

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



JUN - 8 2006

June 5, 2006

REVENUE & TARIFFS DEPT.

Advice Letter 1952-E

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

Reference: Recovery of fuel-related costs during Mohave standstill status

Dear Mr. Jazayeri:

Advice Letter 1952-E is effective May 25, 2006 by Resolution E-3981. A copy of the advice letter and resolution are included herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "S. H. Gallagher".

Sean H. Gallagher, Director
Energy Division

jjr

December 29, 2005

**ADVICE 1952-E
(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Recovery of Fuel-related Costs during Mohave “Standstill”
Status

PURPOSE

The purpose of this advice filing is to clarify that any costs that SCE may incur pursuant to a standstill agreement entered into with Peabody Western Coal Company (Peabody) and the Black Mesa Pipeline Company are fuel-related costs that can be recorded directly to the Energy Resource Recovery Account (ERRA) balancing account.

BACKGROUND

Efforts are currently underway to preserve the option for continued coal operations at the Mohave Generating Station (Mohave) prior to review by the California Public Utilities Commission (CPUC) of an application requesting authorization to proceed with the life extension investments. In particular, SCE is in discussions with Peabody for a temporary agreement in which Peabody would agree to maintain the Black Mesa Mine in sufficient readiness so as to permit a timely return to production if SCE’s efforts for continued coal operations are successful.

STANDSTILL AGREEMENT COST RECOVERY

SCE believes that recording the standstill agreement costs directly to the ERRA balancing account is appropriate since this ratemaking treatment is consistent with SCE’s currently effective Commission-approved ERRA tariff which authorizes Utility Retained Generation (URG) Fuel and Fuel-related Expenses to be recorded in the ERRA balancing account as they are incurred. SCE’s URG Fuel and Fuel-related Expenses are defined in SCE’s ERRA tariff as: (1) variable fuel expenses (commodity and fuel transportation), (2) fixed (unavoidable) fuel expenses, (3) fuel inventory

carrying charges, (4) fuel contract settlement, buy-out, and renegotiation costs, and (5) other costs as approved by the Commission. Like any other fuel-related costs recorded in the ERRA balancing account, SCE's actual fuel-related standstill agreement costs will be subject to full review by the Commission and other interested parties in SCE's annual ERRA reasonableness of operations proceeding.

Moreover, SCE believes that these activities are analogous to the activities contemplated in SCE's currently pending 2006 ERRA forecast of operations proceeding (A.05-08-002). While that forecast appropriately assumed that Mohave would be temporarily shut down during 2006, SCE did identify costs necessary to maintain or preserve the Black Mesa Mine coal supply. No party has opposed SCE's ERRA proceeding revenue requirement and SCE expects a final 2006 ERRA forecast of operations decision in January 2006. The standstill arrangement is similar to the activities contemplated in the ERRA forecast.

SCE understands that the Energy Division concurs that recording standstill agreement costs to the ERRA balancing account is appropriate. In response to Energy Division's request, SCE is filing this advice letter to clarify that any costs that SCE may incur according to a standstill agreement are fuel-related costs that can be recorded directly to the ERRA balancing account.

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 requests that this advice filing become effective on the date filed, which is December 29, 2005.

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 no later than 20 days after the date of this advice filing. Protests should be mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: jjr@cpuc.ca.gov and jnj@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
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 serving copies of this advice filing to the interested parties shown on the attached GO 96-and A.02-05-046 service list. Address change requests to the GO 96-A service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-4039. 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 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/AboutSCE/Regulatory/adviceletters>.

For questions, please contact Chris Dominski at (626) 302-1398 or by electronic mail at Chris.Dominski@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:mm
Enclosures

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: James Yee

Phone #: (626) 302-2509

E-mail: James.Yee@sce.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 1952-E

Subject of AL: Recovery of Fuel-related Cost During Mohave "Standstill" Status

Keywords (choose from CPUC listing): Balancing Account

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹:

Resolution Required? Yes No

Requested effective date: 12/29/05 No. of tariff sheets: -0-

Estimated system annual revenue effect: (%): _____

Estimated system average rate effect (%): _____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

¹ Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

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
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
E-mail: Karyn.Gansecki@sce.com