
April 16, 2007

ADVICE 2020-E-B
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Revision to SCE's Authorized Base Revenue Requirement
Consistent With Decision 06-05-041 and Decision 06-12-043

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

The purpose of this advice filing is to request authority from the California Public Utilities Commission (Commission) to revise SCE's Preliminary Statement Part YY, Base Revenue Requirement Balancing Account, to increase its Authorized Distribution Base Revenue Requirement (ADBRR) and Authorized Generation Base Revenue Requirement (AGBRR), consistent with Decision (D.) 06-05-041 and D.06-12-043. This advice filing replaces Advice 2020-E-A in its entirety.

BACKGROUND

D.06-05-041

In D.06-05-041, the Commission adopted a process for allocating gains and losses on the sale of utility property by certain electric, gas, telecommunications, and water utilities when they sell utility land, assets such as buildings, or other tangible and intangible assets formerly used to serve utility customers. In most cases, utility ratepayers receive 100% of after-tax gains and losses from the sale of depreciable property such as buildings. D.06-05-041 allocated gains and losses on the sale of non-depreciable utility property (e.g. land and water rights) on a 50%/50% basis between ratepayers and shareholders [See discussion below on the revision to this allocation pursuant to D.06-12-043]. D.06-05-041 does not apply to:

- Routine retirements of minor utility assets that are no longer used and useful, such as utility poles, transformers, and vehicles, which are governed by Commission depreciation rules and schedules.
- Asset sale prices that exceed \$50 million and asset sales whose after-tax gain/loss exceeds \$10 million.
- Sale of assets of extraordinary character; sales of nuclear power plants; where a party alleges the utility engaged in highly risky and non-utility related ventures; or where a party alleges a utility grossly mismanaged the assets at issue.
- Circumstances under which utilities must file applications seeking Commission approval of such asset sales. Those circumstances are governed by Public Utilities Code Section 851.

Advice 2020-E

On July 28, 2006, SCE filed Advice 2020-E, consistent with D.06-05-041, requesting Commission authority to increase its ADBRR and AGBRR (effective May 25, 2006) resulting from allocating gains and losses on the sale of non-depreciable property between ratepayers and shareholders on a 50%/50% basis. As discussed below, Advice 2020-E-A was subsequently filed to comply with D.06-12-043 and replaced Advice 2020-E in its entirety.

D.06-12-043

On June 29, 2006, the Commission's Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN) filed a joint application for rehearing of D.06-05-041. The DRA and TURN asserted that D.06-05-041 was in error in three respects. D.06-12-043 found that two¹ of the alleged errors had no merit. However, D.06-12-043 found that the 50%/50% allocation of the gains and losses of non-depreciable utility property between ratepayers and shareholders adopted in D.06-05-041 should be modified. D.06-12-043 modified D.06-05-041 by adopting an allocation of gains and losses of non-depreciable utility assets roughly proportionate to the assumed risk: 67% to ratepayers, and 33% to shareholders. D.06-12-043 did not revise the allocation of gains and losses of depreciable utility assets as adopted in D.06-05-041 of 100% to ratepayers.

On January 8, 2007, SCE filed Advice 2020-E-A requesting Commission authority to increase its ADBRR and AGBRR (effective May 25, 2006), consistent with D.06-12-043. Commission approval of Advice 2020-E-A is pending.

¹ The other two alleged errors concern: (1) D.89-07-016 [the *Redding II* decision]; and (2) interpretation of Public Utilities Code Section 790 concerning water utilities.

SCE's CURRENTLY AUTHORIZED RATEMAKING

Since the early 1990's, gains/losses on the sale of SCE's utility property, now subject to the provisions of D.06-05-041 and D.06-12-043, have been allocated between SCE's ratepayers and shareholders as authorized by the Commission in SCE's General Rate Cases (GRCs). Any net gain on sale of utility property accruing to SCE's ratepayers is reflected as "Other Operating Revenue" (OOR) in SCE's authorized base revenue requirement established in SCE's GRCs. This allocated OOR reduces SCE's base revenue requirement. In SCE's 2006 GRC decision, D.06-05-016, the Commission authorized a reduction to the CPUC-jurisdictional revenue requirement of \$5.041 million² associated with an allocation of 100% of the net gain on the sale of non-depreciable utility property.

SCE's REQUEST

D.06-05-041 orders that gains/losses on the sale of depreciable utility property be allocated 100% to ratepayers and gains/losses on the sale of non-depreciable utility property be allocated on a 50% ratepayer/50% shareholder basis. D.06-12-043 orders a revision to the ratepayer/shareholder sharing so that gains/losses on the sale of non-depreciable utility property are to be allocated on a 67% ratepayer/33% shareholder basis. Thus, SCE's currently authorized CPUC-jurisdictional base revenue credit of (\$5.041) million for the net gains on sale of utility property is over-stated because the net gain on sale of non-depreciable utility property was allocated 100% to SCE's ratepayers, rather than the 67% adopted in D.06-12-043.

Therefore, SCE requests Commission authority to increase its 2006 authorized CPUC-jurisdictional base revenue requirement by \$1.280 million, effective May 25, 2006, and its 2007 authorized CPUC-jurisdictional base revenue requirement by \$1.466 million,³ effective January 1, 2007, reflecting the revised allocation of gains/losses on the sale of non-depreciable utility property of 67% ratepayer/33% shareholder adopted in D.06-12-043. The base revenue requirement increase was determined by recalculating the portion of the net gain on sale of SCE's non-depreciable utility property originally allocated to ratepayers in D.06-05-016 (SCE's 2006 GRC). The ratepayer allocation percentage change for such assets results in a reduction to SCE's authorized OOR and a resulting increase to SCE's base revenue requirement.

The requested increase to SCE's currently authorized base revenue requirement was allocated to SCE's ADBRR and AGBRR as shown in the two tables below. The total base revenue requirement increase requested in this advice filing will not be reflected in SCE's base rate levels until the next Commission-authorized rate level consolidation.

² The total system revenue requirement authorized in D.06-05-016 for gains on sale of utility property is (\$5.216) million.

³ SCE is not requesting an increase in the base revenue requirement that is effective from December 29, 2006 through December 31, 2006.

Advice 2020-E-A			
Changes to 2006 ADBRR and AGBRR			
(\$ Thousands)			
<u>Effective Date</u>	<u>ADBRR</u>	<u>AGBRR</u>	<u>Total</u>
January 12, 2006	\$2,611,710	\$1,137,582	\$3,749,292
May 25, 2006	<u>\$2,612,459</u>	<u>\$1,138,113</u>	<u>\$3,750,572</u>
Increase	\$749	\$531	\$1,280

Advice 2020-E-B			
Changes to 2007 ADBRR and AGBRR			
(\$ Thousands)			
<u>Effective Date</u>	<u>ADBRR</u>	<u>AGBRR</u>	<u>Total</u>
Current January 1, 2007 ⁴	\$2,763,065	\$1,152,135	\$3,915,200
Revised January 1, 2007	<u>\$2,764,025</u>	<u>\$1,152,641</u>	<u>\$3,916,666</u>
Increase	\$960	\$506	\$1,466

EFFECTIVE DATE

SCE requests that this advice filing become effective on the date that D.06-05-041 was issued, which is May 25, 2006.

⁴ SCE's currently effective ADBRR and AGBRR were filed with Advice 2054-E-A, Supplement to 2007 General Rate Case Post Test Year Revenue Requirement, and approved by the Commission on March 9, 2007, with an effective date of January 1, 2007.

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: inj@cpuc.ca.gov and mas@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
Vice President, 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
Senior 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-A and R.04-09-003 service lists. Address change requests to the GO 96-A service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-2930. 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 Karen Salvato at (626) 302-2504 or by electronic mail Karen.Salvato@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:mjp:sq
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: <input checked="" type="checkbox"/> ELC <input type="checkbox"/> GAS <input type="checkbox"/> PLC <input type="checkbox"/> HEAT <input type="checkbox"/> 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) #: <u>2020-E-B</u>	
Subject of AL: <u>Revision to SCE's Authorized Base Revenue Requirement Consistent With Decision 06-05-041 and Decision 06-12-043</u>	
Keywords (choose from CPUC listing): <u>Compliance, Balancing Account</u>	
AL filing type: <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Annual <input checked="" type="checkbox"/> One-Time <input type="checkbox"/> Other _____	
If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: <p style="text-align: center;">D.06-05-041 and D.06-12-043</p>	
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 AL ¹ : _____	
Resolution Required? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Requested effective date: <u>5/25/06</u>	No. of tariff sheets: <u>-4-</u>
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: <u>Preliminary Statement Part YY, Table of Contents</u>	
Service affected and changes proposed ¹ : _____	
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
inj@cpuc.ca.gov and mas@cpuc.ca.gov

Akbar Jazayeri
Vice President, Revenue and Tariffs
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
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E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior 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

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 41238-E Revised 41239-E	Preliminary Statement Part YY Preliminary Statement Part YY	Revised 40727-E Revised 40728-E*
Revised 41240-E Revised 41241-E	Table of Contents Table of Contents	Revised 40973-E Revised 40930-E

PRELIMINARY STATEMENT

Sheet 1

YY. Base Revenue Requirement Balancing Account (BRRBA)

1. Purpose:

The purpose of the Base Revenue Requirement Balancing Account (BRRBA) is to record: 1) the difference between SCE's authorized distribution and generation base revenue requirements and recorded revenues from authorized distribution and generation rates; and 2) record other authorized and recorded costs authorized by the Commission. The BRRBA is established in accordance with D.04-07-022, and as modified by D.06-05-016.

2. Definitions:

a. Authorized Distribution Base Revenue Requirement:

The Authorized Distribution Base Revenue Requirement (ADBRR) is the most current Commission-authorized Distribution-related base revenue requirement. The current ADBRR is listed below:

Table A
Authorized Distribution Base Revenue Requirement
(\$000)

<u>Effective Date</u>	<u>AGBRR</u>
May 22, 2003	\$ 2,432,380
January 1, 2004	\$ 2,665,448
January 1, 2005	\$ 2,770,383
January 1, 2006	\$ 2,749,569
January 12, 2006	\$ 2,611,710
May 25, 2006	\$ 2,612,459
December 29, 2006	\$ 2,613,277
January 1, 2007	\$ 2,764,025

(N)
(N)
(N)

b. Authorized Generation Base Revenue Requirement:

The Authorized Generation Base Revenue Requirement (AGBRR) is the most current Commission-authorized Generation-related base revenue requirement. The current AGBRR is listed below:

Table B
Authorized Generation Base Revenue Requirement
(\$000)

<u>Effective Date</u>	<u>AGBRR</u>
May 22, 2003	\$ 401,149
January 1, 2004	\$ 675,852
September 7, 2004	\$ 671,712
January 1, 2005	\$ 596,049
January 1, 2006	\$ 683,082
January 12, 2006	\$ 1,137,582
May 25, 2006	\$ 1,138,113
December 29, 2006	\$ 1,153,030
January 1, 2007	\$ 1,152,641

(N)
(N)
(N)

(Continued)

(To be inserted by utility)

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Decision 06-05-041
1P5 06-12-043

Issued by

Akbar Jazayeri
Vice President

(To be inserted by Cal. PUC)

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Effective _____
Resolution _____

PRELIMINARY STATEMENT

Sheet 2

(Continued)

YY. Base Revenue Requirement Balancing Account (BRRBA) (Continued)

2. Definitions: (Continued)

b. Authorized Generation Base Revenue Requirement: (Continued)

Table C
SONGS Refueling Amounts Included in AGBRR
(\$000)

Effective Date	AGBRR Without Refueling	Number of Refuelings included In AGBRR	Total Amount of Refuelings included In AGBRR	AGBRR	
May 22, 2003	\$ 401,149	0	\$ 0	\$ 401,149	
January 1, 2004	\$ 588,690	2	\$ 87,162	\$ 675,852	
September 7, 2004	\$ 584,550	2	\$ 87,162	\$ 671,712	
January 1, 2005	\$ 596,049	0	\$ 0	\$ 596,049	
January 1, 2006	\$ 593,185	2	\$ 89,897	\$ 683,082	
January 12, 2006	\$ 1,040,806	2	\$ 96,776	\$ 1,137,582	
May 25, 2006	\$ 1,041,337	2	\$ 96,776	\$ 1,138,113	(N)
December 29, 2006	\$ 1,051,786	2	\$ 101,244	\$ 1,153,030	(N)
January 1, 2007	\$ 1,101,054	1	\$ 51,587	\$ 1,152,641	(N)

c. BRRBA Distribution Revenue:

1. BRRBA Billed Distribution Revenue:

Total recorded billed Distribution revenues, adjusted to remove the CARE discount,

2. Plus: the change (plus or minus) in the amount of BRRBA unbilled Distribution revenue (the reversal of prior month's estimated unbilled revenue, plus the current month's estimate);

3. Less: a provision for FF&U.

d. Franchise Fees (FF) Factor:

The current Commission FF factor adopted in SCE's most recent General Rate Case (GRC) to provide recovery for Franchise Fees.

GRC Decision	Factor
D.04-07-022	0.00847
D.06-05-016	0.00893

e. Uncollectible (U) Accounts Factor:

The current Commission U factor adopted in SCE's most recent General Rate Case (GRC) to provide recovery for Uncollectible expense.

GRC Decision	Factor
D.04-07-022	0.00324
D.06-05-016	0.00225

(Continued)

(To be inserted by utility)

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