

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



July 5, 2007

Advice Letter 1731-E

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

Subject: Request for Authorization to Establish a New Category of Non-Tariffed
Products and Services Entitled Resale of Type II Telecommunications
Circuits

Dear Mr. Jazayeri:

Advice Letter 1731-E is withdrawn as indicated in your letter dated February 23, 2005.

Sincerely,

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

Sean H. Gallagher, Director
Energy Division

August 11, 2003

ADVICE 1731-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Request for Authorization to Establish a New Category of Non-Tariffed Products and Services Entitled *Resale of Type II Telecommunications Circuits*

Pursuant to Rule VII.E of the Affiliate Transaction Rules adopted in Decision (D.) 97-12-088 and modified by D.98-08-035, Southern California Edison Company (SCE) hereby submits for filing the following changes to its tariff schedules. The revised tariff sheets are listed on Attachment A and are attached hereto.¹

PURPOSE

Pursuant to Rule VII.E, SCE requests authorization from the California Public Utilities Commission (Commission) to create a new non-tariffed product and service (NTP&S) category entitled *Resale of Type II Telecommunications Circuits*. The only service offered within this category would be the resale of other telecommunication service providers' telecommunications circuits (Type II Circuits). SCE's telecommunications division, Edison Carrier Solutions (ECS) would offer Type II Circuits only in conjunction with other ECS telecommunications services.² Due to the unique circumstances associated with Type II Circuits, as discussed below, SCE is requesting that the Commission adopt specific ratemaking treatment for the revenues received in

¹ Preliminary Statement, Part G, Gross Revenue Sharing Mechanism, set forth in Advice 1413-E-A, filed on January 24, 2000, is modified to reflect the *Resale of Type II Telecommunications Circuits* as a new non-tariffed product and service category.

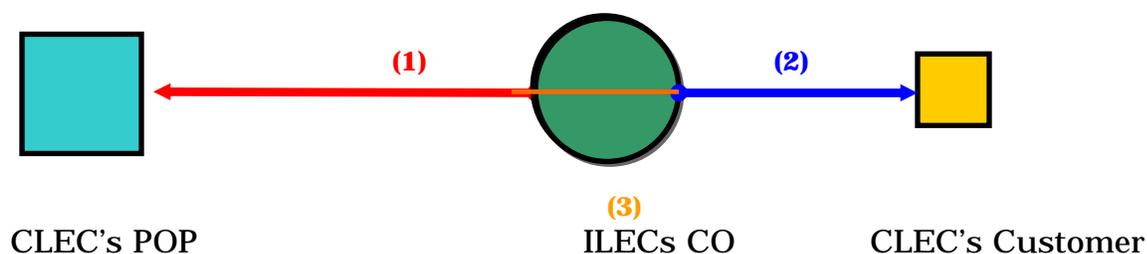
² ECS's existing services fall primarily within the *Use of Communications and Computing Systems* category with gross revenues shared between shareholders and ratepayers on a 90/10 basis. SCE is not requesting any changes to this category or the 90/10 revenue sharing for it.

this category. Since ECS will directly pass through the costs of the Type II Circuits to its customers with no markups (the revenues received from the customer will equal SCE's direct costs for the service), SCE requests that the revenue received from the customer for Type II Circuits be treated as an offset to SCE's direct costs for the service. In the event revenues exceed costs for Type II Circuits, such revenues will be shared between shareholders and ratepayers on a 90/10 basis. In addition, SCE is also revising Preliminary Statement, Part G, in order to reflect the adoption of the Gross Revenue Sharing Mechanism in D.99-09-070.

DESCRIPTION OF TYPE II CIRCUITS

In the telecommunications industry, a Type II Circuit is a communications circuit or segment of dark fiber that a Competitive Local Exchange Carrier (CLEC) obtains from either an Incumbent Local Exchange Carrier (ILEC) or another CLEC to bridge between its existing telecommunications network and a customer location. CLECs use Type II Circuits as a time- and cost-saving alternative to constructing new telecommunications lines and facilities.

The following diagram shows a common Type II Circuit arrangement. In order to bridge the gap between its Point-of-Presence (POP) and its customer, the CLEC needs to obtain both a local loop³ from the ILEC's Central Office (CO) and a cross connect⁴ at the ILEC's CO to connect its POP with the customer. The rates charged by the ILEC for the connections are established by tariff or interconnection agreement.



CLECs can also obtain Type II Circuits from other CLECs in the same fashion, except that the pricing of such services are negotiable and not subject to regulation.

³ A local loop is the portion of a telecommunications circuit that extends from a serving wire center to a customer's premises. A serving wire center is the central office which is connected to a customer's building.

⁴ A cross connect is a physical connection between two segments of a telecommunications circuit. For example, a cross-connect is installed to connect a local loop to a circuit between two central offices.

EDISON CARRIER SOLUTIONS' OFFERING OF TYPE II CIRCUITS

ECS is authorized by the Commission pursuant to D.98-08-035 to provide telecommunication services to other telecommunications providers. In other words, ECS is a carrier's carrier. ECS provides large capacity services to end users, but does not provide any retail telecommunication services to end-use customers.

The current environment in the telecommunications market makes it desirable for firms to minimize the number of providers they deal with to connect their networks to customers. In most cases, the telecommunications companies would prefer to only deal with one firm, if possible. Over the past several years, telecommunications firms, through requests for bids and other solicitations, have requested the incorporation of Type II Circuits wherever possible. Even though CLEC's and other telecommunications companies may obtain the same Type II Circuit themselves, the convenience of a bundled offering is desirable. ECS has incorporated limited Type II Circuits in proposals over the past several years. However, due to current low margins for telecommunications services and SCE's 10% sharing of gross revenues for ECS's services, proposals that would have required more extensive incorporation of Type II Circuits are not economical to both SCE and customers and thus, ECS has not been able to provide services that meet these customers' requests. This has resulted in ECS foregoing some projects which would have expanded the use of ECS's other services—use that would, in turn, also have benefited ratepayers through the sharing of gross revenues.

To date, the revenues SCE has received from the resale of Type II Circuits have been included with ECS's other revenues subject to its Gross Revenue Sharing Mechanism adopted in D.99-09-070. Under this mechanism, 10 percent of the gross revenues from "active" NTP&S categories are shared with ratepayers. The costs of the Type II Circuit are considered incremental and the responsibility of shareholders, not ratepayers.

Since other telecommunications providers can obtain Type II Circuits under similar terms and conditions as ECS, SCE is proposing that in the future, ECS will offer the resale of Type II Circuits on a pass-through basis to its customers. That is, ECS will price the Type II Circuit portion of its services equal to its costs for the Type II Circuits with no markups (revenue will equal incremental costs). Given this pass through of costs, SCE requests that the revenues received from Type II Circuits be treated as an offset to its costs, and not as shareable revenues.

This proposed ratemaking treatment for the revenues from the resale of Type II Circuits does not require any modification to SCE's Gross Revenue Sharing

Mechanism. SCE's Gross Revenue Sharing Mechanism already provides for an exemption for revenues that are "subject to other established ratemaking procedures or mechanisms."⁵

If the proposed ratemaking treatment is adopted, ECS will only offer Type II Circuits under the following conditions:

- The resale of Type II Circuits will only be offered in conjunction with other ECS services;
- SCE's costs for the Type II Circuits will be flowed through to its ECS customers on a pass-through basis with no markups;
- Upon request by the Commission or its staff, SCE will make available for review all ECS contracts that incorporate Type II Circuits and show that the cost of these circuits were passed through, without any markup, to ECS's customers; and
- In the event revenues exceed costs for Type II Circuits, such revenues will be shared between shareholders and ratepayers on a 90/10 basis.⁶

SCE'S RESALE OF TYPE II CIRCUITS COMPLIES WITH ALL COMMISSION RULES

SCE has ensured that the offering of Type II Circuits is in compliance with all Commission rules. Rule VII of the Affiliate Transaction Rules sets forth the requirements for a utility to offer non-tariffed products and services. Rule VII.C.4 delineates the product- or service-specific conditions that must be met to offer the product or service on a non-tariffed basis; Rule VII.D lists the general conditions to offer any new non-tariffed products and services; and Rule VII.E.1 details the specific requirements for advice letter filings required to obtain Commission approval to offer new categories of non-tariffed products and services.

Attachment B describes in detail how the new *Resale of Type II Telecommunications Circuits* category as set forth in this advice filing complies with each of these requirements.

⁵ See Attachment A of D.99-09-070, page 1, paragraph A. "The proposed mechanism would apply to all utility OOR, except revenue that: (derives from tariffs, fees, or charges established by the Commission or FERC; (2) is subject to other established ratemaking procedures or mechanisms, or (3) is subject to the DSM Balancing Account."

⁶ SCE will record any Type II Circuit related revenues in excess of costs in the *Use of Communications and Computing Systems* category. Gross revenues recorded in this category are shared between shareholders and ratepayers on a 90/10 basis.

SCE's proposed ratemaking treatment does not require any additional changes. The revenues and costs related to Type II Circuits will be tracked in a separate category and reported along with SCE's other non-tariffed products and services.

RATEPAYERS BENEFIT BY SCE'S OFFERING OF TYPE II CIRCUITS

Allowing SCE to treat the revenues from Type II Circuits as an offset to its direct costs for the service will benefit ratepayers by providing SCE the opportunity to increase its provision of other ECS services to telecommunications providers. This may result in an increase in the revenues for its other services that are shared with ratepayers. In addition, telecommunications customers will benefit due to the speed and convenience of dealing with one telecommunications provider.

TARIFF CHANGES

SCE is revising Preliminary Statement, Part G, to: (1) add the Resale of Type II Telecommunications Circuits to the list of Product or Service Category; and (2) delete the word "proposed" in the Active/Passive Designation Section of the tariff. This advice letter does not modify SCE's Gross Revenue Sharing Mechanism adopted in D.99-09-070.

SCE MET WITH ORA PRIOR TO FILING THIS ADVICE LETTER

As required by the ORA/SCE Settlement adopted by D.99-09-070, SCE and ORA held a telephone conference on March 27, 2003 to discuss this advice letter and SCE's request to establish a new category of NTP&S entitled *Resale of Type II Telecommunications Circuits* and the specific ratemaking treatment proposed herein. In addition, SCE submitted a draft version of this advice letter to ORA for its review and comment in early August 2003. This filing includes ORA's requested changes.

No cost information is required for this advice filing.

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

EFFECTIVE DATE

This advice filing will become effective on the 40th calendar day after the date filed, which is September 20, 2003.

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.

- a. An explanation of the specific Rules, or any law, regulation, decision, or Commission policy the utility will allegedly violate by offering the proposed product or service, with reasonable factual detail; and
- b. An explanation of the specific harm the Protestant will allegedly suffer.

Protests should be mailed to:

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

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

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

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

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

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

In accordance with Section III, Paragraph G, of General Order No. 96-A, SCE is furnishing copies of this advice filing to the interested parties shown on the attached service list. Address change requests to the attached GO 96-A Service List should be directed to AdviceTariffManager@sce.com or (626) 302-3985. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

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

For specific questions to this advice letter, please contact Zach Buhler at (626) 302-4813 or by electronic mail at Zach.Buhler@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:zb
Enclosures

cc: Michael D. McNamara, CPUC

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
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Revised 35235-E	Table of Contents	Revised 35222-E



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4. Approved Non-Tariffed Products and Services (Continued)

Product or Service Category	Description of Existing Products and Services	Active/Passive Designation	
Material Procurement and Purchasing Services	- Aggregated procurement and purchasing services of machinery, materials, equipment, tools, parts, office equipment, and supplies	Passive	
Fuel Oil Pipeline System and Storage Facilities	- Fuel oil transportation services - Fuel oil storage services	Not subject to revenue sharing Mechanism	(T)
Sale of SCE Property and Equipment/Furniture (Not Requiring Section 851 Application)	- Property - Office furniture and equipment - Vehicles - Machinery	Not subject to revenue sharing mechanism	(T)
Resale of Type II Telecommunications Circuits	- Third party circuits - Third party right-of-ways	Not subject to revenue sharing mechanism	(N) (N)

(To be inserted by utility)
 Advice 1731-E
 Decision 97-12-088
 11W8 98-08-035, 99-09-070

Issued by
John R. Fielder
 Senior Vice President

(To be inserted by Cal. PUC)
 Date Filed Aug 11, 2003
 Effective _____
 Resolution _____



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Issued by
John R. Fielder
Senior Vice President

(To be inserted by Cal. PUC)
 Date Filed Aug 11, 2003
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Attachment B

COMPLIANCE WITH RULE VII OF THE AFFILIATE TRANSACTION RULES

The following sections demonstrate that the offering of Type II Circuits complies with the non-tariffed products and services rules established in the Affiliate Transaction Rules adopted in Decision 97-12-088, as subsequently modified in Decision 98-08-035.

I. SCE'S RESALE OF TYPE II CIRCUITS COMPLIES WITH RULE VII.C.4

Rule VII.C.4 sets forth the conditions that must be met for an energy utility to offer a non-tariffed product or service:

- a. The non-tariffed product or service utilizes a portion of a utility asset or capacity;
- b. such asset or capacity has been acquired for the purpose of and is necessary and useful in providing tariffed utility services;
- c. the involved portion of such asset or capacity may be used to offer the product or service on a nontariffed basis without adversely affecting the cost, quality, or reliability of tariffed utility products and services;
- d. the products and services can be marketed with minimal or no incremental ratepayer capital, minimal or no new forms of liability or business risk being incurred by utility ratepayers, and no undue diversion of utility management attention; and
- e. the utility's offering of such nontariffed product or service does not violate any law, regulation, or Commission policy regarding anticompetitive practices.

As discussed in the following sections, SCE's resale of Type II Circuits complies with the requirements of Rule VII.C.4.

A. The Resale of Type II Circuits Makes Use of Utility Assets and Capacity That Were Acquired for the Purpose of and are Necessary and Useful in Providing Tariffed Utility Service

The *Resale of Type II Telecommunications Circuits* is a unique category of NTP&S. Offering Type II Circuits may lead to the provision of other ECS products and services that SCE otherwise may not have had the opportunity to provide. While limited utility personnel and assets may be required for contracting, oversight, project management, and performance monitoring of the Type II Circuits, the resale of Type II Circuits will allow for the provision of other ECS offerings, the majority of which fall within the *Use of Communications and Computing Systems*

category. Table 1 provides a list of the utility assets and capacity that are used to offer *Use of Communications and Computing Services*.¹ In addition, Table 1 describes the underlying utility purposes of such assets.

¹ The asset descriptions contained in Table 1 are consistent with those in Table 1, of Attachment J of Advice 1286-E-A that sets forth descriptions of all of SCE's existing NTP&S.

Table 1

Description of SCE Assets Utilized in Providing Use of Communications and Computing Services

Assets/Capacity	Utility Function
Fiber optic cables and other communication transmission systems	Communications transmission systems are used to provide instantaneous communication for field crews, customer service, electric transmission and distribution monitoring, control, automation, metering, and circuit protection used in utility operations.
Communications rooms within transmission, distribution, administrative, and general buildings	Communication rooms are generally located within larger utility structures and are built to hold utility communications equipment. The equipment includes telephone and data switches; power supplies and batteries; and dispatch and microwave radios required for communications in support of electric system operations and customer service.
Communications towers	Communications towers hold radio antennas in order to provide instantaneous communications between utility personnel for electric system operations.
Telecommunications Control Center	Computers and software are used to remotely monitor and control the electric utility communications network.
Distribution poles, facilities, and conduits	Distribution poles, conduits, and ducts provide structures to hold distribution cable to carry electricity from transmission facilities to electric meters.
Transmission towers	Transmission towers provide a structure to hold transmission cable to carry electricity from generation facilities to distribution facilities.
Vehicles, heavy and miscellaneous construction equipment	Vehicles and heavy equipment are purchased or leased to install, maintain, and support communications sites and towers.
Human Assets	Utility personnel are used to install, maintain, and support communications and computing capacity used to provide utility services.
Miscellaneous Office Equipment (e.g. servers, printers, phones, and personal computers)	Tools used to install, maintain, and support communications and computing capacity in support of the electric utility.
Software Applications	Various applications used to access performance tracking information and company directories, policies, and procedures.
Mainframe and Distributed Computing Hardware and Software	Computing hardware and software used to process and store data and provide an operating environment to run applications used in utility operations.
Information Technology Control Center	Control center used to remotely monitor and control electric information technology network, systems, and devices.

B. Use of Available Utility Assets and Capacity Will not Adversely Affect the Cost, Quality or Reliability of Tariffed Utility Products and Services

Type II Circuits will be provided by third party telecommunications providers (either ILECs or CLECs) and do not directly involve the use of utility assets or personnel, except for limited involvement of utility personnel for contracting, oversight, project management and performance monitoring. In addition, the utility personnel involved are part of ECS' staff which is dedicated to providing ECS services and is not involved in providing tariffed utility services. The provision of Type II Circuits may lead directly to the provision of other ECS products and services that are subject to ECS's existing policies and procedures. ECS's existing policies and procedures ensure that the use of utility assets and capacity to provide ECS' NTP&S does not adversely affect the cost, quality or reliability of tariffed utility services.

C. Type II Circuits can be Offered with No Incremental Ratepayer Capital, No New Forms of Ratepayer Business Risk or Liability and No Undue Diversion of Utility Management

1. Shareholders will Be Responsible for All Incremental Costs and will Assume any New Forms of Business Risk or Liability

As with all of ECS's other services, SCE's shareholders are responsible for all of the incremental costs and risks associated with Type II Circuits. SCE has in place appropriate accounting policies and procedures to ensure that the incremental costs associated with all of ECS's services, including Type II Circuits are accurately tracked and not charged to ratepayers.² SCE will establish separate accounting functions to record any incremental costs associated with Type II Circuits. These accounting functions will be excluded from any costs estimates/forecasts used for ratemaking purposes. Any incremental costs associated with Type II Circuits that are not part of the contract to provide Type II Circuits will be paid for by shareholders. In addition, ECS will set up a separate function to record and track the revenue received from its customers associated with the pass-through of the Type II Circuit costs.

² ECS's existing systems, policies and procedures are in compliance with the ECS specific requirements adopted by the Commission in D.98-12-083 (Appendix C), as well as the requirements of Rule VII of the Affiliate Transaction Rules.

Any additional potential liability and business risk to SCE from the offering of Type II Circuits will be fully assumed by shareholders, not ratepayers (as is the case with all ECS offerings).

2. SCE's Offering of Type II Circuits Will Not Unduly Divert Utility Management Attention

The resale of Type II Circuits will be managed by ECS, which currently provides telecommunications products to third party telecommunications providers on a non-tariffed basis. Since the ECS employees involved in this activity do not provide tariffed utility services, there will be no undue diversion of utility management attention.

D. SCE's Offering of Type II Circuits Does Not Violate Any Laws, Regulations, or Commission Policies Regarding Anticompetitive Practices

SCE's offering of Type II Circuits complies with all applicable laws and regulations. In addition, SCE's offering of Type II Circuits is consistent with the Commission's stated policy of promoting competition in the telecommunication industry. SCE's provision of this service will promote choice, stability, and diversity of suppliers in a currently fractured telecommunications market. SCE will provide customers increased choice as well as facilitating the use of other telecommunications providers.

II. SCE'S OFFERING OF RESALE OF TYPE II TELECOMMUNICATIONS CIRCUITS COMPLIES WITH RULE VII.D

Rule VII.D sets forth the following general conditions that must be met before a utility can offer any new non-tariffed products and services:

A utility may offer new nontariffed products and services only if the Commission has adopted and the utility has established:

1. A mechanism or accounting standard for allocating costs to each new product of service or prevent cross-subsidization between services a utility would continue to provide on a tariffed basis and those it would provide on a nontariffed basis.
2. A reasonable mechanism for treatment of benefits and revenues derived from offering such products and services, except that in the event the Commission has already approved a performance-based ratemaking mechanism for the utility and the utility seeks a different sharing mechanism, the utility should petition to modify the performance-based ratemaking decision if it wishes to alter the sharing mechanism, or

clearly justify why this procedure is inappropriate, rather than doing so by application or other vehicle.

3. Periodic reporting requirements regarding pertinent information related to nontariffed products and services; and
4. Periodic auditing of the costs allocated to and the revenues derived from nontariffed products and services.

A. SCE has in Place Appropriate Accounting Standards for the Tracking and Reporting of the Incremental Costs and Revenues Associated with Type II Circuits to Prevent Cross-Subsidization

SCE has in place accounting policies and procedures for tracking revenues and incremental costs associated with non-tariffed products and services. SCE proposes to use these accounting policies and procedures for tracking the revenues and incremental costs associated with Type II Circuits. The gross revenue generated by Type II Circuits will be used to offset the incremental costs associated with offering this service.

B. SCE has in Place a Commission-Adopted Revenue-Sharing Mechanism

SCE proposes that the revenues received from Type II Circuits be treated as an offset to its incremental costs associated with offering Type II Circuits. As set forth in this advice letter, SCE's proposed ratemaking treatment for the revenues from Type II Circuits does not modify its Gross Revenue Sharing Mechanism. If the Commission adopts SCE's proposed ratemaking treatment, the revenues from the resale of Type II Circuits will automatically be excluded from its Gross Revenue Sharing Mechanism.

C. SCE will use Existing Periodic Reports to Submit Relevant Incremental Cost and Revenue Data to the Commission

Rule VII.D.3 requires periodic reporting of relevant data on non-tariffed products and services. SCE proposes to use the same reporting mechanism for the *Resale of Type II Telecommunications Circuits* category that is currently used for existing non-tariffed products and services in compliance with Rule VII.H. SCE submitted its last Periodic Report on Non-Tariffed Products and Services on March 25, 2003. The next report will be submitted in March 2004, and annually thereafter. In Rule VII.H, the Commission requires that SCE's Periodic Report provides a brief description of the non-tariffed product and service categories it offers and the gross revenues, incremental costs, and proportion of labor and physical assets used for each category. Thus, the information in

that periodic report will satisfy the Commission's requirement in Rule VII.E.

D. SCE will use its Existing Annual Affiliate Transaction Audit to Review SCE's Compliance with the Requirements of Rule VII

Rule VI.C of the Affiliate Transaction Rules requires an annual independent audit of each utility's compliance with the entire set of Affiliate Transaction Rules. SCE will use this audit to review its non-tariffed product and service offerings, including the *Resale of Type II Telecommunications Circuits* category, to ensure compliance with the requirements of Rule VII.

III. SCE'S OFFERING OF TYPE II CIRCUITS COMPLIES WITH RULE VII.E.1

Prior to offering a new category of non-tariffed products and services, the Commission requires the utility to file an advice letter showing it meets the requirements set forth in Rule VII.E.1 as follows:

The advice letter shall:

- a. demonstrate compliance with these rules;
- b. address the amount of utility assets dedicated to the non-utility venture, in order to ensure that a given product or service does not threaten the provision of utility service, and show that the new product or service will not result in a degradation of cost, quality, or reliability of tariffed goods and services;
- c. demonstrate that the utility has not received competition transition charge (CTC) recovery in the transition Cost Proceeding, Application 96-08-001, or other applicable related CTC Commission proceeding, for the portion of the utility asset dedicated to the non-utility venture; and
- d. address the potential impact of the new product or service on competition in the relevant market, including but not limited to the degree in which the relevant market is already competitive in nature and the degree to which the new category of products or services is projected to affect that market.
- e. be served on the service list of Rulemaking 97-04-011/Investigation 97-04-012 (R.97-04-011/I.94-04-012), as well as on any other party appropriately designated by the rules governing the Commission's advice letter process.

A. SCE's Offering of Type II Circuits Complies with all Other Affiliate Transaction Rules

Besides complying with the requirements of Rule VII, SCE's offering of Type II Circuits also complies with the other Affiliate Transaction Rules. None of SCE's affiliates will offer or be offered Type II Circuits. Furthermore, SCE will not tie the taking of Type II Circuits with any affiliate products or services, nor imply that there are any such ties.

B. No Utility Assets Will be Dedicated to the Offering of Type II Circuits and the Use of Available Capacity of Existing Utility Assets will not Adversely Impact the Cost, Quality, or Reliability of Tariffed Goods and Services

As discussed in Section I.A. of this attachment no utility assets will be dedicated to this service. As discussed in Section I.C.1, any incremental costs associated with offering of Type II Circuits will be the responsibility of shareholders. SCE's existing processes, procedures, performance monitoring systems provide sufficient protections to ensure that the offering of Type II Circuits does not result in adverse impacts on the cost, quality, or reliability of tariffed goods and services.

C. The Assets to be Used to Offer Type II Circuits Have not Received Recovery Through the Competition Transition Charge (CTC)

SCE may recover certain generation-related costs through a "Competition Transition Charge" (CTC), as authorized by the Commission in D.97-06-060, D.97-11-074, and D.97-12-039, and by the Legislature in AB 1890 (P.U. Code Section 367).

None of SCE's existing utility assets that will be used to offer Type II Circuits are generation-related. Thus, none of these assets have received CTC recovery.

D. The Offering of Type II Circuits will not adversely Impact the Telecommunications Market

Since SCE will only be passing along to its customers the costs it is charged for Type II Circuits, there will be no adverse impact on the telecommunications market. In addition, since the rates charged by ILECs are established by tariffs and interconnection agreements, customers are able to obtain Type II Circuits directly from the ILECs for the same price as SCE.

E. This Advice Filing was Served on the Service List from Rulemaking 97-04-011/Investigation 97-04-012

In compliance with this Rule, this advice filing will be served on the entire service list of R.97-04-011/I.97-04-012. This advice filing will also be served on the GO 96-A service list.