
April 11, 2001

ADVICE 1534-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: **Establishment of Four New Balancing Accounts and Other
Tariff Revisions**

Southern California Edison Company (SCE) hereby submits for filing the following changes to its tariff schedules to implement California Public Utilities Commission (Commission) Decision No. (D.) 01-03-081 and D.01-03-082 and to start the process of returning SCE to a creditworthy status.¹ An essential component of the recently signed Memorandum of Understanding (MOU) between SCE and the California Department of Water Resources (DWR) endorsed by the Governor, provides that SCE will be entitled to collect revenues for its Utility Retained Generation (URG) sufficient to cover its costs on a timely basis. The MOU contemplates that the Commission will adopt decisions to effectuate this component and to have any undercollection in URG cost recovery financed on reasonable terms, consistent with the State's goal of returning SCE to investment grade credit. SCE believes that this Advice Filing would achieve that goal, and respectfully requests expedited approval. Changes to SCE's request should contain an explanation of consistency with the State's goal of returning SCE to investment grade credit as soon as possible. The revised tariffs are attached in Appendix C.

PURPOSE

This advice filing establishes four separate balancing accounts: 1) the SCE Utility Retained Generation (URG) Balancing Account (URGBA); 2) the SCE Contracts Balancing Account (SCECBA); 3) the DWR Costs Balancing Account (DWRCBA); and 4) the Ancillary Services Balancing Account (ASBA). In addition, this filing

¹ Several terms of this advice filing are consistent with the referenced decision but not with the recently signed MOU. SCE will revise this advice filing to be consistent with the MOU shortly.

dedicates a portion of SCE's residually determined generation rate and Commission-approved surcharges between the four balancing accounts based on estimated costs for a twelve-month period and establishes the Generation Rate Trigger Mechanism. Furthermore, in conjunction with the implementation of the four new balancing accounts and the Trigger Mechanism, this filing 1) modifies the Transition Revenue Account (TRA); 2) modifies the Transition Cost Balancing Account (TCBA); 3) eliminates the Generation Memorandum Accounts; and 4) eliminates the Emergency Procurement Surcharge (EPS) Balancing Account.

BACKGROUND

D.01-03-082 authorized a rate increase of three-cents per kWh to be applied to power costs incurred after the effective date of D.01-03-082. D.01-03-082 also made permanent the one-cent per kWh surcharge that was authorized by the Commission in D.01-01-018. Public Utilities Code Section 360.5 recognizes that recovery of SCE's URG, existing contracts, and ancillary service costs is through the generation-related component of retail rates. D.01-03-081 adopted a procedure for determining the payments that SCE must make to DWR for costs it is incurring to procure energy on behalf of SCE's customers. In order to implement the Commission's requirements in both D.01-03-081 and D.01-03-082, in this advice letter SCE is establishing the appropriate ratemaking. SCE's implementation approach ensures that the adopted surcharges are spent on future power purchases while at the same time establishing the accounting and trigger mechanisms that limit the undercollection of URG and procurement costs to a pre-established level. If undercollections exceed this pre-established level, the Commission would then authorize an increase in rates to amortize such undercollections. This would help return SCE to investment grade credit consistent with the State's goal.

ESTABLISHMENT OF BALANCING ACCOUNTS

The most appropriate method to implement Commission Decisions 01-03-081 and 01-03-082 along with the cost recovery requirements of Public Utilities Code Section 360.5 is with the establishment of four separate balancing accounts. The costs to be recorded in each balancing account are summarized below. The revenues that will be recorded to each balancing account are described in the following section.

1. Utility Retained Generation Balancing Account (URGBA): SCE's own generation costs including: 1) actual on-going operating costs for Palo Verde, Mohave, Four Corners, and Catalina; 2) authorized on-going operating costs for Hydro; 3) SONGS ICIP revenue requirement; and 4) capital costs as currently reflected in the monthly operation of the TCBA and associated generation-related memorandum accounts will be recorded in the URGBA.

2. SCE Contracts Balancing Account (SCECBA): SCE will record: 1) QF contract costs; and 2) Existing bilateral contract costs in the SCECBA.
3. DWR Costs Balancing Account (DWRCBA): All payments made by SCE to DWR for the costs it is incurring to procure energy on behalf of SCE customers will be recorded to the DWRCBA. Consistent with D.01-03-081, SCE began making payments to DWR on March 28, 2001 based on the interim methodology outlined in D.01-03-081 (i.e., DWR receives SCE's average generation-related rate component for each kWh that DWR supplies to SCE's retail end-use customers). This methodology will be in place until a more precise method for remitting funds to DWR is implemented. All payments that SCE makes to DWR (either under the current interim method, the future more precise method, or based on DWR's revenue requirement that will be provided to the Commission) will be considered as costs in the operation of the DWRCBA.
4. Ancillary Services Balancing Account (ASBA): SCE will record: 1) ISO-related charges associated with SCE's total bundled service load; and 2) Procurement costs incurred by SCE to the extent that DWR does not purchase power to meet SCE's entire net short position including any imbalance energy costs not paid for by DWR and ancillary services costs charged to SCE by the ISO in the ASBA.

REVENUE DETERMINATION

SCE will dedicate a portion of its residually determined generation rate and Commission-approved surcharges between the four balancing accounts based on an estimate of costs for each component over a twelve-month period. Included in Appendix A is an estimate of SCE's costs and residually determined generation revenues including surcharge revenues for a twelve-month period (Pro Forma 2001).² Based on these cost estimates, Table 1 below shows the average rates that

Table 1

Estimated Fully Compensatory Rates

Line	Balancing Account	Average
No.		c/kWh
1.	URGBA	2.24
2.	SCECBA	5.48
3.	DWRCBA	3.67
4.	ASBA	<u>1.39</u>
5.	Total	12.77

² For purposes of determining dedicated rate components to be used during 2001, the estimates (both revenue and costs) included in Appendix A have been annualized (e.g., the surcharge is assumed to be 4 cents per kWh for the entire twelve-month period).

would be necessary to fully recover all of SCE's and DWR's estimated costs.³

Because the Commission determined in D.01-03-082 that the AB 1890 rate freeze is still in effect, SCE cannot establish compensatory rate levels as shown in Table 1. SCE estimates that on an annual basis its residually determined generation rate plus surcharges will be 10.84 cents per kWh during the pro forma 2001 period. Table 2 below shows how this rate is determined.

TABLE 2
Annual Estimates
(amounts are in millions)

1.	Total Revenue Applicable to TRA	(10,796) 1/
2.	TRA Offsets:	
3.	Franchise Fees and Uncollectibles	127
4.	NonGeneration Offsets	2,778 2/
5.	RMR	40
6.	Restructuring Implementation	34
7.	Remaining Transition Costs/Credits	85
8.	RRB Credits	<u>(720)</u>
9.	Total Available Generation Revenue	(8,454)
10.	Total Bundled Service Sales (GWh)	77,951
11.	Applicable Generation Rate (\$/MWh)	10.84

/1 Includes 4c/kWh surcharge and Direct Access Credits

/2 Includes Transmission and Distribution revenue and PBR Exclusion, Nuclear Decommissioning and Public Purpose Programs Revenue Requirements

SCE has dedicated a portion of the 10.84 cents per kWh to the four balancing accounts as follows:

- First, consistent with D.01-03-082, that portion of the 10.84 cents per kWh that is surcharge related should be used to pay for future power purchases. The surcharge portion of the 10.84 cents per kWh is estimated to be 4.00

³ As explained above, all payments that SCE makes to DWR (either under the current immediate method, the future more precise method, or based on DWR's revenue requirement that will be provided to the Commission) are considered to be costs in the operation of the DWRCBA.

cents per kWh during the pro forma 2001 period. Thus, the 4.00 cents per kWh will be used to recover power purchase costs recorded in the SCECBA, DWRCBA, and ASBA. SCE has allocated the 4.00 cents per kWh between the SCECBA, DWRCBA, and ASBA based on an estimate of pro forma 2001 period costs for each balancing account component as shown in Table 3 below.

Table 3
Annual Estimates
(amounts are in millions)

Line No.	Balancing Account	Estimated Costs	%	Allocation of 4.00
1.	SCECBA	4,271	52.00%	2.08
2.	DWRCBA	2,860	34.82%	1.39
3.	ASBA	1,082	13.17%	0.53
4.	Total	8,213	100.00%	4.00

- Second, the difference between the total residually determined generation rate including surcharges in the amount of 10.84 cents per kWh and the surcharge portion of this rate in the amount of 4.00 cents per kWh will be available to recover costs recorded in the URGBA.⁴ This difference for the pro forma 2001 period equals 6.84 cents per kWh. As can be seen in Table 1 above the estimated fully compensatory URGBA rate is estimated at 2.24 cents per kWh for the pro forma 2001 period. Because this rate is less than the 6.84 cents per kWh, the fully compensatory URGBA rate of 2.24 cents per kWh will be used as the basis for recording revenues into the URGBA.
- Third, the difference between the 6.84 cents per kWh available for recovery of all generation-related costs and the 2.24 cents per kWh needed for recovery of URGBA costs will be allocated between the SCECBA, DWRCBA, and ASBA based on the percentages derived above in Table 3. Table 4 below shows the allocation of the 4.60 cents per kWh between the three purchased power-related balancing accounts. As reflected in Table 4, the allocation of the 4.60 cents per kWh is then added to the allocation of the 4.00 cents per kWh shown in Table 3 and the URGBA fully compensatory rate of 2.24 cents per kWh. These calculations result in the estimated dedicated rate components

⁴ As noted before, D.01-03-082 prohibits the surcharge portion of SCE's generation rate to be used to recover costs that are not future purchase power costs.

that will be used as the basis for recording revenues in the four balancing accounts.

Table 4
Annual Estimates
(amounts are in millions)

Line No.	Balancing Account	Estimated Costs	%	Allocation of 4.60	Table 3 Allocation of 4.00	Estimated Dedicated c/kWh 1/
1.	URGBA	n/a	n/a	n/a	n/a	2.24
2.	SCECBA	4,271	52.00%	2.39	2.08	4.47
3.	DWRCBA	2,860	34.82%	1.60	1.39	3.00
4.	ASBA	1,082	13.17%	0.61	0.53	1.13
5.	Total	8,213	100.00%	4.60	4.00	10.84

1/ It should be noted that the amount of revenue recorded in each balancing account will be equal to this dedicated rate component times total metered sales and not only the kWhs supplied by that source.

On a monthly basis the estimated dedicated rate components derived above will be multiplied by recorded GWh sales to determine the amount of revenue to be recorded in each of the four balancing accounts. Appendix B sets forth the estimated operation of each balancing account based on the above dedicated rate components and forecast costs.

DISPOSITION OF BALANCING ACCOUNT BALANCES

As shown in Appendix B (Estimated Operation of Balancing Accounts), the three purchased power-related balancing accounts (SCECBA, ASBA, and DWRCBA) all show undercollected balances after the first month of operation. Because SCE cannot finance such undercollections, a trigger mechanism must be established to allow SCE to recover its actual purchased power-related costs. SCE will sum the balances in the SCECBA, ASBA, and DWRCBA on a monthly basis. If at the end of any month the sum of these balances is equal to or greater than \$500 million either over or undercollected, SCE will notify the Commission through advice filing of the rate adjustment that is necessary to either recover or refund the net balances to customers. After the first time the conditions in the Generation Rate Trigger Mechanism have been met, the net balances will be reviewed each quarter thereafter to determine if additional rate changes are required. This ratemaking mechanism is necessary to prevent significant undercollection of SCE's URG and power procurement costs to help SCE return to investment grade credit consistent

with the State's goal. Table 5 below shows that based on the estimated operation of the purchased power-related balancing accounts, the net balances become undercollected by greater than \$500 million by July 2001.

TABLE 5
Operation of the Generation Rate Trigger Mechanism
(thousand of dollars)

Line No.	Component	2001			
		April	May	June	July
1.	Monthly Ending Balances:				
2.	SCECBA	39,163	44,670	35,983	150,169
3.	ASBA	16,470	37,727	56,815	84,957
4.	DWRCBA	48,952	134,076	209,360	341,063
5.	Net Balances	104,586	216,472	302,158	576,189

↑
Trigger in
July

Any balance remaining in the URGBA at December 31, 2001 will be added to the next year's URGBA revenue requirement to either be returned to or recovered from customers.

IMPLEMENTATION OF NEW DEDICATED RATE COMPONENTS AND BALANCING ACCOUNTS

SCE will implement the four new balancing accounts and associated dedicated rate components effective April 1, 2001. In addition, transfers will be made from the re-stated TCBA to the new balancing accounts to reflect costs recorded from January 19, 2001 (the date that SCE terminated buying and selling generation from the PX) through March 31, 2001 and revenues associated with the one cent per kWh surcharge authorized beginning January 4, 2001. These transfers are necessary to ensure that going-forward URG costs and purchased power-related costs are matched with going-forward revenues in the appropriate balancing accounts. The balance remaining in the TCBA will be the sum of the re-stated balances in the TRA, TCBA, and Generation Memorandum Accounts as of January 18, 2001 calculated pursuant to D.01-03-082. SCE will maintain the re-stated TCBA balance (with accrued interest) consistent with D.01-03-082 until final disposition of it is determined through future legislative or regulatory actions.

OTHER TARIFF CHANGES

Because of the establishment of the four new balancing accounts, changes to the following tariffs are necessary:

- Preliminary Statement, Part R, Transition Revenue Account (TRA): The TRA is modified to determine the monthly amount of Available Generation Revenue;
- Preliminary Statement, Part JJ, Transition Cost Balancing Account (TCBA): The TCBA is modified to include the re-stated balances in the TRA, TCBA, and Generation Memorandum Accounts pursuant to D.01-03-082;⁵
- Preliminary Statement, Part N, Generation Memorandum Accounts: The Generation Memorandum Accounts are eliminated; and
- Preliminary statement, Part KK, Emergency Procurement Surcharge Balancing Account (EPSBA): Any credit balance that remains in the EPSBA as of March 31, 2001, will be allocated and transferred to the SCECBA, ASBA, and the DWRCBA, and the EPSBA is eliminated.⁶

EFFECTIVE DATE

This advice filing is made in compliance with D.01-03-081 and D.01-03-082 and will become effective on March 27, 2001, the effective date of these Decisions.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received by the Energy Division and SCE no later than 20 days after the date of this advice filing. Protests should be mailed to:

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

⁵ Preliminary Statement Part JJ, Transition Cost Balancing Account is being replaced in its entirety and is now only two (2) pages instead of ninety-three (93) pages.

⁶ Credit balances in the ESPBA are associated with procurement surcharge revenue and therefore should be allocated among those three balancing accounts.

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:

Donald A. Fellows
Manager of Revenue and Tariffs
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 303
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: lawlerem@sce.com

Bruce Foster
Vice President of Regulatory Operations
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
E-mail: fosterbc@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 list. Address change requests to the attached GO 96-A Service List should be directed to Emelyn Lawler at (626) 302-3985 (E-mail: Emelyn.Lawler@sce.com).

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.

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

Southern California Edison Company

Donald A. Fellows, Jr.

DAF:cd/eml
Enclosures

APPENDIX A
Southern California Edison Company
Estimated Residually Determined Generation Revenue And Estimated Costs
(Unless denoted otherwise, amounts are in thousands)

Line No.	Component	Twelve Month Forecast Period (Pro Forma - 2001)												
		January	February	March	April	May	June	July	August	September	October	November	December	Total
1.	Total Bundled Service Sales (Metered GWh)	5,678	5,713	6,165	5,958	6,304	6,593	7,026	7,762	7,103	7,147	6,250	6,252	77,951
2.	Procurement Surcharge (\$/MWh)	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
3.	Procurement Surcharge Revenue	(227,136)	(228,528)	(246,599)	(238,309)	(252,168)	(263,720)	(281,048)	(310,460)	(284,126)	(285,874)	(250,002)	(250,078)	(3,118,048)
4.	Generation Rate As of 1-05-01 (\$/MWh)	56.85	56.85	56.85	56.85	56.85	63.46	73.37	73.37	73.37	66.76	56.85	56.85	62.96
5.	Generation Rate Revenue	(322,817)	(324,795)	(350,479)	(338,696)	(358,394)	(418,379)	(515,512)	(569,461)	(521,158)	(477,138)	(355,315)	(355,423)	(4,907,568)
6.	Generation Rate + Procurement S (\$/MWh)	96.85	96.85	96.85	96.85	96.85	103.46	113.37	113.37	113.37	106.76	96.85	96.85	102.96
7.	Gross Generation Revenue	(549,953)	(553,323)	(597,077)	(577,005)	(610,562)	(682,099)	(796,560)	(879,921)	(805,284)	(763,012)	(605,317)	(605,501)	(8,025,616)
TRA Offsets														
8.	Franchise Fees and Uncollectibles	6,779	6,746	7,202	6,885	7,209	8,054	9,405	10,390	9,508	9,009	7,147	7,149	95,484
9.	RMR	3,296	3,296	3,296	3,296	3,296	3,296	3,296	3,296	3,296	3,296	3,296	3,296	39,551
10.	Restructuring Implementation	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	33,606
11.	Demand Responsiveness and Self Gen	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	38,400
12.	Remaining Transition Costs/Credits	7,266	7,236	7,205	7,174	7,143	7,112	7,081	7,050	7,019	6,988	6,957	6,926	85,157
13.	Imputed 10% Rate Reduction	(33,244)	(27,814)	(31,663)	(27,926)	(29,852)	(32,524)	(36,685)	(42,554)	(36,322)	(33,843)	(31,268)	(31,130)	(394,826)
14.	Imputed TTA	(30,157)	(22,637)	(26,571)	(21,369)	(24,313)	(29,005)	(29,254)	(37,448)	(30,544)	(26,960)	(23,893)	(22,897)	(325,048)
15.	Subtotal TRA Offsets	(40,060)	(27,172)	(34,531)	(25,940)	(30,516)	(37,067)	(40,156)	(53,266)	(41,042)	(35,510)	(31,761)	(30,656)	(427,675)
16.	Generation-Related Component	(590,013)	(580,495)	(631,608)	(602,945)	(641,077)	(719,166)	(836,717)	(933,187)	(846,326)	(798,522)	(637,078)	(636,157)	(8,453,291)
17.	Generation-Related Rate (\$/MWh)													10.84
Less:														
18.	<u>A. URGBA (TCBA Levels):</u>													
19.	Capital Related	78,114	77,840	77,448	77,055	76,664	76,273	75,887	75,495	75,105	74,714	74,322	73,930	912,847
20.	SONGS ICIP	23,921	20,904	23,145	22,369	23,145	24,696	46,289	46,289	44,824	46,289	44,781	46,246	412,898
21.	Other On-Going (PV, Coal, and Hydro)	34,832	33,709	34,404	29,119	33,620	34,000	36,044	37,073	35,800	34,819	36,974	37,184	417,578
22.	Subtotal URGBA	136,867	132,452	134,997	128,543	133,429	134,969	158,221	158,857	155,729	155,822	156,077	157,360	1,743,323
23.	<u>B. SCECBA:</u>													
24.	QF Payments:													
25.	QF Energy and Capacity Costs	346,626	357,620	288,288	262,418	260,134	249,320	377,478	417,600	426,854	393,960	205,645	205,326	3,791,269
26.	QF Buyouts	-	-	6,712	20,395	3,587	6,712	20,395	3,587	6,712	20,395	3,587	7,024	99,106
27.	Shareholder Incentives	-	-	-	-	-	-	-	-	-	-	-	-	-
28.	Scheduling, Dispatch & Admin	70	70	70	70	70	70	70	70	70	70	70	70	840
29.	Subtotal	346,696	357,690	295,070	282,883	263,791	256,102	397,943	421,257	433,636	414,425	209,302	212,420	3,891,215
30.	Bilateral Contract Costs:													
31.	Interutility Net Contract Costs	36,485	60,250	10,712	9,239	10,420	11,760	11,775	12,082	12,433	10,352	10,568	14,051	210,127
32.	Interutility Buyouts	-	-	-	-	-	-	-	-	-	-	-	-	-
33.	Scheduling, Dispatch & Admin	262	262	262	262	262	262	262	262	262	262	262	262	3,139
34.	BFM Contracts Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
35.	Bilateral Contract Costs	11,752	13,032	12,557	12,984	12,605	17,679	17,775	17,099	15,624	14,957	15,336	5,184	166,584
36.	Subtotal	48,499	73,544	23,531	22,485	23,287	29,701	29,812	29,443	28,319	25,571	26,166	19,497	379,850
37.	Subtotal SCECBA	395,195	431,234	318,601	305,368	287,078	285,803	427,755	450,700	461,955	439,996	235,468	231,917	4,271,065
38.	<u>C. ASBA:</u>													
39.	Ancillary Services (including GMC)	74,942	75,149	83,698	83,748	92,347	93,334	107,154	111,030	100,176	94,468	82,100	83,970	1,082,118
40.	SCE Procurement (Including Any Imbalance)	-	-	-	-	-	-	-	-	-	-	-	-	-
41.	Subtotal ASBA	74,942	75,149	83,698	83,748	92,347	93,334	107,154	111,030	100,176	94,468	82,100	83,970	1,082,118
42.	<u>D. DWRCBA:</u>													
43.	Payments To DWR	139,032	158,847	227,411	227,552	273,755	272,147	341,002	367,178	297,229	253,943	138,436	163,547	2,860,078
44.	Subtotal (A + B + C + D)	746,036	797,681	764,707	745,210	786,609	786,253	1,034,131	1,087,765	1,015,089	944,229	612,080	636,793	9,956,585
45.	Current Month (Over)/UnderCollection	156,023	217,186	133,098	142,266	145,532	67,087	197,415	154,578	168,763	145,707	(24,998)	636	1,503,294

ILLUSTRATIVE

APPENDIX B
Southern California Edison Company
Operation of Proposed Balancing Accounts 1/
(thousands of dollars)

Line No.	Component	2001										2002			Total
		April	May	June	July	August	September	October	November	December	January	February	March		
1.	Total Bundled Service Sales (Metered GWh)	5,958	6,304	6,593	7,026	7,762	7,103	7,147	6,250	6,252	5,678	5,713	6,165	77,951	
2.	<u>A. URGBA</u>														
3.	Beginning Balance	-	(4,710)	(12,316)	(24,895)	(23,943)	(38,836)	(42,184)	(46,435)	(30,344)	(12,922)	(3,092)	1,584	-	
4.	Transfer From TCBA	-	-	-	-	-	-	-	-	-	-	-	-	-	
5.	Adjusted Beginning Balance	-	(4,710)	(12,316)	(24,895)	(23,943)	(38,836)	(42,184)	(46,435)	(30,344)	(12,922)	(3,092)	1,584	-	
3.	Revenue:														
4.	Dedicated URGBA Generation Revenue (\$.0224/kWh)	(133,241)	(140,989)	(147,448)	(157,136)	(173,581)	(158,857)	(159,835)	(139,778)	(139,821)	(126,994)	(127,772)	(137,876)	(1,743,327)	
5.	Expenses:														
6.	URG Revenue Requirement	128,543	133,429	134,969	158,221	158,857	155,729	155,822	156,077	157,360	136,867	132,452	134,997	1,743,323	
7.	Monthly (Over)/UnderCollection	(4,697)	(7,560)	(12,479)	1,084	(14,723)	(3,128)	(4,012)	16,298	17,539	9,873	4,680	(2,879)	(4)	
8.	Interest (Assumes 6.5% Rate)	(13)	(46)	(101)	(132)	(170)	(219)	(239)	(207)	(117)	(43)	(4)	1	(1,290)	
9.	Ending Balance	(4,710)	(12,316)	(24,895)	(23,943)	(38,836)	(42,184)	(46,435)	(30,344)	(12,922)	(3,092)	1,584	(1,294)	(1,294)	
10.	<u>B. SCECBA</u>														
11.	Beginning Balance	-	39,163	44,670	35,983	150,169	255,024	401,240	524,272	483,083	438,025	582,151	761,634	-	
12.	Transfer From TCBA	-	-	-	-	-	-	-	-	-	-	-	-	-	
13.	Adjusted Beginning Balance	-	39,163	44,670	35,983	150,169	255,024	401,240	524,272	483,083	438,025	582,151	761,634	-	
11.	Revenue:														
12.	Dedicated SCECBA Generation Revenue (\$.0447/kWh)	(266,310)	(281,798)	(294,707)	(314,071)	(346,939)	(317,511)	(319,464)	(279,377)	(279,462)	(253,824)	(255,380)	(275,574)	(3,484,418)	
13.	Expenses:														
14.	URG Revenue Requirement	305,368	287,078	285,803	427,755	450,700	461,955	439,996	235,468	231,917	395,195	431,234	318,601	4,271,065	
15.	Monthly (Over)/UnderCollection	39,057	5,280	(8,905)	113,683	103,761	144,444	120,531	(43,910)	(47,546)	141,370	175,854	43,026	786,647	
16.	Interest (Assumes 6.5% Rate)	106	226	218	503	1,094	1,773	2,500	2,721	2,488	2,756	3,630	4,242	22,256	
17.	Ending Balance	39,163	44,670	35,983	150,169	255,024	401,240	524,272	483,083	438,025	582,151	761,634	808,902	808,902	

1/ Excludes Impact of Trigger Mechanism

ILLUSTRATIVE

APPENDIX B
Southern California Edison Company
Operation of Proposed Balancing Accounts 1/
(thousands of dollars)

Line No.	Component	2001									2002			Total
		April	May	June	July	August	September	October	November	December	January	February	March	
18.	<u>C. ASBA</u>													
19.	Beginning Balance	-	16,470	37,727	56,815	84,957	108,805	129,359	143,806	156,090	170,295	182,023	193,627	-
20.	Transfer From TCBA	-	-	-	-	-	-	-	-	-	-	-	-	-
21.	Adjusted Beginning Balance	-	16,470	37,727	56,815	84,957	108,805	129,359	143,806	156,090	170,295	182,023	193,627	-
19.	Revenue:													
20.	Dedicated ASBA Generation Revenue (\$.0113/kWh)	(67,322)	(71,237)	(74,501)	(79,396)	(87,705)	(80,266)	(80,759)	(70,626)	(70,647)	(64,166)	(64,559)	(69,664)	(880,848)
21.	Expenses:													
22.	URG Revenue Requirement	83,748	92,347	93,334	107,154	111,030	100,176	94,468	82,100	83,970	74,942	75,149	83,698	1,082,118
23.	Monthly (Over)/UnderCollection	16,426	21,110	18,833	27,758	23,325	19,911	13,708	11,474	13,323	10,777	10,590	14,034	201,270
24.	Interest (Assumes 6.5% Rate)	44	146	255	383	523	643	738	810	882	952	1,015	1,087	7,478
25.	Ending Balance	16,470	37,727	56,815	84,957	108,805	129,359	143,806	156,090	170,295	182,023	193,627	208,748	208,748
26.	<u>D. DWRCBA</u>													
27.	Beginning Balance	-	48,952	134,076	209,360	341,063	477,607	564,557	607,260	561,351	540,314	511,836	502,025	-
28.	Transfer From TCBA	-	-	-	-	-	-	-	-	-	-	-	-	-
29.	Adjusted Beginning Balance	-	48,952	134,076	209,360	341,063	477,607	564,557	607,260	561,351	540,314	511,836	502,025	-
27.	Revenue:													
28.	Dedicated DWRCBA Generation Revenue (\$.03/kWh)	(178,732)	(189,126)	(197,790)	(210,786)	(232,845)	(213,095)	(214,406)	(187,502)	(187,559)	(170,352)	(171,396)	(184,949)	(2,338,536)
29.	Expenses:													
30.	URG Revenue Requirement	227,552	273,755	272,147	341,002	367,178	297,229	253,943	138,436	163,547	139,032	158,847	227,411	2,860,078
31.	Monthly (Over)/UnderCollection	48,820	84,629	74,357	130,216	134,333	84,135	39,538	(49,065)	(24,012)	(31,320)	(12,549)	42,462	521,543
32.	Interest (Assumes 6.5% Rate)	132	494	928	1,487	2,211	2,815	3,165	3,156	2,976	2,842	2,738	2,834	25,779
33.	Ending Balance	48,952	134,076	209,360	341,063	477,607	564,557	607,260	561,351	540,314	511,836	502,025	547,322	547,322

1/ Excludes Impact of Trigger Mechanism

Appendix C

Tariffs

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 28965-E Revised 28966-E	Preliminary Statement Part N Preliminary Statement Part N	Revised 27601-E Revised 24197-E* Revised 23216-E*
Revised 28967-E	Preliminary Statement Part N	Revised 26486-E Revised 27036-E
Revised 28968-E	Preliminary Statement Part N	Revised 24199-E*
Revised 28969-E	Preliminary Statement Part N	Original 23220-E thru 23223-E Revised 24200-E* Revised 26487-E, 26488-E
Revised 28970-E Revised 28971-E Revised 28972-E	Preliminary Statement Part R Preliminary Statement Part R Preliminary Statement Part R	Revised 28255-E* Revised 28256-E* Revised 28257-E*
Revised 28973-E	Preliminary Statement Part JJ	Revised 23229-E
Revised 28974-E	Preliminary Statement Part JJ	Revised 23230-E* thru 23239-E Revised 23240-E Revised 23241-E thru 23321-E
Revised 28975-E	Preliminary Statement Part KK	Original 28258-E Original 28259-E
Original 28976-E Original 28977-E Original 28978-E Original 28979-E	Preliminary Statement Part MM Preliminary Statement Part MM Preliminary Statement Part MM Preliminary Statement Part MM	
Original 28980-E Original 28981-E Original 28982-E Original 28983-E Original 28984-E Original 28985-E Original 28986-E Original 28987-E Original 28988-E Original 28989-E Original 28990-E Original 28991-E Original 28992-E Original 28993-E Original 28994-E Original 28995-E Original 28996-E Original 28997-E Original 28998-E Original 28999-E Original 29000-E Original 29001-E Original 29002-E Original 29003-E Original 29004-E Original 29005-E Original 29006-E	Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN Preliminary Statement Part NN	

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Original 29007-E Original 29008-E	Preliminary Statement Part OO Preliminary Statement Part OO	
Original 29009-E Original 29010-E	Preliminary Statement Part PP Preliminary Statement Part PP	
Original 29011-E	Preliminary Statement Part QQ	
Revised 29012-E Revised 29013-E	Table of Contents Table of Contents	Revised 28661-E Revised 28662-E

PRELIMINARY STATEMENT

Sheet 3

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

2. Definitions. (Continued)

Specified Project (Continued)

<u>Section No.</u>	<u>Specified Project</u>	<u>Interest Bearing Memorandum Account*</u>
(34)	SONGS 2&3 Permanent Closure Memorandum Account	Yes
(35)	SONGS 2&3 Property Tax Memorandum Account	Yes
(36)	Palo Verde Permanent Closure Memorandum Account	Yes
(37)	California Public Utilities (PU) CODE "SECTION 376" - CTC Displacement Tracking Memorandum Account	Yes
(38)	California Public Utilities (PU) CODE "SECTION 381 (d)" - Renewable Program Tracking Memorandum count	No
(39)	Rate Group Tracking Memorandum Account	No
(40)	Not Used	
(41)	Not Used	
(42)	Not Used	
(43)	Not Used	
(44)	Increased Return on Equity on Divestiture Memorandum Account	Yes
(45)	Deemed Fossil Inventory Memorandum Account	Yes
(46)	Jurisdictional Allocation Memorandum Account	Yes
(47)	Non-nuclear Generation Capital Additions (NGCA) Memorandum Account	Yes
(48)	Transmission Revenue Requirement Reclassification Memorandum Account (TRRRMA)	Yes
(49)	Santa Catalina Island Diesel Fuel (SCIDF) Memorandum Account	Yes
(50)	Streamlining Residual Memorandum Account (SRA)	Yes
(51)	ISO/PX Implementation Delay Memorandum Account	Yes
(52)	Direct Access Discretionary Services Costs (DADSC) Memorandum Account (DADSC Memorandum Account)	Yes
(53)	Affiliate Transfer Fee Memorandum Account	Yes
(54)	Fuel Oil Inventory Memorandum Account (FOIMA)	Yes
(55)	Energy Efficiency DSM (EEDSM) Memorandum Account	Yes
(56)	Block-Forward Market Memorandum Account (BFMMA)	Yes
(57)	Power Exchange Credit Audit Memorandum Account (PXCA Memorandum Account)	Yes
(58)	Interim Power Exchange Market Clearing Price (IPXMCP) Memorandum Account	Yes
(59)	Hourly Pricing Implementation Cost (HPIC) Memorandum Account	Yes
(60)	Voluntary Power Reduction Credit Memorandum Account (VPRCMA)	Yes
(61)	Applicant Installed Trench Inspection Memorandum Account (AITIMA)	No
(62)	Air Conditioner Cycling Memorandum Account (ACCMA)	Yes
(63)	Short-Term Generation Capacity Memorandum Account (STGCMA)	Yes**
(64)	Near-Term Bilateral Contracts (NTBC) Memorandum Account	Yes
(65)	Nuclear Claims Memorandum Account (NCMA)	Yes

(T) (D)
 | |
 (T) (D)

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

** Interest shall accrue monthly to credit balances only. See specific memorandum accounts for more information.

(Continued)

(To be inserted by utility)

Advice 1534-E
 Decision 01-03-081
3W19 01-03-082

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Date Filed Apr 11, 2001
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 Resolution _____



Southern California Edison
 Rosemead, California

Revised Cal. PUC Sheet No. 28966-E
 Cancelling Revised Cal. PUC Sheet No. 24197-E*
 23216-E*

PRELIMINARY STATEMENT

Sheet 60

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

40. Not in Use

(T)(D)

(Continued)

(To be inserted by utility)

Advice 1534-E
 Decision 01-03-081
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Revised Cal. PUC Sheet No. 28967-E
 Cancelling Revised Cal. PUC Sheet No. 26486-E

PRELIMINARY STATEMENT

Sheet 62

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

41. Not in Use

(T)(D)

(Continued)

(To be inserted by utility)

Advice 1534-E
 Decision 01-03-081
 62W20 01-03-082

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Revised Cal. PUC Sheet No. 28968-E
Cancelling Revised Cal. PUC Sheet No. 24199-E*
Original 23220-E-23223-E

PRELIMINARY STATEMENT

Sheet 64

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

42. Not in Use

(T) (D)

(Continued)

(To be inserted by utility)

Advice 1534-E
Decision 01-03-081
64W23 01-03-082

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Southern California Edison
Rosemead, California

Revised Cal. PUC Sheet No. 28969-E
Cancelling Revised Cal. PUC Sheet No. 24200-E*
26487-E, 26488-E

PRELIMINARY STATEMENT

Sheet 69

(Continued)

N. MEMORANDUM ACCOUNTS (Continued)

43. Not in Use

(T) (D)

(Continued)

(To be inserted by utility)

Advice 1534-E

Decision 01-03-081

69W19 01-03-082

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Senior Vice President

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Resolution _____



PRELIMINARY STATEMENT

Sheet 1

R. TRANSITION REVENUE ACCOUNT (TRA)

1. Purpose:

The purpose of the Transition Revenue Account (TRA) is to match the amount of billed revenues against the amount of the separated revenue, revenue requirement and Commission-approved obligations. This matching process facilitates determination of the recorded Total Available Generation Revenue. Any difference between the recorded Total Available Generation Revenue and the sum of the recorded Dedicated Generation Revenue in the SCECBA, the ASBA, and the DWRCBA is to be allocated and recorded in each of those three ratemaking mechanisms each month. (D) (C) (C) (D)

2. Applicability:

This TRA provision applies to all bills for service under all rate schedules and contracts for electric service subject to the jurisdiction of the Commission, except for those specifically excluded by the Commission. (D) (T)

3. Revision Dates:

The TRA Separated Revenue Requirement Amounts are revised annually on January 1, or as authorized by the Commission.

(Continued)

(To be inserted by utility)

Advice 1534-E
Decision 01-03-081
1W20 01-03-082

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(To be inserted by Cal. PUC)

Date Filed Apr 11, 2001
Effective _____
Resolution _____



PRELIMINARY STATEMENT

Sheet 2

(Continued)

R. TRANSITION REVENUE ACCOUNT (TRA) (Continued)

- 4. Accounting Procedures: (T)
(D)
 - a. A debit entry equal to the recorded revenue from residential and Small Commercial customers from the Fixed Transition Amount Charge (FTAC), as provided for in Decision 97-09-056.
 - b. A credit entry equal to the amount of total recorded CPUC-jurisdictional revenue from the sale and/or delivery of electricity during the month including surcharge revenue. (C)
 - c. A debit entry equal to the Transmission TRA Separated Revenues, based upon rates approved by the Federal Energy Regulatory Commission (FERC). (D)
 - d. A debit entry equal to the Distribution PBR-related TRA Separated Revenues. (D)
 - e. A debit entry equal to the annual applicable Distribution PBR Exclusions TRA Separated Revenue Requirement Amount divided by twelve. In determining this debit entry, the monthly billed revenue associated with both Distribution PBR Exclusions and the CARE discount provided to customers has been subtracted from total Distribution TRA Separated Revenues.
 - f. A debit entry equal to the annual applicable Nuclear Decommissioning TRA Separated Revenue Requirement Amount divided by twelve.
 - g. A credit entry equal to the amount of Shareholder Participation as defined in Section 5. (C)
(C)
 - h. A debit entry equal to the internally managed costs subject to the cap limitations set forth in Decision Nos. 99-09-064 and 99-12-032 for electric industry restructuring and the dollar for dollar recovery of externally managed costs for electric industry restructuring. (C)
|
|
(C)
 - i. A debit entry equal to the amount of Franchise Fees and Uncollectibles associated with the sum of SCE's total amount of billed revenues, including surcharge revenue, plus the amount of Direct Access Credit, using the most current CPUC-authorized factor. (C)
|
|
(C)
 - j. A debit entry equal to the Employee-related costs (per AB 1890, Section 375). (C)
 - k. A debit entry equal to Generation-related Regulatory Assets as defined in D.97-11-074. (C)
(D)
 - l. A debit entry equal to the Reliability Services cost billed by the ISO. (N)

(Continued)

(To be inserted by utility)

Advice 1534-E
 Decision 01-03-081
 2W20 01-03-082

Issued by
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Date Filed Apr 11, 2001
 Effective _____
 Resolution _____



PRELIMINARY STATEMENT

Sheet 3

(Continued)

R. TRANSITION REVENUE ACCOUNT (TRA) (Continued)

4. Accounting Procedures: (Continued) (T)

m. A debit entry equal to the loss amortization associated with gas-fired fossil station divestiture. (C)
(C)

n. A credit entry equal to the imputed 10 percent discount to residential and Small Commercial customers (through December 31, 2001). (N)

o. A credit entry equal to the recorded Trust Transfer Amount revenue (through December 31, 2001). (N)

p. Other adjustments as authorized by the CPUC. (N)

Each month, if the sum of items 4.a through 4.p above equals the recorded Total Available Generation Revenue. (C)
(C)

The difference between the Total Available Generation Revenue and the sum of the recorded Dedicated Generation Revenue in the SCECBA, the ASBA, and the DWRCBA shall be allocated and recorded in each of those three ratemaking mechanisms based on the ratio of the recorded costs in those three ratemaking mechanisms. (N)
|
(N)

5. Shareholder Participation: (T)

Decision 96-08-025 requires SCE's shareholders to share a portion of any Net Incremental Revenue Change associated with business attraction and expansion Flexible Pricing Options (FPOs) with ratepayers. SCE maintains the Optional Pricing Adjustment Clause (OPAC), as set forth in Part P of the Preliminary Statement associated with Commission approved FPOs. The OPAC Balancing Account balance shall be made available for Commission review in the annual Revenue Adjustment Proceeding (RAP). Upon Commission approval, SCE shall transfer the balance to the TRA (as identified in 4.g. above). (T)
(T)
(T)
(T)
(T)

(Continued)

(To be inserted by utility)

Advice 1534-E
Decision 01-03-081
3W19 01-03-082

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(To be inserted by Cal. PUC)

Date Filed Apr 11, 2001
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Resolution _____



PRELIMINARY STATEMENT

Sheet 1

JJ. TRANSITION COST BALANCING ACCOUNT

1. Purpose:

The purpose of the Transition Cost Balancing Account ("TCBA") is to account for the net undercollection as of January 18, 2001, due to the restatement of the Transition Revenue Account (TRA), the Independent System Operator (ISO) Revenue, Power Exchange (PX) Revenue, the Unavoidable Fuel Contract Costs and the Hydro Generation Memorandum Accounts pursuant to D.01-03-082. (C)

The TCBA shall include the following accounts: (D)

- a. Revenue Account: (L) (T)
- b. Current Costs (Category I) Account (D)
- c. Accelerated Costs (Category II) Account
- d. Post 2001 Eligible Costs (Category III) Account

(L)

(Continued)

(To be inserted by utility)

Advice 1534-E
Decision 01-03-081
1W14 01-03-082

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Date Filed Apr 11, 2001
Effective _____
Resolution _____



PRELIMINARY STATEMENT

Sheet 2

(Continued)

JJ. TRANSITION COST BALANCING ACCOUNT (Continued)

2. Revenue Account

(D)
(L) (T)

Purpose:

The purpose of the CTC Revenue Account is to account for generation related revenues recorded from January 1, 1998 through January 18, 2001.

(C)
(L) (C)

3. Current Costs (Category I) Account

(N)

Purpose:

The purpose of the Current Costs Account is to account for current costs recorded from January 1, 1998 through January 18, 2001.

4. Accelerated Costs (Category II) Account

The purpose of the Accelerated Costs Account is to account for accelerated costs recorded from January 1, 1998 through January 18, 2001.

5. Post 2001 Eligible Costs (Category III) Account

Purpose:

The purpose of the Post 2001 Eligible Costs Account is to account for post 2001 eligible costs recorded from January 1, 1998 through January 18, 2001.

(N)

Interest shall accrue by applying the Interest Rate to the average of the beginning and ending balances of the CTC Revenue Account, Current Costs (Category I) Account, excluding the Regulatory Asset Subaccount balance, the Accelerated Costs (Category II) Account and the Post 2001 Eligible Costs (Category III) Account summed together.

(L) (T)
|
(L) (T)

Disposition of the net TCBA undercollection shall be determined by the Commission.

(N)

(D)

(To be inserted by utility)

Advice 1534-E
Decision 01-03-081
2W21 01-03-082

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(To be inserted by Cal. PUC)

Date Filed Apr 11, 2001
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Southern California Edison
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Revised Cal. PUC Sheet No. 28975-E
 Cancelling Original Cal. PUC Sheet No. 28258-E
 28259-E

PRELIMINARY STATEMENT

Sheet 1

KK. Not in Use

(T) (D)

(Continued)

(To be inserted by utility)

Advice 1534-E
 Decision 01-03-081
 1W16 01-03-082

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(To be inserted by Cal. PUC)

Date Filed Apr 11, 2001
 Effective _____
 Resolution _____



PRELIMINARY STATEMENT

Sheet 1

MM. SCE CONTRACTS BALANCING ACCOUNT

1. Purpose:

The purpose of the SCE Contracts Balancing Account (SCECBA) is to record revenues and costs associated with SCE's (1) Qualifying Facilities (QF) contracts; and (2) existing interutility contracts, bilateral contracts and block forward market contracts. The SCECBA shall include the following accounts in order to track the above costs:

- a. Revenue Account;
- b. QF Contracts Account; and
- c. Other Purchased Power Contracts Account

2. Definitions:

a. Effective Date

The effective date of this tariff is April 1, 2001.

b. Interest Rate

The Interest Rate shall be 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3 months), published in the Federal Reserve Statistical Release, G.13. Should publication of the interest rate on Commercial Paper (prime, 3 months) be discontinued, interest shall so accrue at the rate of 1/12 of the most recent month's interest rate on Commercial Paper which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, G.13., or its successor publication.

c. SCECBA Dedicated Rate

The SCECBA Dedicated Rate is that portion of the generation rate allocated to the SCECBA. The SCECBA initial dedicated rate shall be set at 4.47 cents per kWh.

The SCECBA dedicated rate shall be updated through the operation of the Generation Rate Trigger Mechanism or other applicable Commission proceeding.

d. Dedicated SCECBA Generation Revenues

Dedicated revenues equal the dedicated SCECBA rate times the recorded bundled service metered sales.

e. Transfer from Transition Cost Balancing Account (TCBA)

Costs recorded in the TCBA from January 19, 2001 through March 31, 2001 shall be transferred to the SCECBA as of the Effective Date.

(Continued)

(To be inserted by utility)

Advice 1534-E
 Decision 01-03-081
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Southern California Edison
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Original
Cancelling

Cal. PUC Sheet No. 28976-E
Cal. PUC Sheet No.

PRELIMINARY STATEMENT

Sheet 1

(Continued)

(To be inserted by utility)

Advice 1534-E

Decision 01-03-081

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Date Filed Apr 11, 2001

Effective _____

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PRELIMINARY STATEMENT

Sheet 2

(Continued)

MM. SCE CONTRACTS BALANCING ACCOUNT (SCECBA) (Continued)

3. Operation of the SCECBA

a. Entries to the Revenue Account shall be made as follows:

- (1) Credit amount equal to recorded SCECBA Dedicated Generation Revenues;
- (2) Credit or debit amount equal to allocated revenues as determined in the Transition Revenue Account (TRA);
- (3) The sum of "(1)" And "(2)" Above equals the amount to be credited to the Revenue Account.

b. Entries to the QF Account shall be made monthly as follows:

- (1) Recorded QF payments by SCE relating to Standard Offer Nos. 1, 2, and 3, Interim Standard Offer No. 4 and Non-Standard Contracts;
- (2) Plus: Recorded QF costs associated with Commission approved restructuring of existing QF contracts through bilateral negotiations between utilities and QFs. These costs include all costs associated with the buy-out, buy-down, or renegotiation of existing QF contracts;
- (3) Plus: Recorded Commission approved shareholder incentive for utilities to restructure QF contracts;
- (4) Plus: Recorded costs associated with QF disputes and litigation that result in settlement payments or increased QF payment costs for SCE;
- (5) Plus: Recorded administrative costs, and scheduling and dispatch costs associated with QF contracts to the extent these costs are not recovered elsewhere;
- (6) Plus: Cost of Firm Transmission Right acquisitions;
- (7) Less: Recorded refunds received as a result of QF disputes and litigation;
- (8) Less: Recorded congestion revenue received as the result of SCE holding Firm Transmission Rights or revenues received from the resale of Firm Transmission Rights;
- (9) The sum of "1." through "8." above equals the amount to be debited to the QF Contracts Account.

(Continued)

(To be inserted by utility)

Advice 1534-E
 Decision 01-03-081
 2W22 01-03-082

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(To be inserted by Cal. PUC)

Date Filed Apr 11, 2001
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PRELIMINARY STATEMENT

Sheet 3

(Continued)

MM. SCE Contracts Balancing Account (SCECBA) (Continued)

3. Operation of the SCECBA (Continued)

c. Entries to the Other Purchased Power Account shall be made monthly as follows:

- (1) Recorded Interutility Contract power purchase payments for both capacity and energy components on unavoidable purchase and must-take obligations;
- (2) Plus: Power purchase payments for both Discretionary Energy purchases and purchases of Differential Energy in accordance with the Integrated Operating Agreements (IOAs);
- (3) Plus: Recorded cost of energy returned (delivered) pursuant to Interutility Contracts and IOAs;
- (4) Plus: Recorded costs, such as ancillary service costs, attributable to operating the Interutility Contracts through the ISO, or other CPUC-approved entity;
- (5) Plus: Recorded costs associated with agreements which are auxiliary to the Interutility Contracts, such as cost sharing agreements for environmental studies;
- (6) Recorded costs associated with the buy-out, buy-down, or renegotiation of Interutility Contracts or IOAs;
- (7) Plus: Recorded administrative costs, and scheduling and dispatch costs associated with Interutility contracts to the extent these costs are not recovered elsewhere;
- (8) Less: Recorded value associated with receiving energy pursuant to Interutility Contracts;
- (9) Less: Recorded revenue for discretionary purchases of Discretionary Energy by the ISO or other CPUC-approved entity;
- (10) Less: Recorded revenue for differential energy sold pursuant to the IOA;
- (11) Less: Recorded revenue from power provided under the Interutility Contracts;

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Sheet 4

(Continued)

MM. SCE CONTRACTS BALANCING ACCOUNT (SCECBA) (Continued)

3. Operation of the SCECBA (Continued)

c. Entries to the Other Purchased Power Account shall be made monthly as follows: (Continued)

(12) Plus: Recorded costs associated with bilateral contracts, including administration, scheduling and dispatch costs, and generation-related congestion fees, to the extent that such costs are not recovered elsewhere; and

(13) Plus: Recorded costs associated with block-forward market contracts, including administration, scheduling and dispatch costs, and generation-related congestion fees, to the extent that such costs are not recovered elsewhere.

(14) The sum of "1." through "13." above equals: the amount to be debited to the Other Purchased Power Account.

If the calculations above result in a negative amount (overcollection), such amount shall be credited to the SCECBA.

If the calculations above result in a positive amount (undercollection), such amount shall be debited to the SCECBA.

Interest shall accrue monthly to the SCECBA by applying the Interest Rate to the average of the beginning and ending monthly balance.

See Preliminary Statement QQ for a discussion on the trigger mechanism.

(Continued)

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PRELIMINARY STATEMENT

Sheet 1

NN UTILITY RETAINED GENERATION BALANCING ACCOUNT

1. Purpose:

The purpose of the Utility Retained Generation Balancing Account (URGBA) is to record capital-related costs and operating costs associated with SCE-Owned Generation. The URGBA shall include the following accounts:

- URGBA Revenue Account
- SONGS 2&3 Account;
- Palo Verde Account;
- Mohave Account;
- Four Corners Account;
- Pebbly Beach Account; and
- Hydro Account.

2. Definitions

a. Effective Date

The Effective Date of this tariff shall be April 1, 2001.

b. Interest Rate

The Interest Rate shall be 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3 months), published in the Federal Reserve Statistical Release, G.13. Should publication of the interest rate on Commercial Paper (prime, 3 months) be discontinued, interest shall so accrue at the rate of 1/12 of the most recent month's interest rate on Commercial Paper which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, G.13., or its successor publication.

c. URGBA Dedicated Rate

The URGBA Dedicated Rate is that portion on the generation rate allocated to URGBA. The URGBA initial dedicated rate shall be set at 1.80 cents per kWh.

The URGBA dedicated rate shall be updated by either the operation of the Trigger mechanism or in an annual Commission proceeding.

d. URGBA Dedicated Generation Revenue

Recorded revenue equal to the Dedicated URGBA rate times the recorded bundled customer services metered load.

(Continued)

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(Continued)

NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

2. Definitions (Continued)

e. Reduced Rate of Return

The reduced rate of return for nuclear facilities pursuant to D.96-04-059 and D.96-12-083 is as follows:

Nuclear Rate of Return

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
	(1)	(2)	(3)=(1) x (2)
Long-term Debt	46.25%	7.78%	3.60%
Preferred Stock	6.00%	6.86%	0.41%
Common Equity	47.75%	90% x 7.78% = 7.00%	<u>3.34%</u>
Nuclear Rate of Return			<u>7.35%</u> =====

The reduced rate of return for hydro and fossil facilities pursuant to D.97-11-074 is as follows:

Fossil & Hydro Rate of Return
D.97-11-074

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
	(1)	(2)	(3)=(1) x (2)
Long-term Debt	47.00%	7.64%	3.59%
Preferred Stock	5.00%	6.62%	0.33%
Common Equity	48.00%	90% x 7.64% = 6.88%	<u>3.30%</u>
Fossil & Hydro Rate of Return			<u>7.22%</u> =====

f. SCE-Owned Generation

SCE-Owned Generation are those electric generation-related facilities in which SCE has an ownership interest. Such facilities include, but are not limited to, the: (1) San Onofre Generating Station Unit Nos. 2 & 3 (SONGS 2&3); (2) Palo Verde Nuclear Generating Station (Palo Verde); (3) Mohave Generating Station (Mohave); (4) Four Corners Generating Station (Four Corners); (5) Pebbly Beach Generating Station (Pebble Beach); and (6) Hydroelectric Generating facilities (Hydro).

(Continued)

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Sheet 3

(Continued)

NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

2. Definitions (Continued)

g. Effective Date Adjustments

Costs recorded in the TCBA from January 19, 2001 through March 31, 2001 shall be transferred to the URGBA as of the Effective Date:

3. Operation of the URGBA

Monthly entries in the following accounts shall be summed to arrive at the total monthly debit or credit to the URGBA:

- URGBA Revenue Account
- SONGS 2&3 Account;
- Palo Verde Account;
- Mohave Account;
- Four Corners Account;
- Pebbly Beach Account; and
- Hydro Account.

Interest shall accrue monthly to the URGBA by applying the interest rate to the average of the beginning and ending monthly balance.

a. URGBA Revenue Account

(1) Purpose:

The purpose of the URGBA Revenue Account is to record revenues associated with SCE owned generation.

(2) Entries to the URGBA Revenue Account shall be made monthly as follows:

- (a) Recorded dedicated URGBA generation revenues
- (b) Plus: authorized generation-related other operating revenues, Yuma-Avis credit and customers' share of SCE Pipeline and Terminal Company (EPTC) net revenues;
- (c) The sum of "a." and "b." above equals the amount to be credited to the URGBA Revenue Account.

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Sheet 4

(Continued)

NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

b. SONGS 2&3 Account

(1) Purpose:

The purpose of the SONGS 2&3 Account of the URGBA is to record, on a monthly basis, capital-related costs and operating costs associated with SCE's ownership share of SONGS 2&3.

(2) Notice and Reasonableness Review

In the event SONGS 2 and/or 3 permanently close or discontinue operation for a period of nine or more consecutive months prior to January 1, 2002, SCE shall immediately notify the Commission as set forth in P.U. Code § 455.5(b). The reasonableness of any costs related to such unit(s) shall be reviewed by the Commission under, P.U. Code § 455.5 in whichever of the two following events occur first:

(a) A proceeding to be initiated by SCE within 45 days of a permanent shutdown decision.

(b) In an investigation initiated by the Commission within 45 days of receiving the notification specified in P.U. Code § 455.5(b).

Review of the reasonableness of any costs will be applied retroactively to the date of unit(s) shutdown.

(3) Entries:

Entries to the SONGS 2&3 Account shall be made monthly as follows:

(a) Amortization expense associated with the sunk cost investment as defined in D.96-04-059 and based on P.U. Code Section 367 (a);

(b) plus: taxes based on income including all appropriate income tax-related adjustments, deferred income tax expense, and any other federal, state, or local taxes imposed;

(c) plus: return on SONGS 2&3 rate base, which shall be computed using 1/12 of the annual authorized reduced rate of return for such generation assets pursuant to D.96-04-059;

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

b. SONGS 2&3 Account (Continued)

(3) Entries: (Continued)

(d) plus: the SONGS 2&3 Incremental Cost Incentive Procedure (ICIP) costs (as detailed below);

(e) equals: the monthly amount to be debited to the SONGS 2&3 Account.

(4) SONGS 2&3 ICIP Mechanism

The SONGS 2&3 ICIP mechanism, as adopted by the CPUC in D.96-04-059 and D.97-11-076, allows for the cost recovery of certain generation-related costs based upon actual SONGS 2&3 generation and a pre-established cents/kWh.

(a) SONGS 2&3 ICIP Definitions:

(i) Ownership Share:

The Ownership Share is 75.05% for SONGS 2 and SONGS 3.

(ii) Positive Net Transmitted Generation:

For purposes of calculating Monthly Recorded ICIP Revenue Requirement for SONGS 2 or SONGS 3, the term "positive Net Transmitted Generation" is defined as the net transmitted power delivered to the grid from SONGS 2 or SONGS 3.

(iii) Negative Net Transmitted Generation:

For purposes of calculating Monthly Recorded ICIP Revenue Requirement for SONGS 2 or SONGS 3, the term "negative Net Transmitted Generation" is defined as the SONGS 2 or SONGS 3 loads consumed in support of the generating units during that period of time commencing at the moment the SONGS 2 or SONGS 3 generation breakers are opened and the unit generator is no longer synchronized to the grid, and continuing until the breakers are closed and the unit generator is synchronized to the grid.

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

b. SONGS 2&3 Account (Continued)

(4) SONGS 2&3 ICIP Mechanism (Continued)

(a) SONGS 2&3 ICIP Definitions: (Continued)

(iv) SONGS Site Load:

For purposes of determining monthly recorded SONGS 2 or SONGS 3 Net Transmitted Generation, SONGS Site Load is the total amount of energy used at facilities and buildings located on the SONGS nuclear generation site, but not physically a part of the generation plant. Eight percent (8%) of SONGS Site Loads is allocated to SONGS 1. The remaining ninety-two percent (92%) is allocated equally between SONGS 2 and SONGS 3, respectively.

(v) Annual ICIP Factor:

Continuing through December 31, 2003, SCE will apply the Annual ICIP Factors to monthly recorded SONGS 2&3 Net Transmitted Generation pursuant to the Table below. SONGS 2&3 Annual ICIP Factors do not include a provision for FF&U.

SONGS 2&3 Annual ICIP Factors
(2001-2003)

<u>Year</u>	<u>(cents/kWh)</u>
2001	4.10
2002	4.15
2003	4.15

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

b. SONGS 2&3 Account (Continued)

(4) SONGS 2&3 ICIP Mechanism (Continued)

(a) SONGS 2&3 ICIP Definitions: (Continued)

(vi) ICIP Time-Differentiation Factors:

The Annual ICIP Factor will be time-differentiated to reflect the benefit of increased SONGS 2&3 Net Transmitted Generation during the Company's summer peak load periods. The Annual ICIP Factor will be multiplied by the following ICIP Time-Differentiation Factors.

(a) The ICIP Time-Differentiation Factor is equal to 1.20 for the first 856,000,000 kWh of SONGS 2 Net Transmitted Generation (1,070 MW times 800 hours) and the first 864,000,000 kWh of SONGS 3 Net Transmitted Generation (1,080 MW times 800 hours) during the period of 10:00 a.m. through 10:00 p.m. for each day, Monday through Friday, during the period June 1 through September 30;

(b) The ICIP Time-Differentiation Factor is equal to 0.80 for the first 856,000,000 kWh of SONGS 2 Net Transmitted Generation (1,070 MW times 800 hours) and the first 864,000,000 kWh of SONGS 3 Net Transmitted Generation (1,080 MW times 800 hours) during periods not covered by (a) above;

(c) The ICIP Time-Differentiation Factor is equal to 1.00 for SONGS 2 Net Transmitted Generation and SONGS 3 Net Transmitted Generation not covered by (a) and (b) above.

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

b. SONGS 2&3 Account (Continued)

(4) SONGS 2&3 ICIP Mechanism (Continued)

(a) SONGS 2&3 ICIP Definitions: (Continued)

(vii) Net Transmitted Generation:

For purposes of determining recorded SONGS 2&3 kWh production, SONGS 2 Net Transmitted Generation and SONGS 3 Net Transmitted Generation will be determined separately pursuant to the following calculations:

- (a) Net Generation (positive or zero) as measured from the main transformers;
- (b) Less: Reserve auxiliary transformer loads;
- (c) Less: Energy imported through the main transformers (only during periods of unit(s) shutdown);
- (d) Less: One-half of the portion of the energy for SONGS Site Loads allocated to SONGS 2&3. SONGS 1 site loads and the portion of the energy for SONGS Site Loads allocated to SONGS 1 shall be excluded;
- (e) Equals: Positive Net Transmitted Generation or Negative Net Transmitted Generation, as applicable;
- (f) The result of "(e)" multiplied by the Ownership Share.

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

b. SONGS 2&3 Account (Continued)

(4) SONGS 2&3 ICIP Mechanism (Continued)

(a) SONGS 2&3 ICIP Definitions: (Continued)

(viii) Monthly Recorded SONGS 2&3 ICIP Revenue Requirement:

Monthly Recorded ICIP Revenue Requirement for SONGS 2 or SONGS 3 is the sum of the SONGS 2 and SONGS 3 Monthly Recorded ICIP Revenue Requirement, adjusted by the applicable 0.80, 1.00, and 1.20 Time Differentiated ICIP Factors. The following calculations are applied to both SONGS 2 and SONGS 3:

(ix) Monthly Recorded ICIP Revenue Requirement for Positive Net Transmitted Generation:

When the SONGS 2 or SONGS 3 generation breakers are closed and the unit generator is synchronized to the grid ("positive" SONGS 2 or SONGS 3 Net Transmitted Generation):

(a) Recorded SONGS 2 or SONGS 3 Net Transmitted Generation multiplied by Ownership Share;

(b) Multiplied by: the SONGS 2&3 Annual ICIP Factor;

(c) Multiplied by: the SONGS 2&3 ICIP Time Differentiation Factor(s) as defined herein for the applicable kWh, and time period during the calendar year;

(d) The result of "(a)" through "(c)" above equals the SONGS 2 or SONGS 3 Monthly Recorded ICIP Revenue Requirement for positive generation.

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

b. SONGS 2&3 Account (Continued)

(4) SONGS 2&3 ICIP Mechanism (Continued)

(a) SONGS 2&3 ICIP Definitions: (Continued)

(x) Monthly Recorded ICIP Revenue Requirement for Negative Net Transmitted Generation:

During a period when SONGS 2 or SONGS 3 generator is not synchronized to the grid, (i.e., SONGS 2 or SONGS 3 Net Transmitted Generation is negative):

(a) Recorded SONGS 2 or SONGS 3 Net Transmitted Generation multiplied by Ownership Share;

(b) Multiplied by: the SONGS 2&3 Annual ICIP Factor;

(c) The result of "(b)" equals the SONGS 2 or SONGS 3 Monthly Recorded ICIP Revenue Requirement for negative generation.

(xi) SONGS 2&3 Corporate A&G Expenses:

SONGS 2&3 Corporate Administrative and General (A&G) Expenses are certain expenses allocable to SONGS 2&3 pursuant to D.97-08-056 (Ratesetting). SONGS 2&3 Corporate A&G Expenses shall be 0.21 cents per net transmitted kWh for SONGS 2 and SONGS 3 pursuant to D.97-11-076.

(xii) SONGS 2&3 Allocated Industry Restructuring Costs:

The SONGS 2&3 Allocated Industry Restructuring Costs shall be those generation related costs associated with industry restructuring allocated to nuclear generation at SONGS 2&3 in accordance with D.99-09-064.

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

b. SONGS 2&3 Account (Continued)

(4) SONGS 2&3 ICIP Mechanism (Continued)

(b) SONGS 2&3 ICIP costs:

SCE shall calculate monthly SONGS 2&3 ICIP costs as follows:

- (i) Monthly recorded SONGS 2&3 ICIP Revenue Requirement
- (ii) Plus: monthly SONGS 2&3 Corporate A&G Expenses derived by multiplying 0.21 cents per kWh by SONGS 2&3 monthly net transmitted kWh.
- (iii) Plus: The SONGS 2&3 Allocated Industry Restructuring Costs,
- (iv) Plus: The annual negative amount (overcollection), if any, in the SONGS 2&3 Property Tax Memorandum Account, due to factors related to the accelerated recovery of SONGS 2&3 Sunk Costs;
- (v) Equals: SONGS 2&3 ICIP costs to be recorded in the SONGS 2&3 Account.

c. Palo Verde Account

(1) Purpose:

The purpose of the Palo Verde Account of the URGBA is to record, on a monthly basis, capital-related costs and operating costs associated with SCE's ownership share of Palo Verde.

(2) Notice and Reasonableness Review

In the event Palo Verde 1, 2, and/or 3 permanently close or discontinue operation for a period of nine or more consecutive months prior to January 1, 2002, SCE shall immediately notify the Commission as set forth in P.U. Code § 455.5(b). The reasonableness of any costs related to such unit(s) shall be reviewed by the Commission under, P.U. Code § 455.5 in whichever of the two following events occur first:

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(2) Notice and Reasonableness Review (Continued)

- (a) A proceeding to be initiated by SCE within 45 days of a permanent shutdown decision.
- (b) In an investigation initiated by the Commission within 45 days of receiving the notification specified in P.U. Code § 455.5(b).

Review of the reasonableness of any costs will be applied retroactively to the date of the unit(s) shutdown.

(3) Entries:

Entries to the Palo Verde Account shall be made monthly as follows:

- (a) Amortization expense associated with the sunk cost investment as defined in D.96-12.083, and based on P.U. Code Section 367 (a);
- (b) plus: taxes based on income including all appropriate income tax-related adjustments, deferred income tax expense, and any other federal, state, or local taxes imposed;
- (c) plus: return on Palo Verde rate base, which shall be computed using 1/12 of the annual authorized reduced rate of return for such generation assets pursuant to D. 96-12-083;
- (d) plus: the PVIC revenue requirement (as detailed below);
- (e) equals: the monthly amount to be debited to the Palo Verde Account.

(4) Palo Verde Incremental Cost (PVIC) Mechanism

The PVIC, as adopted by the CPUC in D.96-12-083, allows for the cost recovery of certain generation-related costs as detailed below.

(a) Palo Verde Incremental Costs:

Palo Verde Incremental Costs shall include SCE's Ownership Share of Palo Verde O&M expenses, A&G expenses (including allocated Corporate A&G), Nuclear Fuel, Incremental Capital, Property Taxes, and Income Taxes (associated with Incremental Capital and Nuclear Fuel). PVIC categories are defined as follows:

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(4) Palo Verde Incremental Cost (PVIC) Mechanism (Continued)

(a) Palo Verde Incremental Costs: (Continued)

- (i) Nuclear Fuel Costs. Actual costs, including book amortization of nuclear fuel, current nuclear fuel disposal costs, and nuclear fuel carrying costs. For purposes of this calculation only, the definition of Nuclear Fuel Costs shall exclude DOE Decontamination and Decommissioning ("D&D") spent fuel disposal charges, which are recovered in another CPUC-approved rate recovery mechanism.
- (ii) Property Taxes actually paid.
- (iii) Incremental Capital as billed by APS, plus SCE overheads of 17%.
- (iv) O&M expenses billed by APS to SCE (including APS overhead loads), plus SCE's oversight expenses.
- (v) A&G expenses related to SCE's nuclear insurance, SCE's oversight function and SCE's A&G (including SCE's recorded allocated Corporate A&G) associated with Palo Verde.

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(4) Palo Verde Incremental Cost (PVIC) Mechanism (Continued)

(a) Palo Verde Incremental Costs: (Continued)

(vi) Incremental Income Taxes associated with:

(a) Incremental Capital:

Incremental Income Taxes on Incremental Capital shall be determined as follows: Bills for Incremental Capital received from APS during each year shall be multiplied by 1.17 to incorporate SCE's overheads. Incremental Income Taxes on Incremental Capital are computed by multiplying the capital additions, including overheads, by 29%. This 29% rate would be subject to change only if the income tax rate changes.

The 29% reflects (both federal and state income taxes) the present value of Incremental Income Taxes incurred in the year of the Incremental Capital costs, plus the tax benefits resulting from tax depreciation in future years. With the exception of the effects of any rate change, SCE's customers would not be obligated for any additional income taxes associated with Incremental Capital, nor shall they be entitled to any future income tax benefits.

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(4) Palo Verde Incremental Cost (PVIC) Mechanism (Continued)

(a) Palo Verde Incremental Costs: (Continued)

(vi) Incremental Income Taxes associated with:

(b) Nuclear Fuel:

Incremental Income Taxes associated with Palo Verde Nuclear Fuel shall be computed by multiplying the Nuclear Fuel expenses (excluding current nuclear fuel disposal costs and nuclear fuel inventory carrying costs) by 9 percent. This 9 percent rate would be subject to change only if the income tax rate changes.

The 9 percent reflects the present value of Incremental Income Taxes for the year the expense is recognized for book purposes, plus the tax benefits resulting from tax depreciation in future years. With the exception of the effects of any rate change, customers are not obligated for any additional income taxes associated with Nuclear Fuel, nor shall they be entitled to any future tax benefits.

(b) The Palo Verde Allocated Industry Restructuring Costs shall be those generation related costs associated with industry restructuring allocated to nuclear generation at Palo Verde in accordance with D.99-09-064.

(Continued)

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(5) The PVIC Revenue Requirement:

The PVIC revenue requirement shall be determined from the following calculations:

- (a) The sum of recorded Palo Verde Incremental Costs,
- (b) Plus: Recorded Palo Verde Allocated Industry Restructuring Costs;
- (c) Less: Recorded congestion revenue received as the result of SCE holding Firm Transmission Rights or revenues received from the resale of Firm Transmission Rights;
- (d) Plus: Cost of Firm Transmission Right acquisition costs;
- (e) Plus: NUIP rewards;
- (f) Equals: the PVIC revenue requirement.

(6) Incremental Cost Reasonableness Trigger Mechanism

For the period ending December 31, 2001, if SCE's recorded Incremental Capital, O&M Expenses and A&G Expenses (as defined herein) exceed the Trigger Total amounts identified in the table below for any calendar year, SCE must demonstrate that any amounts of these costs (i.e., Incremental Capital, O&M, and A&G) exceeding the amounts in the Table below for that calendar year are reasonable.

(Continued)

(To be inserted by utility)

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(6) Incremental Cost Reasonableness Trigger Mechanism (Continued)

Incremental Cost Reasonableness Trigger Mechanism
Pursuant To Table 2 of Palo Verde Settlement Agreement
As Adopted in D.96-12-083
(\$ Millions)

<u>Component</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
O&M	50.8	52.3	54.1	55.9	57.9
A&G	15.2	15.7	16.1	16.6	17.2
Increment Cap.	<u>14.2</u>	<u>14.6</u>	<u>15.1</u>	<u>15.6</u>	<u>16.0</u>
Subtotal	80.2	82.6	85.3	88.1	91.1
Trigger (30%)	<u>24.1</u>	<u>24.8</u>	<u>25.6</u>	<u>26.4</u>	<u>27.3</u>
Total	<u>104.3</u>	<u>107.4</u>	<u>110.9</u>	<u>114.5</u>	<u>118.4</u>

Beginning on January 1, 1997, and ending on December 31, 2001, operations of Palo Verde are assumed to be reasonable unless the annual Palo Verde site Gross Capacity Factor ("GCF") is less than 55%. If the site GCF is below 55% in a calendar year, SCE will bear the burden of proof to demonstrate that operations were reasonable in that year. If operations are determined to be unreasonable by the Commission, SCE's replacement power purchases associated with that period of Palo Verde operations below 55% GCF, may be disallowed.

If: (1) Incremental Capital, O&M Expense and A&G Expense costs exceed the amounts identified in the table above in any applicable calendar year, and (2) the Palo Verde site GCF falls below 55% during the same applicable calendar year, SCE bears the burden of proof that both the costs exceeding the amounts in the table above and associated replacement power costs are reasonable. However, only the replacement power costs or the sum of the Incremental Capital costs, O&M Expenses and A&G Expenses that exceed the applicable calendar year amount in the table above may be disallowed, not both. Any such disallowances shall be directly refunded to customers through the Electric Deferred Refund Account ("EDRA").

(Continued)

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(7) Nuclear Unit Incentive Procedure (NUIP)

(a) Purpose:

The purpose of the Nuclear Unit Incentive Procedure (NUIP) is to provide a reward for superior performance applicable to SCE's share of ownership of Palo Verde Units 1, 2, and 3. The NUIP is applied by use of a formula that converts an Incentive Period Unit Gross Capacity Factor to dollars. There is no penalty associated with the Palo Verde NUIP. The amount of reward is based upon: (1) the difference in cost between producing energy from Palo Verde nuclear-fueled generation and the Market Price; and (2) any Palo Verde units' performance above 80% Capacity Factor.

(b) Applicability:

The NUIP applies to the operation of SCE's 15.8 percent ownership share of Palo Verde Units 1, 2, and 3 through December 31, 2001. Any NUIP reward based upon a fuel cycle not completed by December 31, 2001 will be calculated on a pro-rata basis ending on November 1, 2001. This reward will be submitted to the Commission for approval via Advice Filing by no later than November 15, 2001 for recovery by no later than December 31, 2001.

(Continued)

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(7) Nuclear Unit Incentive Procedure (NUIP) (Continued)

(c) Definitions:

(i) Nuclear Fuel Expense:

The Nuclear Fuel Expense for each Palo Verde nuclear unit shall be the nuclear energy cost associated with the change in production between an 80% Capacity Factor and the Unit Gross Capacity Factor for each unit specified herein. The Nuclear Fuel Expense for each unit shall be expressed in cents per kilowatt-hour.

(ii) Unit Gross Capacity Factor:

The Unit Gross Capacity Factor for SCE's share of ownership of each Palo Verde unit specified herein shall be based on SCE's share of each Unit's maximum gross capacity shown below.

<u>Unit</u>	<u>Maximum Gross Capacity</u>	<u>SCE's Share</u>
1	1315 mw	207.8 mw
2	1315 mw	207.8 mw
3	1318 mw	208.2 mw

The Unit Gross Capacity Factor shall be adjusted to provide for Economic Modifiers.

(iii) Incentive Period:

The Incentive Period for each unit shall be based on a single Fuel Cycle beginning with Fuel Cycle 7 for Palo Verde Units 1 and 2 and Fuel Cycle 6 for Palo Verde Unit 3 and continue through December 31, 2001. For a fuel cycle not completed by December 31, 2001 the Incentive Period shall end effective November 1, 2001.

(Continued)

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(7) Nuclear Unit Incentive Procedure (NUIP) (Continued)

(c) Definitions: (Continued)

(iv) Fuel Cycle:

A fuel cycle shall be defined as the period of time which begins immediately after the refueling of the reactor when circuit breakers are closed and the unit is synchronized to the grid, and ends simultaneously with the beginning of the subsequent fuel cycle.

(v) Market Price:

The Market Price shall be the Replacement Power Cost.

(vi) Replacement Power Cost:

The Replacement Power Cost shall be the energy expense associated with the change in production between the recorded Unit Gross Capacity Factor and the 80 percent Gross Capacity Factor and expressed in cents per kilowatt-hour.

(Continued)

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(7) Nuclear Unit Incentive Procedure (NUIP) (Continued)

(c) Definitions: (Continued)

(vii) Economic Modifiers:

Economic Modifiers shall be adjustments made to the Incentive Period Gross Capacity Factor to compensate for the effect of certain conditions that affect the performance of the unit; such conditions cause reductions in unit performance for the purpose of minimizing the overall cost to the customer, consistent with maintaining the integrity of the electrical system. The application of Economic Modifiers may cause or increase a Nuclear Unit Incentive Procedure reward, and shall be subject to Commission review on a case by case basis.

In accordance with Commission Decision Nos. 84-12-060, 86-10-023, 87-08-023, and 91-05-054 the following three Economic Modifiers are authorized for Palo Verde:

- (a) An Economic Modifier which permits SCE to reduce output from any Palo Verde unit or combination of units during those intervals when to do so produces an energy supply to meet system demands which is less costly to customers. This Economic Modifier shall accommodate additional economic power purchases.
- (b) An Economic Modifier which permits a change to a refueling outage scheduled for any Palo Verde unit or combination of Palo Verde units when it is in the best interest of customers.

(Continued)

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(7) Nuclear Unit Incentive Procedure (NUIP) (Continued)

(c) Definitions: (Continued)

(vii) Economic Modifiers: (Continued)

(c) An Economic Modifier which permits SCE to reduce output from any Palo Verde unit when the Nuclear Regulatory Commission (NRC) requires such a reduction or outage for any Palo Verde unit or combination of Palo Verde units.

(d) Report on the Nuclear Unit Incentive Procedure:

SCE shall file a report each year whenever an Incentive Period ends during the preceding calendar year. Such report shall set forth the Unit Gross Capacity Factor for SCE's share of ownership of the unit for the Incentive Period. Should the Unit Gross Capacity Factor be above the 80 percent Capacity Factor, SCE shall calculate the amount of reward according to the formula set forth herein. Such adjustment shall be made to this account pursuant to Commission order.

(Continued)

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

c. Palo Verde Account (Continued)

(7) Nuclear Unit Incentive Procedure (NUIP) (Continued)

(c) Definitions: (Continued)

(vii) Economic Modifiers: (Continued)

(e) Incentive Amount:

- (i) Each Palo Verde unit Incentive Amount shall be calculated separately as follows:

$$IA = (0.5) (GCF_U - 0.80) (MP - NE) PH \times GMC \times SHR \times CO$$

Where:

MP = Market Price

NE = Nuclear Fuel Expense

GCF_U = Unit Gross Capacity Factor of SCE's ownership share of the unit for the Incentive Period

GMC = Gross Maximum Capacity

= 1,315 MW for Palo Verde 1 (Total)

= 1,315 MW for Palo Verde 2 (Total)

= 1,318 MW for Palo Verde 3 (Total)

SHR = SCE's share of ownership (15.80 percent)

PH = Hours in the unit's Incentive Period

CO = Conversion factor of 10 to convert megawatts to kilowatts and cents to dollars

- (ii) When the Unit Gross Capacity Factor falls below 80 percent, the Incentive Amount shall be zero.
- (iii) The amount of reward determined by the application of the formula in "(1)" shall be applicable for inclusion in the Nuclear Unit Incentive Procedure.
- (iv) The reward amount determined above shall be the Nuclear Unit Incentive Amount to be included as a debit to the Palo Verde Account of the URGBA.

(Continued)

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

d. Mohave Account

(1) Purpose:

The purpose of the Mohave Account of the URGBA is to record, on a monthly basis, the capital-related and operating costs associated with SCE's ownership share of Mohave.

(2) Entries:

Entries to the Mohave Account shall be made monthly as follows:

- (a) Depreciation expense associated with plant investment plant investment shall be trued up for 1997 and a portion of 1998 capital additions found reasonable by the Commission;
- (b) plus: taxes based on income including all appropriate income tax-related adjustments, deferred income tax expense, and any other federal, state, or local taxes imposed;
- (c) plus: return on Mohave rate base, which shall be computed using 1/12 of the annual authorized reduced rate of return for such generation assets pursuant to D.97-11-074;
- (d) plus: operating costs including: fixed and variable fuel costs, fuel inventory carrying costs, emission costs, operation and maintenance expenses, direct and indirect administrative and general expenses, scheduling and dispatch costs, generation-related congestion fees, site remediation costs, auxiliary power costs, materials and supply expenses, allocated Customer Service and Informational expenses, and all applicable taxes;
- (e) The Mohave allocated Industry Restructuring Costs shall be those generation costs associated with industry restructuring allocated to cool generation at Mohave in accordance with D.99-09-064.
- (f) The sum of "(a)" through "(e)" above equals the monthly amount to be debited to the Mohave Account.

(Continued)

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(Continued)

NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

e. Four Corners Account

(1) Purpose:

The purpose of the Four Corners Account of the URGBA is to record, on a monthly basis, the capital-related and operating costs associated with SCE's ownership share of Four Corners.

(2) Entries:

Entries to the Four Corners Account shall be made monthly as follows:

- (a) Depreciation expense associated with plant investment, plant investment shall be trued up for 1997 and a portion of 1998 capital additions found reasonable by the Commission;
- (b) plus: taxes based on income including all appropriate income tax-related adjustments, deferred income tax expense, and any other federal, state, or local taxes imposed;
- (c) plus: return on Four Corners rate base, which shall be computed using 1/12 of the annual authorized rate of return for such generation assets pursuant to D.97-11-074;
- (d) plus: operating costs including: fixed and variable fuel costs, fuel inventory carrying costs, emission costs, operation and maintenance expenses, direct and indirect administrative and general expenses, scheduling and dispatch costs, generation-related congestion fees, site remediation costs, auxiliary power costs, Materials and Supply expenses, allocated Customer Service and Informational expenses, and all applicable taxes;
- (e) The Mohave allocated Industry Restructuring Costs shall be those generation costs associated with industry restructuring allocated to cool generation at Mohave in accordance with D.99-09-064.
- (f) The sum of "(a)" through "(e)" equals the monthly amount to be debited to the Four Corners Account.

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(Continued)

NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

f. Pebbly Beach Account

(1) Purpose:

The purpose of the Pebbly Beach Account of the URGBA is to record, on a monthly basis, the fuel-related and other costs of the Pebbly Beach Generating Station, to the extent these costs are not recovered elsewhere.

(2) Entries:

Entries to the Pebbly Beach Account shall be made as follows:

- (a) Recorded fixed and variable fuel costs, fuel inventory carrying costs, emission costs, and site remediation costs.

g. Hydro Account

(1) Purpose:

The purpose of the Hydro Account of the URGBA is to record, on a monthly basis, the capital-related and operating costs of SCE's hydroelectric facilities.

(2) Entries:

Entries to the Hydro Account shall be made monthly as follows:

- (a) Depreciation expense associated with plant investment, plant investment shall be trued up for 1997 and a portion of 1998 capital additions found reasonable by the Commission;
- (b) plus: taxes based on income including all appropriate income tax-related adjustments, deferred income tax expense, and any other federal, state, or local taxes imposed;
- (c) plus: return on Hydro rate base, which shall be computed using 1/12 of the annual authorized reduced rate of return for such generation assets pursuant to D.97-11-074;
- (d) plus: (1) authorized O&M expenses; (2) authorized A&G expenses; (3) authorized property and other taxes; (4) and authorized Customer Service and Informational expenses
- (e) The Mohave allocated Industry Restructuring Costs shall be those generation costs associated with industry restructuring allocated to cool generation at Mohave in accordance with D.99-09-064.
- (f) the sum of "(a)." through "(e)." above equals the monthly amount to be debited to the Hydro Account

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NN UTILITY RETAINED GENERATION BALANCING ACCOUNT (Continued)

4. Operation of the URGBA (Continued)

g. Hydro Account (Continued)

(2) Entries: (Continued)

If the calculations above result in a negative amount (overcollection), such amount shall be credited to the URGBA

If the calculations above result in a positive amount (undercollection), such amount shall be debited to the URGBA

Interest shall accrue monthly to the CPABA by applying the Interest Rate to the average of the beginning and ending monthly balance.

Any over or under collection plus franchise fees and uncollectibles at the end of the year will be included in the forecasted URGBA revenue requirement to set the new URGBA dedicated rate.

(Continued)

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PRELIMINARY STATEMENT

Sheet 1

OO. ANCILLARY SERVICES BALANCING ACCOUNT (ASBA)

1. Purpose:

The purpose of the Ancillary Services Balancing Account (ASBA) is to record (1) costs associated with ISO ancillary service charges to SCE (2) Procurement costs incurred by SCE to the extent DWR does not purchase enough power to meet SCE's entire net short position including any imbalance energy costs not paid for by DWR; and (3) the ASBA Dedicated Generation Revenue.

2. Definitions:

a. Effective Date

The Effective Date of this tariff is April 1, 2001.

b. Interest Rate

The Interest Rate shall be 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3 months), published in the Federal Reserve Statistical Release, G.13. Should publication of the interest rate on Commercial Paper (prime, 3 months) be discontinued, interest shall so accrue at the rate of 1/12 of the most recent month's interest rate on Commercial Paper which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, G.13., or its successor publication.

c. ASBA Dedicated Rate

The ASBA Dedicated Rate is that portion of the generation rate allocated to ASBA. The ASBA initial dedicated rate shall be set at 1.13 cents per kWh.

The ASBA Dedicated Rate shall be updated through the operation of the Generation Trigger Mechanism or other applicable Commission proceeding.

d. Transfer from the TCBA

ASBA-related costs recorded in the TCBA from January 19, 2001 through the March 31, 2001 shall be transferred to the ASBA as of the Effective Date.

e. Dedicated ASBA Generation Revenues

Recorded revenues equal the dedicated ASBA rate times the recorded bundled service metered sales.

(Continued)

(To be inserted by utility)

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PRELIMINARY STATEMENT

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(Continued)

OO. ANCILLARY SERVICES BALANCING ACCOUNT (ASBA)

3. Operation of the ASBA

Entries to the ASBA are as follows:

- a. Debit or Credit amount equal to the transfer from the TCBA;
- b. Credit amount equal to recorded ASBA Dedicated Generation Revenues;
- c. Debit or Credit amount equal to allocated revenues as determined in the Transition Revenue Account (TRA).
- d. Debit amount equal to ISO charges to SCE for ancillary service-related costs including, but not limited to: uplift costs; spinning reserve; non-spinning reserve; replacement reserve; regulation up; regulation down; rational buyer adjustment; RMR pre-emption of ancillary services; day ahead and hour ahead zonal congestion; transmission access and wheeling charges; grid management charges; neutrality adjustments; black start capacity; long-term voltage support; supplemental reactive energy; black start energy; rounding adjustments; unaccounted for energy; and no pay provision;
- e. Debit amount equal to procurement costs incurred by SCE, including, but not limited to: imbalance energy charges, imbalance energy penalties, and other related charges that are the obligation of SCE to pay;

If the calculations above result in a negative amount (overcollection), such amount shall be credited to the ASBA

If the calculations above result in a positive amount (undercollection), such amount shall be debited to the ASBA.

Interest shall accrue monthly to the ASBA by applying the Interest Rate to the average of the beginning and ending monthly balance.

See Preliminary Statement QQ for a discussion on the trigger mechanism.

(Continued)

(To be inserted by utility)

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PRELIMINARY STATEMENT

Sheet 1

PP. DEPARTMENT OF WATER RESOURCES COSTS BALANCING ACCOUNT (DWRCBA)

1. Purpose:

The purpose of the Department of Water Resources Costs Balancing Account (DWRCBA) is to record the difference between (1) payments remitted by SCE to DWR pursuant to D.01-03-081 and D.01-03-082; and (2) the dedicated DWRCBA generation revenue.

2. Definitions:

a. Effective Date

The Effective Date of this tariff is April 1, 2001.

b. Interest Rate

The Interest Rate shall be 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3 months), published in the Federal Reserve Statistical Release, G.13. Should publication of the interest rate on Commercial Paper (prime, 3 months) be discontinued, interest shall so accrue at the rate of 1/12 of the most recent month's interest rate on Commercial Paper which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, G.13., or its successor publication.

c. DWRCBA Dedicated Rate

The DWRCBA Dedicated Rate is that portion of the generation rate allocated to DWRCBA. The DWRCBA initial dedicated rate shall be set at 3.00 cents per kWh.

The DWRCBA dedicated rate shall be updated through the operation of the Generation Rate Trigger Mechanism or other applicable Commission proceeding.

d. Transfer from the TCBA

DWRCBA-related costs recorded in the TCBA from January 19, 2001 through March 31, 2001 shall be transferred to the DWRCBA as of the Effective Date.

e. Dedicated DWRCBA Generation Revenues

Recorded revenues equal the dedicated DWRCBA rate times the recorded bundled service metered sales.

(Continued)

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Southern California Edison
Rosemead, California

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PP. DEPARTMENT OF WATER RESOURCES COSTS BALANCING ACCOUNT (DWRCBA)

3. Operation of the DWRCBA

Entries to the DWRCBA are as follows:

- a. Debit or Credit amount equal to the transfer from the TCBA;
- b. Credit amount equal to recorded DWRCBA Dedicated Generation Revenues;
- c. Debit or Credit amount equal to allocated revenues as determined in the Transition Revenue Account (TRA);
- d. Debit amount equal to payments remitted by SCE to DWR pursuant to D.01-03-081 and D. 01-03-082.

If the calculations above result in a negative amount (overcollection), such amount shall be credited to the DWRCBA.

If the calculations above result in a positive amount (undercollection), such amount shall be debited to the DWRCBA.

Interest shall accrue monthly to the DWRCBA by applying the Interest Rate to the average of the beginning and ending monthly balance.

See Preliminary Statement QQ for a discussion on the trigger mechanism.

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PRELIMINARY STATEMENT

Sheet 1

QQ. GENERATION RATE TRIGGER MECHANISM

1. Purpose:

The purpose of the Generation Rate Trigger Mechanism (GRTM) is to determine at the end of each month the amount of the generation rate increase or decrease, if any, required because the sum of the ending balances in the SCECBA, ASBA and DWRCBA is either a \$500 million or greater undercollection (rate increase) or \$500 million or greater overcollection (rate decrease).

2. Operation of the Generation Rate Trigger Mechanism.

At the end of each month the following Balancing Account balances will be summed:

- a. SCECBA;
- b. ASBA;
- c. DWRCBA;

If the sum of the entries result in an amount greater than or equal to \$500 million, then a rate change will be triggered. A \$500 million overcollection shall result in a dedicated generation rate decrease and a \$500 million undercollection shall result in a dedicated generation rate increase.

After the first time the conditions in the GRTM have been met, the net balances will be reviewed each quarter thereafter to determine if additional rate changes are required.

Thirty days after SCE notifies the Commission that a dedicated generation rate change has been triggered, the SCECBA Dedicated Generation Rate will be changed to recover the ending SCECBA balance, the ASBA Dedicated Generation Rate will be changed to recover the ending ASBA balance, and the DWRCBA Dedicated Generation Rate will be changed to recover the ending DWRCBA balance.

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