
June 8, 2004

ADVICE 1804-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Proposal of Southern California Edison Company to Mitigate Peak Demand During Summer 2004 by Reopening Schedule 20/20 for Commercial and Industrial Customers on Time-of-Use Rate Schedules, Expanding the AB 970 Smart Thermostat Program and Increasing Enrollment in the Residential Air Conditioning Load Control Program

Southern California Edison Company (SCE) respectfully submits this filing in response to an Assigned Commissioner Ruling under Rulemaking (R.)02-06-001, dated June 4, 2004 that invites the utilities to file advice letters to implement additional demand response programs for summer 2004. This response includes revised tariff sheets as required to implement the proposals herein as Attachment A.

INTRODUCTION

On June 4, 2004, an Assigned Commissioner's Ruling (ACR) in R. 02-06-001 invited SCE and the other two utility respondents to, if they wish, submit advice letters to implement programs that achieve demand response through Advanced Load Control (ALC) and expansion of Smart Thermostat programs. The ACR, however, required any utility that submits an advice letter to implement such programs to "ensure that the control and communication technologies utilized have the capability to receive both price and load control signals, customer override signals, and upward/forward compatibility with advanced meters and control systems."¹

¹ ACR, p. 2.

The only new program enhancement that SCE can implement for summer 2004 that meets the criteria of the ACR would be expanding SCE's AB970 Smart Thermostat Program for commercial and industrial (C&I) customers. SCE cannot implement an ALC program with the attributes noted in the ACR for summer 2004 due to the lead time required to implement program changes and procure new load control devices.

However, SCE shares the Assigned Commissioner's concern about the possibility of supply shortages this summer. Therefore, SCE respectfully submits this advice filing to propose: (1) expanding SCE's Smart Thermostat demand-responsiveness pilot program funded under Assembly Bill (AB) 970 to include additional C&I customers; (2) reopening Schedule 20/20 during summer 2004 for eligible commercial and industrial customers who take service on time-of-use (TOU) rate schedules; and (3) accelerating the enrollment of residential customers in SCE's existing residential air conditioning load control program, known as the Air Conditioner Cycling program (ACCP).

PURPOSE

This advice filing requests that the California Public Utilities Commission (Commission) approve three separate measures that are designed to achieve significant demand reduction during summer 2004.

First, SCE requests that the Commission approve SCE's proposal to expand its AB970-funded Smart Thermostat Program offered to eligible SCE C&I customers. This proposal, as described below, meets the criteria outlined in the ACR and is anticipated to achieve an additional 4 MW of peak demand reduction during this summer.

Second, SCE requests that the Commission reopen Schedule 20/20, the California Rebate Program, for eligible SCE C&I customers during summer 2004. The proposed Schedule 20/20 program is the same Schedule 20/20 California Energy Rebate Program as authorized by the Commission in 2001, except that participation is proposed to now be limited to C&I customers who can contribute measurable reductions in on-peak usage during this summer. SCE estimates that the total system peak demand represented by customers eligible for this program is at least 3,100 MW.² Although SCE is unable to estimate with any confidence what the actual amount of demand reduction might be from this program, SCE believes there will be measurable demand savings.

2 Estimate includes only large bundled service customers on TOU rates and GS-2-TOU customers. C&I customers on TOU rate schedules with demands of less than 200KW of demand are eligible for the program but are not included in this estimate.

Third, SCE also requests that the Commission increase the authorized funding ceiling for residential ACCP for summer 2004. This program does not meet the specific criteria set forth in the ACR, primarily because the program does not now provide for override capability, but as an ongoing program, it can be ramped up for summer 2004 and contribute additional emergency capacity. The potential peak load reduction available by the end of summer 2004 from this measure is estimated to be in the range of 10-17 MW.³

BACKGROUND

SCE is concerned that the possible combination of unseasonably high temperatures, unfavorable hydro conditions, and/or high fuel costs could contribute to unexpected supply shortages this summer. Although SCE currently does not expect supply shortages this summer based on the Summer 2004 Assessment of the California Independent System Operator, an unusual confluence of negative circumstances could develop. Moreover, the ACR issued on June 4, 2004 recognized the need to increase efforts to reduce demand during summer 2004 due to the risk of supply shortages.⁴

Given the risk of supply shortages, the ACR invited the utilities to submit advice filings for proposed enhancements to ALC and Smart Thermostat programs, provided such proposals met certain conditions, including the requirement that the “control and communications technologies utilized have the capability to receive both price and load control signals, customer override signals, and upward/forward compatibility with advanced meters and control systems.”⁵ Although these technical requirements are achievable over a longer-term implementation of ALC, consistent with SCE’s March 31st filing in R.02-06-001, they simply cannot be met by summer 2004 for SCE’s ALC proposal.

SCE’s proposal to expand its AB970-funded Smart Thermostat Program, however, does meet the conditions of the ACR.⁶ Specifically, the AB970 Smart Thermostat Program is currently a demand-responsiveness test program that offers the installation of an Internet-based two-way communicating smart thermostat to C&I customers, which meets all the program design criteria of the ACR. The two-way communication strategy utilized by the Smart Thermostat allows customers to receive a signal for either price or reliability, allows customer override and is compatible with advanced meters and load control systems. Currently, participating customers receive an incentive payment allowing their thermostat to be remotely adjusted up to 4 degrees

3 Actual load reductions will depend on enrolled customers’ choice of cycling strategy and timing of installation. The estimate of 17 MW assumes all enrollments are at 100% cycling strategy, whereas the 10 MW estimate assumes enrollments at 50% cycling strategy.

4 ACR, p. 1.

5 *Id.*, p. 2.

6 This program is currently operated as a pilot, is funded under the auspices of AB 970 and through D.01-03-036, and is not subject to a specific tariff.

during selected test events. If a customer chooses to override the setback, the customer's incentive payment is reduced. The program is currently nearly fully subscribed at 4,600 smart thermostats, and during hot days provides almost 10MW of price-responsive load relief. With Commission approval, SCE believes it can expand the number of customers under the current program parameters to achieve an additional 4 MW of peak demand reduction by September 2004.

With potential supply shortages possible under extreme circumstances and summer 2004 already upon us, SCE is concerned that relying only on existing programs and the expansion of the Smart Thermostat Program proposed herein may not provide adequate demand response this year. To help address system needs for this summer, SCE proposes two additional measures that can be implemented immediately and that have the potential to reduce additional demand this summer. Although these two proposals do not meet all technical conditions of the ACR, they have the potential to greatly expand demand response resources for this summer.

First, SCE proposes to reopen Schedule 20/20 program for the limited term of summer 2004 for C&I customers on eligible TOU rates who already have the necessary TOU metering, and who are not participating in interruptible rate programs. The California 20/20 Rebate Program was originally initiated by Executive Order D-30-01 issued by Governor Davis on March 13, 2001, and was later renewed in 2002. The program has now expired, but could be reopened on an expedited basis for summer 2004 as proposed herein. The Schedule 20/20 California Rebate Program coupled with market communication was found to be one of the measures that contributed to 2,600 MW of peak load reduction statewide in 2001.⁷

Second, SCE further proposes to increase marketing and outreach efforts for its existing residential air conditioner (A/C) load control program, the ACCP, to enroll approximately 10,000 new participants to achieve additional demand reduction quickly. SCE is on pace to increase enrollment in ACCP in accordance with existing funding by 20,000 service accounts by the end of summer 2004. SCE has already installed almost 10,000 new load control devices this year and is in the process of installing equipment for almost 12,000 customers in June and July, for a total of almost 22,000 new customers. SCE anticipates that with expanded marketing efforts, SCE can add as many as 5,000 new customers in August and another 5,000 by the end of September, bringing the total to almost 30,000 new customers in 2004, representing approximately 30–51 MW of demand savings. SCE has contacted vendors and manufacturers who are committed to ensuring that SCE has the

7 Office of the Governor of California, "Governor Davis Signs Executive Order to Renew 20/20 Energy Conservation Program." Press Release, May 23, 2002.

capability to procure and install additional load control switches that would be required by the new customer enrollments.

Description of Proposed Expansion of Smart Thermostat Program

The AB970 Smart Thermostat program was created in 2001 by Decision (D.) 01-03-036 to test the technology and customer reaction to both demand responsiveness and smart thermostats that allow the utility to set back customers' thermostats during a test event. SCE's program is targeted at C&I customers in the under 200kW range, in hot climate and rural areas. Customers were recruited in 2002 through targeted marketing and were offered an annual incentive of \$300 for participating. In addition, a programmable thermostat that can be remotely controlled by SCE was installed at the customer site at no charge. The program design allows the customer to override the thermostat control, but each override reduces the customer incentive by \$10. Plans for 2004 are to maintain customer participation with a reduced incentive of \$150 per year and fewer test curtailments.

SCE believes that it can expand customer participation in this program by 4,000 smart thermostats for summer 2004 and achieve up to an additional 4 MW of potential demand reduction during hot days. SCE can achieve this expansion under the current structure of the Smart Thermostat Program design, but would need an increase in the allowed limits on customers or devices authorized under D.01-03-073. Because SCE is currently under the total authorized funding for the program, no additional funding would be required for this expansion.

Description of Proposed Schedule 20/20 Program

Program Eligibility: SCE's proposal to reopen Schedule 20/20 would target SCE's bundled service C&I customers taking service on a TOU rate schedule. Eligible customers who reduce their electricity consumption during on-peak hours in a summer month of 2004 by at least 20 percent below the same month in summer 2003 would receive a credit on their bill of 20 percent of the sum of the on-peak demand charges and energy charges for that month.

Schedule 20/20 will be applicable to C&I customers served under TOU rate schedules TOU-8, RTP-2, TOU-GS-1, TOU-GS-2, GS2-TOU, TOU-EV-3, and TOU-EV-4. Direct Access customers that have returned to bundled service would also be eligible, provided that sufficient historical TOU usage for 2003 is available for the corresponding billing period.

Customers *not* eligible for this program include:

- o Direct Access customers

- Customers on rate schedule PC-TBS (Procurement Charge-Transitional Bundled Service)
- Customers on interruptible rate schedules I-6, I-6 BIP, RTP-2-I and TOU-8-SOP-I
- Customers taking service on Net Energy Metering (NEM and BG-NEM), Parallel Generation (PG), and Standby rate schedules.
- Certain customers who have recently relocated or changed their service, as described below under “New Customer Service Issues.”

New Customer Service Issues: Customers who moved to their current premises or returned to utility bundled service from another electric service provider within twelve months from the start of the program will be eligible to participate as long as the customer was on TOU service at its current premises for at least one day during the corresponding billing period in 2003 and provided that sufficient historical TOU usage for 2003 is available for the corresponding billing period. If the customer does not meet this requirement with respect to a given monthly billing period, the customer cannot participate in the program for that month.

Duration of the Program: Each eligible customer will have the opportunity to earn a rebate for each of three summer 2004 billing periods beginning on or after July 1, 2004 (or the effective date of this program as approved by the Commission) and ending when the on-peak period ends the first Sunday in October 2004 (*i.e.*, October 3, 2004). In general, customers will begin receiving bill credits in August 2004.

Calculation of Customer Credits or Payments: In calculating customer energy savings, SCE will compare current and historic on-peak usage by comparison of the customer’s average daily use (ADU). Each customer’s ADU will be calculated by dividing the customer’s total on-peak usage by the number of on-peak days in the billing period. Rebates will be based on a 20 percent reduction in each customer’s ADU. SCE shall not provide any customer rebates if the customer’s energy savings fall short of the 20 percent standard. Similarly, customers exceeding 20 percent reductions will only be rewarded a 20 percent rebate. Customers will receive a rebate equal to 20 percent of Peak Energy charges and Peak Demand Charges, excluding rate limiters and power factor adjustments. The rebate will only appear for each billing period in which the requisite 20 percent reduction is achieved.

The utility will evaluate and calculate energy savings based on a customer’s billing cycle rather than calendar month. SCE will issue the rebates via credits on the customers’ monthly billing statements.

SCE shall not adjust the historical usage data for individual customers to account for efficiency and conservation measures adopted during the baseline

period. Similarly, SCE shall not adjust current usage data to account for production or occupancy increases or other such factors. SCE shall also not adjust current or historical usage data based on weather or other factors.

For customers with multiple accounts, master, and/or summary billings, the kWh savings will be evaluated for each service account. The 20 percent rebate is calculated and applied, if applicable, to each account separately.

Description of Proposed Expansion of Residential ACCP

The Residential ACCP is defined by two existing tariffs under Schedules D-APS and D-APS-E, Domestic Automatic Power Shift and Domestic Automatic Power Shift Enhanced. The program is applicable to residential customers in individually-metered single-family accommodations with central air conditioning where a portion of the customer's electrical load is subject, at SCE's option, to temporary disconnection through automatic load control devices. SCE has the capability to procure and install additional load control switches as required by additional customer enrollments. SCE will attempt to enroll an additional 10,000 customers this summer with additional mailings to customers with air conditioning. The potential peak load reduction from enrolling about 10,000 additional customers by the end of summer 2004 is estimated to be in the 10-17 MW range.

This proposal differs from the ALC proposal made by SCE in its March 31, 2004 filing in R.02-06-001 concerning demand response goals, given that the current technology and tariffs for the ACCP do not have all of the capabilities that would be included in ALC once ALC is approved by the Commission. However, expanding enrollment in the existing residential ACCP is a cost effective and reasonable proposal that can produce additional demand response resources quickly for summer 2004. SCE's ALC proposal envisions an integration of existing and newer technology for the load control device, recognizing that not all customers will be able to (due to technical issues) or desire to replace their existing thermostat.

Proposed Implementation

SCE will begin implementing the new programs immediately upon Commission authorization. SCE will contact potentially eligible customers for these programs by mail and/or telephone. In addition, SCE will increase its customer outreach efforts to get the peak demand reduction message out to all customers.

Estimated Program Costs

Attached to this advice filing as Attachment B is a table summarizing the cost estimates for SCE's three proposals. Additional detail is provided below.

Smart Thermostat Program Expansion Estimated Costs:

Estimated program costs for the recommended expansion of the AB-970 funded Smart Thermostat Program for C&I customers include approximately \$300,000 for additional marketing efforts to enhance customer awareness and participation through an accelerated mass media awareness campaign and direct mail outreach, \$1.6 million for 4,000 additional smart thermostats and installation field labor over a four month period, \$600,000 for a reduced customer incentive of \$150 per year for the additional units, \$100,000 for additional communications and hosted software for the additional scope during summer 2004, and \$120,000 for additional third-party project management costs involving installation tracking, customer database, and troubleshooting for accelerated program implementation. These costs are within the current authorized funding for the Smart Thermostat Program under D.01-03-036 but need to be shifted from their current categories to the above listed items.

Schedule 20/20 Rebate Program Estimated Costs:

The Schedule 20/20 Rebate Program for C&I customers would involve implementation costs and the cost of customer rebates. Potential savings would be the avoided cost of on-peak energy due to conservation by participating customers.

Estimated program costs for the recommended reinstatement of Schedule 20/20 are approximately \$6 to \$19 million in rebates paid to customers,⁸ and approximately \$1.0 million for program implementation, which includes \$730,000 for customer outreach and media discussed below.

For TOU customers who participated in the 2001 Schedule 20/20 program, about 157 million kWh of on-peak energy were saved by the participating C&I customers. Those customers were paid about \$13.8 million in rebates and the program implementation costs were about \$2 million for a total cost of \$15.8 million. On this basis, the cost of the Schedule 20/20 program in 2001 was about \$100 per MWh for on-peak energy. This is in the range of costs for other demand response programs that provide reductions in on-peak usage.

ACCP Expansion Estimated Costs: Estimated program costs (not including marketing and outreach discussed below) for the proposed increase in

⁸ SCE's estimate of the cost of the rebate includes a range given the variability in the factors that could affect program costs, including customer response, weather conditions, extent of customer outreach, *etc.*

enrollments in ACCP in 2004 are \$4 million, \$500,000 of which is forecast to cover about 1 month of incentives for 10,000 new customers at 100% cycling strategy. SCE proposes \$2 million in customer outreach, and \$1.5 million in device and installation costs. An additional \$2 million would be required annually to cover incentives in subsequent years at 100% cycling strategy.

Customer Outreach and Media

In order to help avoid the potential supply shortage issues discussed in this filing, SCE intends to conduct an integrated outreach campaign to reach its very diverse customer base. The purpose of the campaign is twofold: (1) build participation in the proposed Smart Thermostat Program expansion, 20/20 Rebate Program, and ACCP expansion; and (2) create demand reduction by raising general customer awareness of the need to conserve energy during peak periods.

Mass Media Campaign:

During the energy crisis, the combination of program-specific messaging delivered through a mix of media, including mass media, along with general mass media attention, worked together to provide record energy savings.⁹ Given the Commission's concerns, and the effectiveness of media outreach, it is important to get the message about peak demand savings this summer out to SCE's customers. In addition to providing program specific messaging for the 20/20 Rebate Program, and residential ACCP to eligible customers, the campaign will also provide mass media, general on-peak reduction messages.

In order to reach SCE's ethnically and geographically diverse customer base, a 12-week integrated mass media advertising campaign, including radio and print, will be implemented. Radio is a cost effective way to reach broad audiences in Southern California during summer months. During this period, advertising will run on English, Spanish and multiple Asian language stations throughout SCE's service territory. A targeted print advertising campaign is an effective means of reaching business customers.

Total cost of the on-peak reduction mass media campaign is estimated to be \$1.85 million.

⁹ California Summary Study of 2001 Energy Efficiency Programs, Final Report, Global Energy Partners, March 13, 2003. Study was prepared for SCE and The California Measurement Advisory Council.

Program Specific Outreach:

Leveraging the foundation of awareness created via the mass media campaign described above, SCE proposes to undertake targeted, integrated outreach efforts, focusing on the defined scope of the eligible customer groups, in order to build participation in the proposed programs. This would include:

Smart Thermostat Program Outreach

- Direct mail to all C&I customers in warm climate areas eligible for this program, estimated to be approximately 100,000.
- Continued use of existing flyers/fact sheets at customer events.
- Articles in the Business Solutions newsletter, distributed to trade associations, *etc.*
- Enhanced public relations in industry publications relevant to eligible customers for this program.
- Continued use of existing information on sce.com.

Total estimated cost for the targeted outreach specific to the Smart Thermostat program is \$300,000.

Commercial and Industrial Customer 20/20 Program Outreach

- Mass media advertising (general and ethnic).
- Direct Mail to eligible customers.
- Development of new fact sheets/flyers in five languages, for use at customer events.
- Articles in Power Bulletin targeted to larger eligible C&I customers.
- Articles in Business Solutions newsletter, distributed to trade associations, *etc.*, targeted at smaller eligible C&I customers.
- Enhanced public relations in industry publications and ethnic media relevant to eligible customers.
- Development of a new C&I 20/20 program web page on sce.com.
- Face to face customer contact via account rep interaction and customer events.

Total estimated cost for the targeted outreach specific to the C&I 20/20 program is \$730,000.

ACCP Expansion Outreach

For the proposed effort to increase enrollment in the ACCP program, SCE intends to undertake a mix of outreach efforts needed to reach its broad and diverse residential customer base. These efforts include:

- Direct mail to approximately 500,000 customers.
- Mass media advertising (general and ethnic).
- Public relations directed to general and ethnic residential focused media.

- Continued use of existing flyers/fact sheets and program information on sce.com.

Total estimated cost for outreach efforts specific to ACCP is \$900,000.

SCE believes that the impact of the coordinated outreach effort defined above will help generate the desired on-peak usage reduction by: (1) building participation in the specific programs proposed in this filing and (2) generating general awareness for the need to conserve across SCE's approximately 4 million customers.

PROGRAM COST RECOVERY

Proposed Cost Recovery for Smart Thermostat Program Expansion: SCE will continue to recover all costs it incurs associated with the Smart Thermostat Program created by AB 970, including expansion of this program during summer 2004, in the Demand Reduction and Self-Generation Program Incremental Cost Memorandum Account. The purpose of the Demand Reduction and Self-Generation Program Incremental Cost Memorandum Account is to track the difference between authorized funding amounts and recorded incremental program costs associated with the existing 1) Small Commercial Demand Responsiveness Pilot Program (*i.e.*, Commercial Smart Thermostat Program); and 2) Self-Generation Pilot Program. SCE will recover all costs associated with expanding the Smart Thermostat Program through its 2004 authorized funding level of \$5.940 million and, if need be, through unspent funds carried over from previous years.¹⁰ As such, no modifications to the Preliminary Statement Section of SCE's tariffs are necessary.

Proposed Cost Recovery for 20/20 Rebate Program: SCE proposes to recover the costs associated with implementing the summer 2004 20/20 Rebate Program through the operation of the Energy Resource Recovery Account (ERRA). Recovery of the summer 2004 20/20 Rebate Program through ERRA is reasonable since any fuel and purchased power cost savings will also be reflected in the ERRA. On a monthly basis, SCE will make debit entries to its ERRA in the amount of 1) the 20/20 rebate amount included on eligible customers' bills; and 2) the incremental costs incurred to implement the summer 2004 20/20 Rebate Program. Preliminary Statement Part ZZ, ERRA, is modified to include recovery of these costs.

¹⁰ Funding for the Demand Reduction and Self-Generation Pilot Program was originally authorized by the Commission in D.01-03-073. In D.01-03-073, the Commission allocated SCE's annual funding amount of \$5.940 million between (1) Administration Costs of \$1.188 million where administration and marketing costs are limited to a maximum of 5% of the annual funding amount and (2) Installation, Service, and Operation Costs of \$4.752 million. SCE will administer the expansion of this program as described herein in accordance with the funding guidelines identified in D.01-03-073.

Proposed Cost Recovery for ACCP Expansion: SCE proposes to establish a new memorandum account to track the costs of procuring and installing additional ACCP load control switches during the summer of 2004. SCE anticipates that in the final Commission decision authorizing its revenue requirements for the 2003 Test Year and 2004 and 2005 Post Test Years, the Commission will authorize funding of \$3 million per year (2003 through 2005) for SCE's ACCP through base distribution rates.¹¹ The GRC authorized funding level is based on estimated enrollments in the ACCP of 20,000 service accounts and is subject to one-way balancing account treatment. SCE proposes to record the costs associated with enrollments in the ACCP during the summer of 2004 that are in excess of 20,000 service accounts in the newly established ACCP memorandum account. SCE will dispose of amounts recorded in the newly established ACCP memorandum account coincident with the filing to dispose of the balance recorded in the Air Conditioning Cycling Device One-Way Balancing Account or in a separate proceeding as authorized by the Commission. Preliminary Statement Part N.9, ACCPMA, is established to track the incremental summer 2004 ACCP costs.

SCE proposes to recover the incentive payments associated with the ACCP expansion through the operation of the Base Revenue Requirement Balancing Account (BRRBA).¹² SCE's BRRBA tracks the difference between SCE's authorized base-related revenue requirements and recorded base-related revenues and is separated between distribution and generation functions. Because the incentive payments associated with the ACCP expansion will be reflected as a reduction to SCE's distribution revenue, any undercollection incurred by SCE as a result of expanding this program will automatically be captured in the monthly operation of the BRRBA. The balance in the BRRBA will be consolidated into rate levels on an annual basis in the ERA forecast filing submitted to the Commission August 1st of each year. As such, no modifications to the Preliminary Statement Section of SCE's tariffs are necessary.

Proposed Cost Recovery for Mass Media Campaign: SCE proposes to establish a new memorandum account to track the costs associated with implementing a Mass Media Campaign during the summer of 2004. On a monthly basis, SCE will record the incremental costs it incurs in support of the Mass Media Campaign in the Mass Media Campaign Memorandum Account (MMCMA). SCE proposes to dispose of the balance recorded in the newly established MMCMA through a subsequent advice letter filing submitted to the

11 An ALJ Proposed Decision and two Alternate Decisions have been issued in SCE's 2003 GRC Phase 1 proceeding (A.02-05-004). All draft decisions include \$3 million of funding for SCE's ACCP. The Commission is scheduled to vote out a final SCE 2003 GRC Phase 1 decision at its June 9, 2004 meeting.

12 SCE will establish the BRRBA in compliance with the Commission decision authorizing its GRC revenue requirements for 2003, 2004, and 2005. The BRRBA will replace two currently effective ratemaking mechanisms: Electric Distribution Revenue Adjustment Balancing Account and Native Load Balancing Account.

Commission no later than February 28, 2005. In the advice letter, SCE will include the recorded operation of the MMCMA along with a description of those Mass Media Campaign efforts actually implemented. Upon approval of the advice letter, SCE will transfer the approved MMCMA balance to the distribution sub-account of the BRRBA since such costs should be paid for by all SCE customers. Preliminary Statement Part N.10, MMCMA, is established to track the incremental summer 2004 Mass Media Campaign costs.

REQUEST FOR COMMISSION APPROVAL

SCE believes it is reasonable to seek Commission approval to expand its Smart Thermostat Program for smaller commercial customers, reopen Schedule 20/20 for the limited term of summer 2004 and seek funding to increase enrollment in residential ACCP in the effort to reduce demand above and beyond that which can be achieved through current demand response programs. Because of the need to begin the marketing and implementation efforts as soon as possible in order to achieve reduced demand this summer, SCE's request for approval on an expedited basis is reasonable. Any resolution received after July 8, 2004 will severely impact SCE's ability to implement these programs for summer 2004 and will impede marketing and customer education efforts, which will jeopardize the chance of achieving demand reductions through these programs during summer 2004.

Accordingly, SCE hereby requests that the Commission issue a resolution on or before July 8, 2004 approving SCE's request and specifically finding that:

- (1) SCE is authorized to expand its Smart Thermostat Program for small commercial customers, reopen Schedule 20/20 for SCE bundled service C&I customers who take service on an eligible TOU rate for summer 2004, and increase enrollment in ACCP; and
- (2) SCE is authorized to recover all costs associated with these summer 2004 programs, including without limitation implementation, marketing, and the cost of the rebate, and shall record all costs incurred related to the Smart Thermostat Program expansion in the Demand Reduction and Self-Generation Program Incremental Cost Memorandum Account, shall record all costs incurred related to the 20/20 Rebate Program in SCE's Energy Resource Recovery Account, shall record all costs incurred related to the increased enrollments in the ACCP in the ACCP memorandum account (ACCPMA) and shall record all costs incurred related to the implementation of the Mass Media Campaign in the Mass Media Campaign memorandum account (MMCMA).

In order to meet the requested approval date of no later than July 8, 2004, SCE respectfully requests that the Commission expedite the protest period for good cause shown pursuant to General Order 96-A, Section IV-B Effective Date and Section XV-Exceptions. The Commission may reduce the comment period for a draft resolution provided by Public Utilities Code § 311(g)(1) in accordance with its rules adopted pursuant to Public Utilities Code § 311(g)(3). Pursuant to Commission Rule of Practice and Procedure 77.7 (f)(9), SCE requests that the Commission reduce the comment period due to public necessity.¹³

In order to accomplish this objective, SCE proposes the following schedule, which incorporates reductions to the normal protest period and to the review and comment period on a resolution.

Action	Due Date
Advice Letter Filed	June 8, 2004
Protests to Advice Letter	June 18, 2004
Reply to Protests	June 21, 2004
Draft Resolution Issued	June 28, 2004
Comments to Draft Resolution	June 30, 2004
Reply to Comments on Draft Resolution	July 2, 2004
Final Resolution approved by Commission	July 8, 2004

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

SCE seeks authorization to implement the programs proposed herein by the Commission at its July 8, 2004 business meeting. If the Commission does not issue a resolution at this meeting, the proposed demand reduction efforts will be unavailable to help ameliorate potential capacity shortages during summer 2004. As such, SCE respectfully requests that this advice filing become effective as of July 1, 2004, upon the Commission's issuance on or before July 8, 2004, of a resolution containing each of the findings requested herein.

¹³ Although the June 4, 2004 ACR authorized expedited treatment for proposals meeting its technical conditions, such as SCE's proposal herein to expand its Smart Thermostat Program, SCE respectfully requests that its other two proposals be considered on the same expedited procedural schedule.

NOTICE

In consideration of the need to begin implementation and marketing efforts as soon as possible, SCE respectfully requests expedited treatment of this advice filing and a limitation of the protest period, as noted above, such that the notice period for this filing be shortened from 20 days to **10 calendar days** after the date of this filing, pursuant to General Order 96-A, Section IV-B Effective Date and Section XV-Exceptions. 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 **10 calendar days** after the date of this advice filing. Protests should be mailed to:

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

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

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

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

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

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

In accordance with Section III, Paragraph G, of General Order No. 96-A, SCE is mailing copies of this advice filing to the interested parties shown on the attached service lists. Address change requests to the attached GO 96-A Service List should be directed to AdviceTariffManager@sce.com or at (626) 302-3636. For changes to other Service List, please contact the Commission's Process Office at (415) 703-2021 or 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> and choose Regulatory Info Center/Advice Letters.

For questions, please contact Mark Wallenrod at (626) 302-8331 or by electronic mail at Mark.Wallenrod@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:lv/pf

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 36505-E* Revised 36506-E Revised 36507-E	Preliminary Statement Part N Preliminary Statement Part N Preliminary Statement Part N	Revised 34412-E Revised 34415-E Revised 34417-E
Revised 36508-E Revised 36509-E	Preliminary Statement Part ZZ Preliminary Statement Part ZZ	Revised 36303-E Revised 36282-E
Revised 36510-E Revised 36511-E	Schedule 20/20 Schedule 20/20	Revised 31633-E* Revised 31634-E
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PRELIMINARY STATEMENT

Sheet 2

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)
2. Definitions. (Continued)
d. Specified Project (Continued)

Section No.	Specified Project	Interest Bearing Memorandum Account*	
(1)	Not Used		
(2)	Not Used		
(3)	Demand Reduction and Self-Generation Program Incremental Cost (DRSGPIC) Memorandum Account	Yes	
(4)	Catastrophic Event	Yes	
(5)	Not Used		
(6)	Local Area Revenue Mechanism	Yes	
(7)	Air Conditioner Cycling Program Memorandum Account (ACCPMA)	Yes	(N)
(8)	Not Used		
(9)	Mass Media Campaign Memorandum Account (MMCMA)	Yes	
(10)	Research, Development, and Demonstration Royalties	Yes	(N)
(11)	Not Used		
(12)	Advanced Metering and Demand Response	Yes	
(13)	Not Used		
(14)	Income Tax Component of Contribution Memorandum Account	Yes	
(15)	Demand Side Management Earnings Memorandum Account	Yes	
(16)	Not Used		
(17)	Electric Vehicle Memorandum Account	Yes	
(18)	Independent System Operator Memorandum Account (ISO Memorandum Account)	Yes	
(19)	Power Exchange Memorandum Account (PX Memorandum Account)	Yes	
(20)	Transition Cost Audit Memorandum Account (TCA Memorandum Account)	Yes	
(21)	Divestiture of Fossil Generation Memorandum Account (DFG Memorandum Account)	Yes	
(22)	Telecommunication Lease Revenue Memorandum Account (TLR Memorandum Account)	Yes	
(23)	Competition Transition Charge Exemption Memorandum Account (CTCE Memorandum Account)	Yes	
(24)	Industry Restructuring Memorandum Account (IR Memorandum Account)	Yes	
(25)	PBR Distribution Revenue Sharing Memorandum Account	Yes	
(26)	PBR Distribution Rate Performance Memorandum Account (PDRPMA)	Yes	
(27)	Secondary Land Use Revenue Memorandum Account (SLUR Memorandum Account)	Yes	
(28)	Not Used		
(29)	Reduced Return On Equity Memorandum Account (RROE Memorandum Account)	Yes	
(30)	Rate Reduction Bond Memorandum Account (RRB Memorandum Account)	Yes	
(31)	Risk Management Tools Memorandum Account (RMTMA Memorandum Account)	Yes	
(32)	Flexible Pricing Options (FPO)/Competition Transition Charge (CTC) Memorandum Account (FPO/CTC Memorandum Account)	Yes	
(33)	Not Used		

* Interest shall accrue monthly to interest-bearing Memorandum Accounts by applying the Interest Rate to the average of the beginning and ending balance.

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Sheet 8

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

7. Air Conditioner Cycling Program Memorandum Account (ACCPMA)

(N)

The purpose of the ACCPMA is to record the costs associated with enrollments in the ACCP during the summer of 2004 that are in excess of the 20,000 service accounts included in SCE's General Rate Case (GRC) authorized funding level. The ACCPMA is established in accordance with the June 4, 2004 Assigned Commissioner's Ruling in Rulemaking 02-06-001 that invited SCE and the other two utility respondents to, if they wish, submit advice letters to implement programs that achieve demand response through Advanced Load Control and expansion of Smart Thermostat programs.

SCE shall maintain the ACCPMA by making monthly entries as follows:

- a. A debit entry equal to the equipment and installation costs associated with enrollments in the ACCP during the summer of 2004 that are in excess of 20,000 service accounts;
- b. A debit entry equal to customer outreach and media costs;
- c. A debit entry equal to accrued interest calculated by applying the Interest Rate to the average of the beginning of month and end of month account balances.

SCE will dispose of amounts recorded in the ACCPMA coincident with the filing to dispose of the balance recorded in the Air Conditioning Cycling Device One-Way Balancing Account (established pursuant to the Commission decision authorizing GRC revenue requirements and ratemaking for 2003, 2004, and 2005) or in a separate proceeding as authorized by the Commission.

(N)

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Sheet 10

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

9. Mass Media Campaign Memorandum Account (MMCMA)

(N)

The purpose of the MMCMA is to record the incremental O&M costs associated with implementing a Mass Media Campaign created to get the message out about peak demand savings during the summer of 2004 to SCE's customers. The MMCMA is established in accordance with the June 4, 2004 Assigned Commissioner's Ruling in Rulemaking 02-06-001 that invited SCE and the other two utility respondents to, if they wish, submit advice letters to implement programs that achieve demand response through Advanced Load Control and expansion of Smart Thermostat programs.

SCE shall maintain the MMCMA by making monthly entries as follows:

- a. A debit entry equal to the incremental costs incurred to support the summer 2004 on-peak reduction Mass Media Campaign including the costs associated with an integrated mass media advertising campaign, including radio and print;
- b. A debit entry equal to accrued interest calculated by applying the Interest Rate to the average of the beginning of month and end of month account balances.

No later than February 28, 2005, SCE will file an advice letter with the Commission that will include a summary of entries made to the MMCMA during the summer of 2004, including supporting documentation, along with a description of the mass media campaign efforts actually implemented. For rate recovery purposes, upon Commission approval of the advice letter, SCE will transfer the approved MMCMA balance to the distribution sub-account of the Base Revenue Requirement Balancing Account (BRRBA).

(N)

(Continued)

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PRELIMINARY STATEMENT

Sheet 1

ZZ. ENERGY RESOURCE RECOVERY ACCOUNT

1. Purpose

The Energy Resource Recovery Account (ERRA) is established pursuant to D.02-10-062. The purpose of the ERRA is to record SCE's: (1) ERRA Revenue, (2) Utility Retained Generation (URG) fuel costs, and (3) purchased power-related expenses, excluding California Department of Water Resources "DWR" power contract expenses. Electric Energy Transaction Administration (EETA) costs should be excluded from the ERRA consistent with D.02-12-074. Pursuant to D.04-01-048, SCE is authorized to record the above-market cost of Qualifying Facilities and Purchase Agreements in the ERRA.

2. Definitions

a. Total Authorized Fuel and Purchased Power Revenue Requirement:

Total Authorized Fuel and Purchased Power Revenue Requirement shall be the current Commission adopted revenue requirement in rate levels associated with SCE fuel and purchased power expenses.

b. Total Authorized SCE Generation Revenue Requirement:

Total Authorized SCE Generation Revenue Requirement shall be the current Commission adopted revenue requirement in rate levels associated with SCE's base generation, fuel and purchased power, and any other commission adopted generation costs (excluding SCE's allocation of DWR's revenue requirement).

c. ERRA Billed Revenues:

Shall be determined each month as follows:

$$(A / B) * C$$

Where:

A = Total Authorized Fuel and Purchased Power Revenue Requirement

B = Total Authorized SCE Generation Revenue Requirement

C = Total recorded billed Generation revenues (Before Impact of 20/20 Rebate Program)

(T)
(T)

d. ERRA Unbilled Revenues:

Unbilled Revenues are accrued ("earned" revenue for financial statement purposes) ERRA revenues associated with electric customer kWh usage that has not yet been billed by SCE. (ERRA Unbilled Revenues will be allocated using the same percentage as used to determine the ERRA Billed Revenue).

(Continued)

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Sheet 4

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ZZ. ENERGY RESOURCE RECOVERY ACCOUNT (Continued)

3. Operation of the ERRA

Entries to the ERRA shall be made on a monthly basis as follows:

- a. Credit entry equal to the recorded ERRA Revenue;
- b. A debit entry equal to recorded URG Fuel and Fuel-related expenses;
- c. A debit entry equal to Palo Verde Nuclear Unit Incentive Procedure (NUIP) rewards subsequent to Commission approval;
- d. A debit entry equal to recorded Qualifying Facilities (QF) contracts expenses (including contract restructuring expenses), net of recorded revenues, refunds, or other credits;
- e. A debit entry equal to recorded Interutility contracts expenses, net of recorded revenues, refunds or other credits;
- f. A debit entry equal to recorded Bilateral contracts expenses;
- g. A debit entry equal to recorded Residual Net Short Requirement expenses;
- h. A debit entry equal to other expenses associated with SCE's purchased power activities to the extent not recovered elsewhere (such as the costs associated with purchasing Firm Transmission Rights);
- i. A debit entry equal to recorded ISO expenses;
- j. A credit entry equal to Excess Energy Sales Revenues allocated to SCE;
- k. A credit entry equal to recorded Reliability Must Run (RMR) contracts and ancillary services revenueⁱⁱⁱ;
- l. A debit entry equal to the incentive payments to customers participating in the Statewide Pricing Pilot (SPP) program authorized in Phase 1 of Decision 03-03-036, Advanced Metering, Demand Response, and Dynamic Pricing Proceeding;
- m. A credit entry equal to proceeds received from the sale or exercise of hedging instruments;
- n. A credit entry equal to recorded revenues billed under Schedule PC-TBS, Procurement Charge Transitional Bundled Service;
- o. A credit entry equal to any litigation settlement proceeds as authorized by the Commission; and
- p. A debit entry equal to the recorded costs associated with the subscription, retention and disposition of turned-back capacity on The El Paso Interstate Pipeline (net of recorded proceeds realized from the short-term release of capacity to another party);
- q. A debit entry equal to recorded Mountainview PPA costs including:
 - i. O&M Costs – both pre-authorized changes and fixed variable O&M
 - ii. Capital Costs – including all applicable return, depreciation, and taxes both the initial Mountainview plant investment and any subsequent Commission-approved capital additions
 - iii. Availability incentives; and
 - iv. Heat Rate Incentives;
- r. A debit entry equal to recorded 20/20 Rebate Program Costs including:
 - i. 20/20 Rebate amount included on customers' bills increased for FF&U
 - ii. Incremental O&M Costs incurred to implement the Summer 2004 program.

(N)
|
(N)

The sum of (a) through (r) equals the activity recorded in the ERRA each month.

(T)

Interest shall accrue monthly to the ERRA by applying the Interest Rate to the average of the beginning and ending monthly ERRA balances.

^{iii/} Generation-related Other Operating Revenue (OOR) is recorded in the Native Load Balancing Account.

(Continued)

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Schedule 20/20
SCE REBATE PROGRAM

Sheet 1

(T)

APPLICABILITY

This Schedule is applicable to commercial and industrial customers served under time-of-use (TOU) rate schedules with the exception of: 1) Direct Access Customers, 2) customers served under Schedules BG-NEM, I-6, I-6-BIP, NEM, PG, PC-TBS, RTP-2-I, Stand-by Rate Schedules and TOU-8-SOP-I, and 3) customers with less than 1 day of TOU usage in the corresponding billing period in the previous year. This Schedule implements SCE's limited term "Rate-Reward" energy conservation program with an approximate start date of July 1, 2004 and is applicable only in year 2004 unless extended at a later date. The start date of a customer's participation in the program may vary based on the customer's July billing cycle. Usage is classified using the customer's billing cycle rather than calendar month. (C)

TERRITORY

Within the entire territory served.

RATES

The Rate Reward (credit) will be based on a 20 percent reduction in the average on-peak usage per day on a monthly basis for the three (3) billing periods beginning in July, August, and September of year 2004 using the comparable period in 2003. The customer's bill will be calculated according to the customer's otherwise applicable tariff (OAT) and SCE will issue a credit to qualifying customers each month on the bill statement equal to 20 percent of the on-peak energy and demand charges billed during the months of July, August, and September, in accordance with the following Special Conditions. (C)

SPECIAL CONDITIONS

1. Evaluation of Conservation Efforts. A customer's conservation efforts will be evaluated based on the average on-peak usage per day. If the average on-peak usage per day during the billing periods in the months of July, August, and September in year 2004 is 20 percent less than that in the comparable billing period of year 2003, a credit will be given of 20 percent of the total on-peak energy and demand charges billed, excluding rate limiters, power factor adjustments, city, and state taxes. (C)

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Schedule 20/20
SCE REBATE PROGRAM

Sheet 2

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(Continued)

SPECIAL CONDITIONS (Continued)

- 2. Weather Adjustments. No correction or normalization of base period kWh for weather will occur. (D) (T)
- 3. Less Than/Greater Than 20 percent Energy Reductions. No provisions are to be made for significant observed energy reductions that fall short of meeting the 20 percent eligibility standard. A minimum reduction of 20 percent is required to receive the 20 percent credit. Similarly, customers exceeding 20 percent reductions will only be rewarded a 20 percent credit. (T)
- 4. Multiple/Summary Accounts. For customers with multiple accounts, summary billings, or multiple meters at a premises, the 20 percent credit is calculated and applied, if applicable, to each individual service account. (T)
- 5. Dispute Resolution. Any disputes arising from the provision of service under this Schedule or other aspects of SCE's 20/20 Rebate Program will be deemed disputes over amounts billed for electricity and will be handled as provided for in SCE's Rule 10, Disputed Bills. (T) (T)
- 6. Meter Reads. SCE will normally read meters each month with minor exceptions. If, because of unusual conditions or for reasons beyond SCE's control, the customer's meter cannot be read on the scheduled reading date, or if for any reason accurate meter data is not available, SCE will estimate such customer's kWh usage according to its applicable tariff. (T) (D)

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Summary of Estimated Expenditures and Funding Mechanisms

Program	Market	Cost Element	Estimated Costs (\$millions)	Funding Mechanism
Smart Thermostat	Commercial & Industrial Customers	- Direct Marketing	\$0.3	AB 970 (Requires change in authorization to increase enrollment; Additional total dollar authorization not required.)
		- Devices and Installation	1.6	
		- Customer Incentives	0.6	
		- 3 rd Party Project Management	0.1	
		- Software	0.1	
		Total	\$2.7	
Schedule 20/20 Rebate Program	Eligible Commercial and Industrial	- Mass Media	\$0.73	ERRA
		- Rebates	6.0 – 19.0	
		- Implementation	0.3	
		Total	\$7.0-20.0	
ACCP Expansion	Residential	- Mass Media	\$0.45	ACCPMA
		- Equipment and Installation	1.5	
		- Incentives	0.5	
		- Direct Mail	0.45	
		Total	\$2.9	
Mass Media On-Peak Demand Messaging	Residential and Business	- Mass Media	\$1.85	BRRBA