/97	\$ 3,343,000	D.96-09-092
01/01/98	\$ 2,242,878	D.97-08-056/D.97-11-073
01/01/99	\$2,250,728	
01/01/00	\$2,260,181	
01/01/01	\$2,290,693	
01/01/02	\$2,331,009	
01/01/03	\$2,332,175	

(N)

(Continued)

(To be inserted by utility)

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Decision 96-09-092  
3H13 02-04-055

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PRELIMINARY STATEMENT

Sheet 5

(Continued)

BB. PBR DISTRIBUTION REVENUE REQUIREMENT ADJUSTMENT FACTOR (PDRRAF)  
(Continued)

3. Definitions. (Continued)

f. Escalation Rate: (Continued)

(2) The Forecast Escalation Rate for the Subject Year shall be calculated as follows: (Continued)

(c) Calculate the percent change from (2)(a) to (2)(b) above.

The Recorded Escalation Rate and Forecast Escalation Rate for each year are set forth in Table B below:

Table B  
Escalation Rates

<u>Year</u>	<u>Forecast Escalation Rate</u>	<u>Recorded Escalation Rate</u>
1997	3.03%	2.26%
1998	2.43%	1.68%
1999	2.70%	2.05%
2000	2.67%	3.69%
2001	1.94%	2.98%
2002	2.31%	1.27%
2003	2.69%	

(N)  
(N)

g. Productivity Pledge:

The annual Productivity Pledge (X-Factor) for PBR Distribution Revenue Requirement as adopted in Decision Nos. 96-09-092 and D 02-04-055 is 1.6 percent for 1999 through 2003<sup>1/</sup> or until superceded by the adoption of a GRC decision for SCE by the Commission.

h. Update Rule:

The Update Rule is the mechanism authorized under the Utility's Distribution PBR that allows for the application of an annual PDRAF to the PBR Distribution Revenue Requirement and Incremental Cost per Customer. The Update Rule allows for PBR Distribution Revenue Requirement changes based on the annual change in escalation as measured by the Consumer Price Index (CPI), modified by the Productivity Pledge.

<sup>1/</sup> Decision No. 01-06-038 extends the PBR mechanism until superceded by SCE's 2003 General Rate Case.

(Continued)

(To be inserted by utility)

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5H15

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Southern California Edison  
Rosemead, California

Revised Cal. PUC Sheet No. 32056-E\*  
Cancelling Revised Cal. PUC Sheet No. 31334-E\*

PRELIMINARY STATEMENT

Sheet 5

(Continued)

(Continued)

(To be inserted by utility)

Advice 1659-E

Decision 96-09-092

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PRELIMINARY STATEMENT

Sheet 1

CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM)

1. Purpose.

The purpose of the PBR Distribution Performance Mechanism (PDPM) is to implement the net revenue sharing mechanism for Performance Based Ratemaking (PBR) Distribution net 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) Average Customer Minutes of Interruptions (ACMI); (3) Outage Frequency; and (4) Employee Health and Safety.

2. Definitions.

a. Current Year:

The Current Year shall be the present calendar year in which SCE files the March 31 Advice Letter for the Prior Year.

b. Prior Year:

The Prior Year shall be the calendar year immediately preceding the Current Year.

c. Benchmark Return on Equity:

The Benchmark Return on Equity for each year shall be equal to the Authorized Return on Equity adjusted by the Cost of Capital Trigger Mechanism, as set forth in Preliminary Statement, Part DD, Cost of Capital Trigger Mechanism. The Benchmark Return on Equity for each year is set forth in Table A below:

Table A  
Benchmark Return on Equity

<u>Year</u>	<u>Benchmark Return on Equity</u>
1997	11.60 percent
1998	11.60 percent
1999	11.60 percent
2000	11.60 percent
2001	11.60 percent
2002	11.60 percent
2003	11.60 percent

(N)

(Continued)

(To be inserted by utility)

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PRELIMINARY STATEMENT

Sheet 3

(Continued)

CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

2. Definitions. (Continued)

f. Recorded PBR Distribution Return on Equity: (Continued)

(3) Revenues and costs associated with the operation of Edison Pipeline Terminal Utility, in accordance with Decision No. 94-10-044, in which the Commission adopted specific revenue sharing; and

(4) The Net Incremental Revenue Change associated with Flexible Pricing Options in accordance with the specific revenue sharing adopted in Decision No. 96-08-025.

g. Net-To-Gross Multiplier:

The Net-To-Gross Multiplier is used to derive the incremental change in required operating revenue resulting from a required change in net revenue. The initial value for the Net-To-Gross Multiplier shall be as adopted in Decision No. 96-01-011. SCE may file an advice letter to adjust the Net-To-Gross Multiplier for any changes in tax rates, franchise fees or uncollectible accounts expense. Table B sets forth the Net-To-Gross Multiplier for each year:

Table B  
Net-To-Gross Multiplier

<u>Year</u>	<u>Net-To-Gross Multiplier</u>	<u>Authorization</u>
1997	1.8045	D.96-01-011
1998	1.8045	D.96-01-011
1999	1.8045	D.96-01-011
2000	1.8045	D.96-01-011
2001	1.8045	D.96-01-011
2002	1.8045	D.96-01-011
2003	1.8045	D.96-01-011 (N)

h. Recorded Distribution-related Other Operating Revenue (OOR):

Recorded Distribution-related OOR shall be the Distribution revenue received from sources other than sales of electricity. Distribution-related OOR that is currently subject to specific ratemaking treatment pursuant to Commission orders shall be excluded from the Recorded Distribution-related OOR.

(Continued)

(To be inserted by utility)

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3H15 02-04-055

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PRELIMINARY STATEMENT

Sheet 7

(Continued)

CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

5. Customer Satisfaction Rating. (Continued)  
a. Customer Satisfaction Survey Penalty: (Continued)

Beginning in 2002, the standard for the 2002 Customer Satisfaction rating is 69% with a deadband of +/- 3 percentage points.<sup>1/</sup> If the Customer Satisfaction Rating is less than 66 percent, a penalty will be assessed annually, as set forth in Table C2 below:

Table C2  
Customer Satisfaction Survey Penalty

<u>Customer Satisfaction Rating</u>	<u>Penalty</u> <u>(in millions)</u>
69% to 66%	\$ 0
65%	\$ ( 2)
64%	\$ ( 4)
63%	\$ ( 6)
62%	\$ ( 8)
61% or lower	\$(10)

<sup>1/</sup> Decision Nos. 01-06-038 and 02-04-055 extended the PBR mechanism until superceded by the adoption of a GRC decision for SCE by the Commission.

- b. Customer Satisfaction Survey Penalty: (N)

Beginning in 2003, the standard for the 2003 Customer Satisfaction rating is 69% with a deadband of +/- 3 percentage points.<sup>1/</sup> If the Customer Satisfaction Rating is less than 66 percent, a penalty will be assessed annually, as set forth in Table C3 below:

Table C3  
Customer Satisfaction Survey Penalty

<u>Customer Satisfaction Rating</u>	<u>Penalty</u> <u>(in millions)</u>
69% to 66%	\$ 0
65%	\$ ( 2)
64%	\$ ( 4)
63%	\$ ( 6)
62%	\$ ( 8)
61% or lower	\$(10)

<sup>1/</sup> Decision Nos. 01-06-038 and 02-04-055 extended the PBR mechanism until superceded by the adoption of a GRC decision for SCE by the Commission.

(N)  
(L)

(Continued)

(To be inserted by utility)  
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PRELIMINARY STATEMENT

Sheet 8

(Continued)

CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

5. Customer Satisfaction Rating. (Continued)

c. Floor Penalty:

(L) (T)

Separate from the Customer Satisfaction Survey Penalty, a Floor Penalty may be assessed annually based on the Customer Satisfaction Rating within the four areas being measured. If the measurement of customer satisfaction in any of the four customer service functions (rounded to the nearest percent) is less than 56 percent, a Floor Penalty will be assessed based on the worst performing area, as set forth in Table D below:

Table D  
Customer Satisfaction Survey Floor Penalty

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

The actual penalty for SCE will be the greater of the overall Customer Satisfaction Survey Penalty or the Floor Penalty.

(L)

d. Customer Satisfaction Survey Reward:

(T)

Through December 31, 2001, if the average Customer Satisfaction Rating is more than 67 percent in the top two categories, SCE will earn a reward annually, as set forth in Table E1 below:

Table E1  
Customer Satisfaction Survey Reward

<u>Customer Satisfaction Rating</u>	<u>Reward</u> <u>(In millions)</u>
64% to 67%	\$ 0
68%	\$ 2
69%	\$ 4
70%	\$ 6
71%	\$ 8
72% or higher	\$10

Beginning in 2002, if the average Customer Satisfaction Rating is more than 72 percent in the top two categories, SCE will earn a reward annually, as set forth in Table E2 below:

(L)

(Continued)

(To be inserted by utility)

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Decision 96-09-092  
8H13 02-04-055

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Sheet 9

(Continued)

CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

5. Customer Satisfaction Rating. (Continued) (L)  
 d. Customer Satisfaction Survey Reward: (Continued)

Table E2  
Customer Satisfaction Survey Reward

<u>Customer Satisfaction Rating</u>	<u>Reward</u> <u>(In millions)</u>
69% to 72%	\$ 0
73%	\$ 2
74%	\$ 4
75%	\$ 6
76%	\$ 8
77% or higher	\$10

Beginning in 2003, if the average Customer Satisfaction Rating is more than 72 percent in the top two categories, SCE will earn a reward annually, as set forth in Table E3 below: (L)

Table E3  
Customer Satisfaction Survey Reward

<u>Customer Satisfaction Rating</u>	<u>Reward</u> <u>(In millions)</u>
69% to 72%	\$ 0
73%	\$ 2
74%	\$ 4
75%	\$ 6
76%	\$ 8
77% or higher	\$10

The rewards set forth in Tables E1, E2, and E3 above are not applicable if the average number responses for the four customer service functions reflect more than 10 percent of the customer responses (rounded to the nearest percent) in the bottom two of the six categories, or if a Floor Penalty is assessed. (N)

As part of the March 31 Advice Filing, SCE will report any changes in the scope of its customer services activities that result in elimination of specific transactions which are represented in the Customer Satisfaction Survey. SCE will adjust the 64 percent or 69 percent (as applicable) customer satisfaction standard, if necessary, to maintain consistency with the ongoing measurement of customer satisfaction. (L)

(Continued)

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CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

6. Average Customer Minutes of Interruptions (ACMI)

The ACMI shall measure customer service interruptions in terms of the average minutes of service interruptions per customer excluding all interruptions from events which produce an impact on system wide ACMI of more than five (5.0) minutes. The ACMI measure will be calculated as the rolling average of two successive years. The ACMI measure will have a performance standard of 59 minutes for the initial year of operation for SCE's Distribution PBR Mechanism (1997) and will decline by two minutes per year thereafter through 2001. Beginning in 2002, the ACMI measure will have a performance standard of 51 minutes. Since the ACMI requires a two-year average for measurement, 1998 will be the first year that a reward or penalty may be assessed. There shall be a "Dead Band" that extends 6 percentage points around the standard wherein there shall be no reward or penalty. The performance standard for Years 2002 and 2003 shall be based upon the two-year average using Year 2001 performance standard minutes.<sup>1/</sup> (N)

A penalty will be assessed annually for an ACMI measurement that is in excess of the "Dead Band" as set forth in Table F below:

**Table F**  
**Service Reliability Penalty**  
**2-year average ACMI Measure**  
**(In minutes)**

<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002-2003</u>	<u>Penalty</u> (In millions)	(N)
58 to 64	56 to 62	54 to 60	52 to 58	51 to 57	\$ 0	
65	63	61	59	58	\$( 1)	
66	64	62	60	59	\$( 2)	
67	65	63	61	60	\$( 3)	
68	66	64	62	61	\$( 4)	
69	67	65	63	62	\$( 5)	
70	68	66	64	63	\$( 6)	
71	69	67	65	64	\$( 7)	
72	70	68	66	65	\$( 8)	
73	71	69	67	66	\$( 9)	
74	72	70	68	67	\$(10)	
75	73	71	69	68	\$(11)	
76	74	72	70	69	\$(12)	
77	75	73	71	70	\$(13)	
78	76	74	72	71	\$(14)	
79	77	75	73	72	\$(15)	
80	78	76	74	73	\$(16)	
81	79	77	75	74	\$(17)	
82 or more	80 or more	78 or more	76 or more	75 or more	\$(18)	

<sup>1/</sup> Decision Nos. 01-06-038 and 02-04-055 extend the PBR Mechanism until superceded by the adoption of a GRC decision for SCE by the Commission.

(Continued)

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(Continued)

CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

6. Average Customer Minutes of Interruptions (ACMI). (Continued)

If SCE achieves an average ACMI of 55 minutes, or less, (rounded to the nearest minute) over the term of the PBR mechanism any annual penalties assessed during that period shall be reversed.

SCE will earn an annual reward for an ACMI measurement that is less than the "Dead Band" as set forth in Table G below:

Table G  
Service Reliability Reward  
2-year Average ACMI Measure  
(In minutes)

<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002-2003</u>	<u>Reward</u> <u>(In millions)</u>	(N)
58 to 52	56 to 50	54 to 48	52 to 46	51 to 45	\$ 0	
51	49	47	45	44	\$ 1	
50	48	46	44	43	\$ 2	
49	47	45	43	42	\$ 3	
48	46	44	42	41	\$ 4	
47	45	43	41	40	\$ 5	
46	44	42	40	39	\$ 6	
45	43	41	39	38	\$ 7	
44	42	40	38	37	\$ 8	
43	41	39	37	36	\$ 9	
42	40	38	36	35	\$10	
41	39	37	35	34	\$11	
40	38	36	34	33	\$12	
39	37	35	33	32	\$13	
38	36	34	32	31	\$14	
37	35	33	31	30	\$15	
36	34	32	30	29	\$16	
35	33	31	29	28	\$17	
34 or less	32 or less	30 or less	28 or less	27 or less	\$18	

(Continued)

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Sheet 12 (T)

(Continued)

CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

7. Outage Frequency.

The Outage Frequency shall measure the number of circuit interruptions excluding all interruptions which have a duration of more than five (5.0) minutes. The Outage Frequency Performance Rating will be a two-year average. Since a two-year average is used for measurement, there will be no reward earned or penalty assessed until 1998. Through December 31, 2001, if the Outage Frequency Performance Rating rises above 12,000, a penalty will be assessed annually, as set forth in Table H1 below:

Table H1  
Outage Frequency Penalty

<u>Outage Frequency Performance Rating</u>	<u>Penalty (In millions)</u>
10,900 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)

(Continued)

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CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

7. Outage Frequency. (Continued)

Beginning in 2002 the standard for the 2002 Outage Frequency Performance Rating is 9,482 with a deadband of +/- 1,100 interruptions.<sup>1/</sup> If the Outage Frequency Performance Rating rises above 10,582, a penalty will be assessed annually, as set forth in Table H2 below:

Table H2  
Outage Frequency Penalty

<u>Outage Frequency Performance Rating</u>	<u>Penalty (In millions)</u>
9,482 to 10,582	\$ 0
10,583 to 10,765	\$( 1)
10,766 to 10,949	\$( 2)
10,950 to 11,132	\$( 3)
11,133 to 11,315	\$( 4)
11,316 to 11,499	\$( 5)
11,500 to 11,682	\$( 6)
11,683 to 11,865	\$( 7)
11,866 to 12,049	\$( 8)
12,050 to 12,232	\$( 9)
12,233 to 12,415	\$(10)
12,416 to 12,599	\$(11)
12,600 to 12,782	\$(12)
12,783 to 12,965	\$(13)
12,966 to 13,149	\$(14)
13,150 to 13,332	\$(15)
13,333 to 13,515	\$(16)
13,516 to 13,619	\$(17)
13,700 or more	\$(18)

<sup>1/</sup> Decision Nos. 01-06-038 and 02-04-055 extended the PBR mechanism until superceded by the adoption of a GRC decision for SCE by the Commission.

(Continued)

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CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

7. Outage Frequency. (Continued)

Through December 31, 2001, if the Outage Frequency Performance Rating falls below 9,800, SCE will earn an annual reward, as set forth in Table 11 below:

Table 11  
Outage Frequency Reward

<u>Outage Frequency Performance Rating</u>	<u>Reward (In millions)</u>
10,900 to 9,800	\$ 0
9,799 to 9,617	\$ 1
9,616 to 9,433	\$ 2
9,432 to 9,250	\$ 3
9,249 to 9,067	\$ 4
9,066 to 8,883	\$ 5
8,882 to 8,700	\$ 6
8,699 to 8,517	\$ 7
8,516 to 8,333	\$ 8
8,332 to 8,150	\$ 9
8,149 to 7,967	\$10
7,966 to 7,783	\$11
7,782 to 7,600	\$12
7,599 to 7,417	\$13
7,416 to 7,233	\$14
7,232 to 7,050	\$15
7,049 to 6,867	\$16
6,866 to 6,683	\$17
6,682 or less	\$18

(Continued)

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(Continued)

CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

7. Outage Frequency. (Continued)  
 Beginning in 2002, if the Outage Frequency Performance Rating falls below 8,382, SCE will earn an annual reward, as set forth in Table I2 below:

Table I2  
Outage Frequency Reward

<u>Outage Frequency Performance Rating</u>	<u>Reward (In millions)</u>
9,482 to 8,382	\$ 0
8,381 to 8,199	\$ 1
8,198 to 8,015	\$ 2
8,014 to 7,832	\$ 3
7,831 to 7,649	\$ 4
7,648 to 7,465	\$ 5
7,464 to 7,282	\$ 6
7,281 to 7,099	\$ 7
7,098 to 6,915	\$ 8
6,914 to 6,732	\$ 9
6,731 to 6,549	\$ 10
6,548 to 6,365	\$ 11
6,364 to 6,182	\$ 12
6,181 to 5,999	\$ 13
5,998 to 5,815	\$ 14
5,814 to 5,632	\$ 15
5,631 to 5,449	\$ 16
5,448 to 5,265	\$ 17
5,264 or less	\$ 18

Beginning in 2003, if the Outage Frequency Performance Rating falls below 8,192, (N)  
 SCE will earn an annual reward, as set forth in Table I3 below:

Table I3  
Outage Frequency Reward

<u>Outage Frequency Performance Rating</u>	<u>Reward (In millions)</u>
9,292 to 8,192	\$ 0
8,191 to 8,009	\$ 1
8,008 to 7,825	\$ 2
7,824 to 7,642	\$ 3
7,641 to 7,459	\$ 4
7,458 to 7,275	\$ 5
7,274 to 7,092	\$ 6
7,091 to 6,909	\$ 7
6,908 to 6,725	\$ 8
6,724 to 6,542	\$ 9
6,541 to 6,359	\$ 10
6,358 to 6,175	\$ 11
6,174 to 5,992	\$ 12
5,991 to 5,809	\$ 13
5,808 to 5,625	\$ 14
5,624 to 5,442	\$ 15
5,441 to 5,259	\$ 16
5,258 to 5,075	\$ 17
5,074 or less	\$ 18

(N)

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(Continued)

CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

8. Employee Health and Safety.

The Employee Health and Safety Rating shall measure the number of accidents and illnesses per 200,000 hours worked. Through December 31, 2001, if the Employee Health and Safety Index (rounded to the nearest first decimal) rises above 13.3, a penalty will be assessed annually, as set forth in Table J1 below: (T)

Table J1  
Employee Health and Safety Penalty

<u>Employee Health and Safety Index</u> <u>(per 200,000 hours worked)</u>	<u>Penalty</u> <u>(In thousands)</u>
13.0 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)

(Continued)

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Sheet 18 (T)

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CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

8. Employee Health and Safety. (Continued)

Beginning in 2002, the standard for the 2002 Employee Health and Safety Rating is 9.5 with a deadband of +/- 0.3.<sup>1/</sup> If the Employee Health and Safety Index (rounded to the nearest first decimal) rises above 9.8, a penalty will be assessed annually, as set forth in Table J2 below:

Table J2  
Employee Health and Safety Penalty

<u>Employee Health and Safety Index</u> <u>(per 200,000 hours worked)</u>	<u>Penalty</u> <u>(In thousands)</u>
9.5 to 9.8	\$0
9.9	\$( 555.6)
10.0	\$(1,111.1)
10.1	\$(1,666.7)
10.2	\$(2,222.2)
10.3	\$(2,777.8)
10.4	\$(3,333.3)
10.5	\$(3,888.9)
10.6	\$(4,444.4)
10.7 or more	\$(5,000.0)

Beginning in 2003, the standard for the 2003 Employee Health and Safety Rating is 8.3 with a deadband of +/- 0.3.<sup>1/</sup> If the Employee Health and Safety Index (rounded to the nearest first decimal) rises above 8.6, a penalty will be assessed annually, as set forth in Table J3 below:

Table J3  
Employee Health and Safety Penalty

<u>Employee Health and Safety Index</u> <u>(per 200,000 hours worked)</u>	<u>Penalty</u> <u>(In thousands)</u>
8.3 to 8.6	\$0
8.7	\$( 555.6)
8.8	\$(1,111.1)
8.9	\$(1,666.7)
9.0	\$(2,222.2)
9.1	\$(2,777.8)
9.2	\$(3,333.3)
9.3	\$(3,888.9)
9.4	\$(4,444.4)
9.5 or more	\$(5,000.0)

(N)

(N)

<sup>1/</sup> Decision Nos. 01-06-038 and 02-04-055 extended the PBR mechanism until superceded by the adoption of a GRC decision for SCE by the Commission.

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CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

8. Employee Health and Safety. (Continued)

Through December 31, 2001, if the Employee Health and Safety Index (rounded to the nearest first decimal) falls below 12.7, SCE will earn an annual reward, as set forth in Table K1 below:

Table K1  
Employee Health and Safety Rewards

<u>Employee Health and Safety Index</u> <u>(per 200,000 hours worked)</u>	<u>Reward</u> <u>(In thousands)</u>
13.0 to 12.7	\$0
12.6	\$ 555.6
12.5	\$1,111.1
12.4	\$1,666.7
12.3	\$2,222.2
12.2	\$2,777.8
12.1	\$3,333.3
12.0	\$3,888.9
11.9	\$4,444.4
11.8 or less	\$5,000.0

Beginning in 2002, if the Employee Health and Safety Index (rounded to the nearest first decimal) falls below 9.2, SCE will earn an annual reward, as set forth in Table K2 below:

Table K2  
Employee Health and Safety Rewards

<u>Employee Health and Safety Index</u> <u>(per 200,000 hours worked)</u>	<u>Reward</u> <u>(In thousands)</u>
9.5 to 9.2	\$0
9.1	\$ 555.6
9.0	\$1,111.1
8.9	\$1,666.7
8.8	\$2,222.2
8.7	\$2,777.8
8.6	\$3,333.3
8.5	\$3,888.9
8.4	\$4,444.4
8.3 or less	\$5,000.0

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CC. PBR DISTRIBUTION PERFORMANCE MECHANISM (PDPM) (Continued)

8. Employee Health and Safety. (Continued)

(N)

Beginning in 2003, if the Employee Health and Safety Index (rounded to the nearest first decimal) falls below 8.0, SCE will earn an annual reward, as set forth in Table K3 below:

Table K3  
Employee Health and Safety Rewards

<u>Employee Health and Safety Index</u> <u>(per 200,000 hours worked)</u>	<u>Reward</u> <u>(In thousands)</u>
8.3 to 8.0	\$0
7.9	\$ 555.6
7.8	\$1,111.1
7.7	\$1,666.7
7.6	\$2,222.2
7.5	\$2,777.8
7.4	\$3,333.3
7.3	\$3,888.9
7.2	\$4,444.4
7.1 or less	\$5,000.0

(N)

9. Ratemaking Treatment for Rewards and Penalties.

Any rewards or penalties resulting from application of the performance mechanisms within the PBR Distribution Performance Mechanism shall be recorded in the PBR Distribution Revenue Requirement Performance Memorandum Account (PDRRPMA) as set forth in Preliminary Statement, Part N, Memorandum Accounts. Amounts recorded in the PDRRPMA are subject to Commission approval in SCE's annual March 31 filing.

10. Reporting Requirements.

In compliance with Decision No. 96-09-092, SCE will include in its annual March 31 filing, which reports the results of SCE's performance under its Distribution Performance-Based Ratemaking Mechanism, the results of the PBR Distribution Performance Mechanism. The derivation of any shared earnings, earned rewards or assessed penalties resulting from application of the separate performance mechanisms for: (1) Net Revenue Sharing; (2) Customer Satisfaction; (3) Average Customer Minutes of Interruption (ACMI); (4) Outage Frequency; and (5) Employee Health and Safety shall be included in the March 31 filing.

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PRELIMINARY STATEMENT

Sheet 1

XX. ELECTRIC DISTRIBUTION REVENUE ADJUSTMENT BALANCING ACCOUNT (EDRABA)

1. Purpose

The purpose of the EDRABA is to 1) set forth the methodology for determining the Authorized PBR Distribution Revenue Requirement pursuant to D.02-04-055; and 2) record the authorized monthly PBR Distribution Revenue Requirement that will be reflected in the Settlement Rates Balancing Account (SRBA) as a Recoverable cost. The recovery of the authorized PBR Distribution Revenue Requirement through the SRBA will remain in effect during the PROACT Rate Repayment Period as defined the Settlement Agreement. The Commission has authorized a PBR Distribution Revenue Requirement until the implementation of SCE's 2003 GRC revenue requirement.

2. Definitions.

a. PBR Distribution Revenue Requirement (PBRDRR):

The Authorized Level of Distribution Revenue Requirement (PBRDRR) shall be the amount of PBR Distribution Revenue authorized by the Commission, to be recovered by SCE during the applicable calendar year, or part thereof. The PBR DRR for 2001 and 2002 are listed in Table A:

Table A  
PBR Distribution Revenue Requirement (PBRDRR)  
(\$000)

<u>Effective Date</u>	<u>PBRDRR</u>	
June 14, 2001	\$ 2,054,930	
January 1, 2002	\$ 2,158,123	(N)
January 1, 2003	\$ 2,194,967	

b. Base Year

The Base Year for the PBRDRR (The year in which the annual PBRDRR amount is initially established) is 2000. The terms, Current year, Prior Year, Subject Year, Productivity Pledge, and Z-Factors, are as defined in Preliminary Statement BB, Section 3 (PBR Distribution Revenue Requirement Adjustment Factor).

c. Revision Date

The Revision Date shall be January 1 of the Subject Year. SCE shall file an Advice Letter on November 1 of each year commencing in 2002 for revisions to the PBR DRR, calculated in accordance with the provisions described herein.

(Continued)

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(Continued)

XX. ELECTRIC DISTRIBUTION REVENUE ADJUSTMENT BALANCING ACCOUNT (EDRABA)  
(Continued)

2. Definitions. (Continued)

d. PBR Distribution Revenue Requirement Adjustment Factor  
(PDRRAF) Escalation Factor

The PDRRAF is the annual multiplier developed through the update Rule to be applied to the PBRDRR and the Incremental Cost per Customer (ICC). The PDRRAF is developed in Preliminary Statement, Part BB.

e. Escalation Rate

The Escalation Rate is that rate which shall be used to account for input price inflation in the determination of the Escalation Factor for application in the PBR Distribution Revenue Requirement Indexing Formula (PDRRIF). Recorded Escalation Rates and Forecast Escalation Rates shall be as provided in Preliminary Statement BB. Section 3.

f. Customer Growth

Customer Growth for the Current year shall be calculated as the difference between the recorded number of "ultimate consumers" for the Current Year and the Prior Year as reported in the September release of the respective year's "Summary of KWH Sales, Customers, and Meters" of the SCE's monthly "Financial & Operating Report." The Forecast Customer Growth for the Subject Year shall be the same as the Recorded Customer Growth for the Current Year. The Forecast and Recorded Customer Growth for each year are set forth in Table B below:

Table B  
**Customer Growth**

<u>Year</u>	<u>Forecast</u>	<u>Recorded</u>	
2001	60,909	60,812	
2002	60,812	57,123	(N)
2003	57,123		(N)

g. Incremental Cost per Customer (ICC)

The Incremental Cost per Customer (ICC) for the PBR Distribution Revenue Requirement shall be the amount of increase to the PBRDRR associated with the addition of a new customer.

The ICC for the subject Year shall be equal to the product of the current Year's ICC multiplied by the PDRRAF. The ICC for 2001 shall be \$657 per customer pursuant to D.02-04-055.

(Continued)

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Sheet 3

(Continued)

XX. ELECTRIC DISTRIBUTION REVENUE ADJUSTMENT BALANCING ACCOUNT (EDRABA)  
(Continued)

2. Definitions. (Continued)

g. Incremental Cost per Customer (ICC) (Continued)

Table C  
Incremental Cost per Customer for PBR Revenue Requirement

<u>Year</u>	
2001	\$657
2002	\$669
2003	\$669

(N)

h. Customer Growth Allowance (CGA)

The Customer Growth Allowance (CGA) for PBR DRR is the annual change in the PBR DRR which reflects the increase or decrease in costs associated with providing distribution electric service to the incremental change in the SCE total number of ultimate consumers as reflected by Customer Growth. The Forecast CGA for the Subject Year shall be the product of the forecast Customer Growth for the Subject Year multiplied by the ICC for the Subject Year. The Recorded CGA for the Current Year shall be the product of the Recorded Customer Growth for the Current Year multiplied by the ICC for the Current Year. The Forecast and Recorded CGA are set forth in Table D below:

Table D  
Customer Growth Allowance for PBR Distribution Revenue Requirement  
(\$000)

<u>Year</u>	<u>Forecast</u>	<u>Recorded</u>
2001	\$40,017	\$39,953
2002	\$40,683	\$38,215
2003	\$38,234	\$

(N)

(N)

i. Franchise Fees and Uncollectible Accounts:

Franchise Fees and Uncollectible Accounts shall be the rate derived from the Utility's most recent general rate proceeding.

j. Monthly Distribution Percentages (MDPs):

Monthly Distribution Percentages (MDPs) are the estimated monthly billed and unbilled distribution rate revenues, expressed as a percentage of annual distribution rate revenues.

(Continued)

(To be inserted by utility)

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Senior Vice President

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PRELIMINARY STATEMENT

Sheet 7

(Continued)

XX. ELECTRIC DISTRIBUTION REVENUE ADJUSTMENT BALANCING ACCOUNT (EDRABA)  
(Continued)

3. Determination of annual PBR Distribution Revenue Requirement: (Continued)  
b. 2002

STEP 1	2001 Base Revenue Requirement (Full Year)		<b>2,082,930</b>
STEP 2	Subtract Forecast 2001 Customer Growth Allowance		<b>(40,017)</b>
STEP 3	Add 2001 Recorded Customer Growth Allowance		
	Incremental cost per customer 2001	\$ 657	
	Recorded 2001 Number of Customers	60,812	
	Recorded Customer Growth Allowance	(657 * 60,812)	<b>39,953</b>
Subtotal:	2001 Base Revenue Requirement adjusted for 2001 Recorded Customer Growth Allowance		<b>2,082,866</b>
STEP 4	Escalate Base Revenue Requirement by 2002 cpi-x amount equal to 1.76%	Escalation Amount	<b>36,658</b>
Subtotal:	2002 Base Revenue Requirement Before 2002 Customer Growth Allowance		<b>2,119,525</b>
STEP 5	Add 2002 Forecast Customer Growth Allowance		
	Incremental cost per customer	\$ 669	
	Forecast 2001 Number of Customers	60,812	
	Forecast Customer Growth Allowance	(669 * 60,812)	<b>40,683</b>
Subtotal:	2002 Base Revenue Requirement Before Catalina Adjustment		<b>2,160,208</b>
STEP 6	Subtract 2002 generation-related Catalina Revenue Requirement included in 2002 URG Revenue Requirement pursuant to D.02-04-016		<b>(2,085)</b>
<b>TOTAL: 2002 REVENUE REQUIREMENT</b>			<b>2,158,123</b>

c. 2003

STEP 1	2002 Base Revenue Requirement (Full Year)		<b>2,158,123</b>
STEP 2	Subtract Forecast 2002 Customer Growth Allowance		<b>(40,683)</b>
STEP 3	Add 2002 Recorded Customer Growth Allowance		
	Incremental cost per customer	\$ 669	
	Recorded 2002 Number of Customers	57,123	
	Recorded Customer Growth Allowance	(669 * 57,123)	<b>38,215</b>
Subtotal:	2002 Base Revenue Requirement adjusted for 2002 Recorded Customer Growth Allowance		<b>2,155,655</b>
STEP 4	Escalate Base Revenue Requirement by 2003 cpi-x amount equal to 0.05%	Escalation Amount	<b>1,078</b>
Subtotal:	2003 Base Revenue Requirement Before 2003 Customer Growth Allowance		<b>2,156,733</b>
STEP 5	Add 2003 Forecast Customer Growth Allowance		
	Incremental cost per customer	\$ 669	
	Forecast 2003 Number of Customers	57,123	
	Forecast Customer Growth Allowance	(669 * 57,123)	<b>38,234</b>
<b>TOTAL: 2003 REVENUE REQUIREMENT</b>			<b>2,194,967</b>

(D)  
(N)

(N)

4. Operation of the EDRABA

On a monthly basis, SCE shall debit the EDRABA by an amount equal to authorized revenue requirement by applying the applicable MDP to the annual distribution revenue requirement determined in Section 3 above.

Amounts recorded in the EDRABA shall be treated as Recoverable Costs and shall be transferred monthly to the Settlement Rates Balancing Account (SRBA).

Interest shall not accrue in the EDRABA because the monthly activity is transferred to the SRBA.

(Continued)

(To be inserted by utility)

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January 6, 2003

California Public Utilities Commission  
505 Van Ness Avenue, Room 4005  
San Francisco, CA 94102

Attn: Jerry Royer  
Energy Division

Re: Substitute Sheet for Advice 1659-E

Dear Mr. Royer:

Pursuant to discussions with the Energy Division staff, enclosed is an original and six copies of Attachment A and substitute Sheet No. 32072-E\*<sup>1</sup> for Advice 1659-E. Substitute Sheet No. 32072-E\* corrects a typographical error in Preliminary Statement, Part CC, Section 8, Table K3, by changing the last entry in the Employee Health and Safety Index column from *71 or less* to *7.1 or less*.

Please replace the enclosed sheets in your master Advice Letter 1659-E file and distribute copies to the appropriate people reviewing the Advice Letter. If you have any questions, please contact Dara Morgan at (626) 302-2086.

Sincerely,

Enclosures  
1659-Esub2.doc  
copy: Nilgun Atamturk

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<sup>1</sup> Asterisk denotes a substituted sheet.