STATE OF CALIFORNIA

GRAY DAVIS, *Governor*

PUBLIC UTILITIES COMMISSION
SAN FRANCISCO, CA 94102-3298

October 10, 2003

Advice Letter 1739E

OCT 14 2003
REVENUE & TARIFFS DEPT.

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

Reference: Modification to PBR Distribution Revenue Requirement for Removal of the EPTC Revenue Requirement in Accordance with Decision 03-07-031

Dear Mr. Jazayeri:

Advice Letter 1739E is effective August 1, 2003. A copy of the advice letter is sent herewith for your records.

Sincerely,

Paul Clanon

Director
Energy Division

Filed: 9/2/03
Effective 8/1/03

SOUTHERN CALIFORNIA EDISON
An EDISON INTERNATIONAL Company

Akbar Jazayeri
Director of Revenue and Tariffs

September 2, 2003

ADVICE 1739-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Modification to SCE's PBR Distribution Revenue Requirement for Removal of the EPTC Revenue Requirement in Accordance with Decision 03-07-031

In compliance with Decision (D.) 03-07-031, Southern California Edison Company (SCE) hereby submits for filing the following changes to its tariff schedules. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

In compliance with Ordering Paragraph 7 of D.03-07-031, this advice filing modifies SCE's Preliminary Statement, Part XX, Electric Distribution Revenue Adjustment Balancing Account (EDRABA), to reflect the removal of the Edison Pipeline and Terminal Company (EPTC) related revenue requirement. D.03-07-031 approves the sale of SCE's Fuel Oil Pipeline Facilities to Pacific Terminals LLC (Pacific Terminals) under Public Utilities (PU) Code sections 851 and 854 and requires the removal of the EPTC System Facilities Revenue Requirement from rates.

BACKGROUND

SCE's fuel oil pipeline and storage facilities were originally built to store and supply SCE's electric generating stations with residual fuel oil purchased from local oil refinery suppliers or brought into the system by marine vessel through supply lines from harbor facilities. Prior to 1994, these facilities were operated and maintained by SCE's Fuel Oil Pipeline (FOP) Division and its Steam Generation Division. In early 1991, when fuel oil became a secondary fuel for SCE's generating stations, the function of the FOP facilities changed to providing backup fuel oil services in the event of an interruption of the natural gas supply to the generating stations. In 1993, SCE filed Application (A.)

P.O. Box 800 2244 Walnut Grove Ave. Rosemead, California 91770 (626) 302-3630 Fax (626) 302-4829

93-07-029 requesting third party use of the FOP facilities to generate additional revenues, when the system was not being used by SCE. In D.94-10-044, the California Public Utilities Commission (Commission) allowed SCE to proceed with this endeavor and adopted a 12.5% sharing in gross revenues generated from third party use by ratepayers. Thus, the current EPTC facilities include assets developed and supported by electric utility ratepayers as well as other assets developed by shareholders and supported by shareholders.[1]

In SCE's 1995 General Rate Case (GRC), the Commission authorized the collection of the utility portion of the costs related to the EPTC facilities through SCE's electric rates.[2] The Commission later approved, in D.97-08-056, recovery of the utility portion of the EPTC System facilities through SCE's Performance Based Ratemaking (PBR) distribution rate component.

In 1998, electric industry restructuring brought about by Assembly Bill (AB) 1890 resulted in the sale of all of SCE's generating stations utilizing residual fuel oil and natural gas fuel. SCE committed to provide the new owners of the generating facilities with the backup fuel capabilities for 18 months or until the California Independent System Operator (CALISO) decided the FOP system was not needed for reliability purposes. On August 26, 1999 the CALISO determined that the FOP system was no longer required for electrical system reliability at the former SCE generating stations.

On March 2, 2002, SCE and Pacific Terminals filed A.02-03-035 seeking the Commission's approval under Public Utilities Code Sections 851 and 854 for the sale by auction and transfer to Pacific Terminals of SCE's FOP facilities[3]. On July 17, 2003, in D.03-07-031, the Commission approved the sale of SCE's FOP facilities to Pacific Terminals under PU Code Sections 851 and 854.

RATEMAKING

Ordering paragraph 7 of D.03-07-031 requires SCE to reduce rates since it will no longer have to support the EPTC System Facilities that are being sold to Pacific Terminals. In compliance with D.03-07-031, SCE will decrease its PBR

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1 A small percentage of EPTC System Facilities are geographically isolated from the rest of the system and were not of interest to potential EPTC buyers. Thus, those assets were not included in this sale.

2 FOP facilities were not included in SCE's 2003 GRC request since this sale was anticipated when the application was filed in May of 2002.

3 FOP facilities include the Edison Pipeline and Terminal Company and fuel oil-related stations facilities.

Distribution Revenue Requirement by $24.385 million from $2.195 billion to $2.171 billion beginning August 1, 2003.[4]

The table below shows the calculation of the EPTC revenue requirement that will be removed from the PBR Distribution revenue requirement.[5]

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[4] The sale of the EPTC facilities was completed on July 31, 2003.

[5] D.02-04-055 approved the conversion of SCE's PBR rate index mechanism into a revenue requirement mechanism using Year 2000 PBR Distribution revenues as a starting point. Therefore, the table begins with the 1995 authorized GRC EPTC revenue requirement for calendar year 1996 and converts that to a rate. The rate is increased annually per the cpi-x factors adopted for each year through 2000. In 2000 the rate is converted to a revenue requirement using adopted 2000 sales. This revenue requirement is then escalated for 2001, 2002, and 2003 using the same cpi-x factors used to escalate the total PBR Distribution revenue requirement approved by the Commission in Advice 1619-E, Advice 1619-E-A, and Advice 1659-E.

Determination of 2003 EPTC Revenue Requirement Included in PBR Distribution Revenue Requirement

I. Determination of EPTC Rate included in PBR Distribution Rate:

1.	EPTC Revenue Requirement Included in 1996 PBR Starting Point ($000)	19,957	
2.	Authorized 1996 Sales (GWhs)	72,065	
3.	EPTC Rate included in PBR Distribution Rate (cents/kWh)	0.002769	(Line 1 / (Line 2 * 100)

II. Rate Adjustment Per PBR Update Rule:
(Escalate to 2000)

		cpi-x	Rate (cents/kWh)
4.	1997	1.83%	0.002820
5.	1998	0.27%	0.002828
6.	1999	0.35%	0.002837
7.	2000	0.42%	0.002849

III. Conversion to EPTC Revenue Requirement (D.02-04-055):

8.	Determination of 2000 EPTC Revenue Requirement:		
9.	Rate (cents/kWh)	0.002849	(equals Line 7)
10.	kWhs	82,938	
11.	2000 EPTC Revenue Requirement ($000)	23,632	(Line 9 * Line 10 * 100)

IV. EPTC Revenue Requirement Adjustment Per PBR Update Rule:
(Escalate to 2003)

		cpi-x	($000)	
12.	2002		23,632	(equals Line 11)
13.	2001	1.35%	23,951	
14.	2002	1.76%	24,373	
15.	2003	0.05%	**24,385**	

To be removed from distribution revenue requirement

- **Preliminary Statement, Part XX, Electric Distribution Revenue Adjustment Balancing Account (EDRABA)**

SCE's EDRABA sets forth the methodology for determining the authorized PBR Distribution Revenue Requirement pursuant to D.02-04-055; and records the difference between EDRABA revenue and the authorized monthly PBR Distribution Revenue Requirement until the implementation of SCE's 2003 GRC revenue requirement. SCE is reducing its authorized PBR Distribution Revenue Requirement to reflect the removal of the 2003 EPTC revenue requirement beginning August 1, 2003. Although SCE is revising its PBR Distribution Revenue Requirement, SCE is not revising its current distribution rate levels. Through the operation of the EDRABA, any overcollection recorded in the EDRABA that may result due to the authorized revenue requirement being less than the current PBR distribution-related revenues will be included in a future rate consolidation.[6]

In addition, Table A and Section 3.c. of Preliminary Statement, Part XX, EDRABA, has been revised to show the new annual authorized PBR Distribution Revenue Requirement of $2,170,582 (in thousands of dollars) effective August 1, 2003.

- **Preliminary Statement, Part N, Section 81, GRC Revenue Requirement Memorandum Account (GRC RRMA)**

Since May 22, 2003, SCE has been tracking its currently authorized GRC related revenue requirement to compare those amounts with the revenue requirement that is ultimately adopted in SCE's 2003 GRC Phase 1 decision. Thus, effective August 1, 2003 the PBR Distribution Revenue Requirement included in the GRC RRMA will be decreased to exclude the 2003 EPTC revenue requirement as authorized in D.03-07-031.

No cost information is required for this advice filing.

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

EFFECTIVE DATE

This advice filing is effective on August 1, 2003, subject to review and approval by the Energy Division.

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[6] The same will be true for any undercollection recorded in the EDRABA.

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

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

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

Akbar Jazayeri
Director of Revenue and Tariffs
c/o Emelyn Lawler
Southern California Edison Company
2244 Walnut Grove Avenue, Quad 3D
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

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

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

In accordance with Section III, Paragraph G, of General Order No. 96-A, SCE is furnishing copies of this advice filing to the interested parties shown on the attached service list and A.02-03-035. 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. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at process_office@cpuc.ca.gov.

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

For questions, please contact Karen Salvato at (626) 302-2504 or by electronic mail at Karen.Salvato@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:ks/ds
Enclosures

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 35307-E	Preliminary Statement Part XX	Revised 34467-E
Revised 35308-E	Preliminary Statement Part XX	Revised 34474-E
Revised 35309-E	Table of Contents	Revised 34698-E*
Revised 35310-E	Table of Contents	Revised 34699-E

PRELIMINARY STATEMENT Sheet 1

XX. ELECTRIC DISTRIBUTION REVENUE ADJUSTMENT BALANCING ACCOUNT

1. Purpose

The purpose of the Electric Distribution Revenue Adjustment Balancing Account (EDRABA) is to 1) set forth the methodology for determining the Authorized PBR Distribution Revenue Requirement pursuant to D.02-04-055; 2) record EDRABA revenue and 3) record the authorized monthly PBR Revenue Requirement. 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 PBRDRR for 2001, 2002, and 2003 are listed in Table A:

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

Effective Date	PBRDRR	
June 14, 2001	$ 2,054,930	
January 1, 2002	$ 2,158,123	
January 1, 2003	$ 2,194,967	
August 1, 2003	$ 2,170,582	(N)

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 PBRDRR, calculated in accordance with the provisions described herein.

(Continued)

PRELIMINARY STATEMENT — Sheet 8

(Continued)

XX. ELECTRIC DISTRIBUTION REVENUE ADJUSTMENT BALANCING ACCOUNT (Continued)

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

b. 2002

STEP 1	2001 Base Revenue Requirement (Full Year)		**2,082,930**
STEP 2	Subtract Forecast 2001 Customer Growth Allowance		**(40,017)**
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)	**39,953**
Subtotal:	2001 Base Revenue Requirement adjusted for 2001 Recorded Customer Growth Allowance		**2,082,866**
STEP 4	Escalate Base Revenue Requirement by 2002 cpi-x amount equal to 1.76%	Escalation Amount	**36,658**
Subtotal:	2002 Base Revenue Requirement Before 2002 Customer Growth Allowance		**2,119,525**
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)	**40,683**
Subtotal:	2002 Base Revenue Requirement Before Catalina Adjustment		**2,160,208**
STEP 6	Subtract 2002 generation-related Catalina Revenue Requirement included in 2002 URG Revenue Requirement pursuant to D.02-04-016		**(2,085)**
TOTAL: 2002 REVENUE REQUIREMENT			**2,158,123**

c. 2003 (January 1, 2003 through July 31, 2003) (T)

STEP 1	2002 Base Revenue Requirement (Full Year)		**2,158,123**
STEP 2	Subtract Forecast 2002 Customer Growth Allowance		**(40,683)**
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)	**38,215**
Subtotal:	2002 Base Revenue Requirement adjusted for 2002 Recorded Customer Growth Allowance		**2,155,655**
STEP 4	Escalate Base Revenue Requirement by 2003 cpi-x amount equal to 0.05%	Escalation Amount	**1,078**
Subtotal:	2003 Base Revenue Requirement Before 2003 Customer Growth Allowance		**2,156,733**
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)	**38,234**
TOTAL: 2003 REVENUE REQUIREMENT (01/01/03 – 07/31/03)			**2,194,967** (T)

2003 (August 1, 2003 through December 31, 2003) (N)

Remove 2003 EPTC Revenue Requirement (D.03-07-030)	(24,385)	(N)
TOTAL: 2003 REVENUE REQUIREMENT (08/01/03 – 12/31/03)	**2,170,582**	(N)

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