January 17, 2012

Akbar Jazayeri
Vice President, Regulatory Operations
Southern California Edison Company
P O Box 800
Rosemead, CA  91770


Dear Mr. Jazayeri:

Advice Letter 2645-E is effective November 27, 2011.

Sincerely,

Edward F. Randolph, Director
Energy Division
ADVICE LETTER (AL) SUSPENSION NOTICE
ENERGY DIVISION

Utility Name: Southern California Edison
Utility No./Type: U 338-E
Advice Letter No.: 2645-E
Date AL filed: October 28, 2011
Utility Contact Person: James Yee
Utility Phone No.: 626-302-2509

Date Utility Notified: November 21, 2011
via: e-mail
[ x ] E-Mail to: advicetariffmanager@sce.com
Fax No.: N/A
ED Staff Contact: Jennifer Kalafut

For Internal Purposes Only:
Date Calendar Clerk Notified: _____/_____/_______
Date Commissioners/Advisors Notified: ___/___/___

[X] INITIAL SUSPENSION (up to 120 DAYS)

This is to notify that the above-indicated AL is suspended for up to 120 days beginning November 28, 2011 for the following reason(s) below. If the AL requires a Commission resolution and the Commission’s deliberation on the resolution prepared by Energy Division extends beyond the expiration of the initial suspension period, the advice letter will be automatically suspended for up to 180 days beyond the initial suspension period.

[ ] Section 455 Hearing is Required. A Commission resolution may be required to address the advice letter.

[ ] Advice Letter Requests a Commission Order.

[X] Advice Letter Requires Staff Review

Expected duration of initial suspension period: 45 days.

[ ] FURTHER SUSPENSION (up to 180 DAYS beyond initial suspension period)

The AL requires a Commission resolution and the Commission’s deliberation on the resolution prepared by Energy Division has extended beyond the expiration of the initial suspension period. The advice letter is suspended for up to 180 days beyond the initial suspension period.

If you have any questions regarding this matter, please contact Jennifer Kalafut at 415.703.1475 or via e-mail at Jennifer.Kalafut@cpuc.ca.gov.

cc: Maria Salinas
    Honesto Gatchalian

Protestants to the advice letter: None
October 28, 2011

ADVICE 2645-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION


Southern California Edison Company (SCE) hereby submits for filing the following changes to its tariff schedules. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

The purpose of this advice filing is to: (1) revise Preliminary Statement, Part RR, New System Generation Balancing Account (NSGBA), to recover the net capacity costs for Qualifying Facility/Combined Heat and Power (QF/CHP) Program contracts, and (2) revise Preliminary Statement, Part ZZ, Energy Resource Recovery Account (ERRA), to record costs associated with the QF/CHP Program, less the net capacity costs recovered from retail customers, including Direct Access (DA) and Community Choice Aggregation (CCA) customers.

BACKGROUND

On December 16, 2010, the California Public Utilities Commission (Commission) issued D.10-12-035,1 which adopted the QF/CHP Program Proposed Settlement Agreement (Settlement Agreement). The Settlement Agreement establishes a framework requiring Investor-Owned Utilities (IOUs) to procure QF/CHP resources and recover certain net capacity costs associated with QF/CHP contracts from DA and CCA customers. SCE is also required to allocate to CCAs and Electric Service Providers (ESPs) the Resource Adequacy (RA) benefits associated with this procurement. Section 13 of the Settlement

1 D.10-12-035 has since been modified, in part, by D.11-03-051, D.11-07-010, and D.11-10-016.
Agreement’s Term Sheet titled “IOU Cost Recovery for CHP Program PPAs” identifies the allocation of the net capacity costs and associated benefits. Section 13.1.2.2, as modified in D.11-07-010, of the Term Sheet states:

If the CPUC determines that the IOUs should purchase CHP generation on behalf of DA and CCA customers, then the D.06-07-029 (and D.08-09-012 if necessary) shall be superseded to the extent necessary to authorize the IOUs to recover the net capacity costs associated with the CHP Program from all bundled service, DA and CCA customers and all Departing Load Customers except for CHP Departing Load Customers, on a non-bypassable basis. The net capacity costs of the CHP Program shall be defined as the total costs paid by the IOU under the CHP Program less the value of the energy and any ancillary services supplied to the IOU under the CHP Program. No energy auction shall be required to value such energy and ancillary services. In exchange for paying a share of the net costs of the CHP Program, the LSEs serving DA and CCA customers will receive a pro-rata share of the RA credits procured via the CHP Program.

SCE currently records net capacity costs associated with several contracts the Commission has deemed to benefit customers other than bundled service customers in its NSGBA according to the principles established in D.07-09-044, Appendix A, “Principles for Energy Auction Process and Products,” Section IX. Therefore, pursuant to D.10-12-035, as modified, SCE will now include the costs of the QF/CHP Program contracts (i.e., the cost of the resource less the value of the energy and ancillary services provided by the resource, or the “net capacity costs” allocated to all benefitting customers) in the NSGBA. SCE proposes that cost recovery from bundled service customers associated with the QF/CHP Program, net of the costs recovered through the NSGBA, occur through the ERRA ratemaking mechanism.

**PROPOSED TARIFF CHANGES**

SCE will utilize the NSGBA to recover the net capacity costs associated with QF/CHP resources and the ERRA to record costs associated with the QF/CHP Program, less the net capacity costs recovered from retail customers, including DA and CCA customers.

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2 Section IX of Appendix A in D.07-09-044 describes the process to determine net costs for allocation and a methodology for calculating Power Purchase Agreement (PPA) costs and revenues.

3 “Benefitting customers” are defined in D.06-07-029 as all Bundled Service customers, DA customers, CCA customers, and customers who are located or locate within the distribution territory of an investor-owned utility but take service from a local publicly-owned utility subsequent to the date that the new generation goes into service.
This advice letter revises:

1. Preliminary Statement, Part RR, New System Generation Balancing Account (NSGBA), to record the following: debit capacity and energy costs for QF/CHP Program contracts that are eligible for net capacity cost recovery; and credit energy revenues as established in Appendix A of D.07-09-044, Section IX.B.2 for QF/CHP Program contracts that are eligible for net capacity cost recovery.

2. Preliminary Statement, Part ZZ, Energy Resource Recovery Account (ERRA), to record the following: debit capacity and energy costs for QF/CHP Program contracts; and credit net capacity costs recorded in the NSGBA QF/CHP Program subaccount.

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.

**TIER DESIGNATION**

Pursuant to General Order (GO) 96-B, Energy Industry Rule 5.2(2), this advice letter is submitted with a Tier 2 designation.

**EFFECTIVE DATE**

SCE requests this advice filing become effective on November 27, 2011, the 30th calendar day after the date filed.

**NOTICE**

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

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, California 94102  
E-mail: inj@cpuc.ca.gov and mas@cpuc.ca.gov

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

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:
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 4 of GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B and A.08-11-001 service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-2930. For changes to all other service lists, please contact the Commission’s Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

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

For questions, please contact Andrew Sudbury at (626) 302-6347 or by electronic mail at Andrew.T.Sudbury@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:as:sq
Enclosures
**CALIFORNIA PUBLIC UTILITIES COMMISSION**

**ADVICE LETTER FILING SUMMARY**
**ENERGY UTILITY**

<table>
<thead>
<tr>
<th><strong>MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)</strong></th>
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<tbody>
<tr>
<td><strong>Company name/CPUC Utility No.:</strong> Southern California Edison Company (U 338-E)</td>
</tr>
<tr>
<td><strong>Utility type:</strong></td>
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<tr>
<td>☑ ELC</td>
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**EXPLANATION OF UTILITY TYPE**

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<th>HEAT = Heat</th>
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<th>2645-E</th>
<th>Tier Designation:</th>
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<th>D.10-12-035</th>
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<th>If so, identify the prior AL:</th>
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<th>Summarize differences between the AL and the prior withdrawn or rejected AL^1:</th>
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<th>If yes, specification of confidential information:</th>
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<th>Estimated system average rate effect (%):</th>
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<th>When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).</th>
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<th>Tariff schedules affected:</th>
<th>Preliminary Statement Parts RR and ZZ and Table of Contents</th>
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<th>Pending advice letters that revise the same tariff sheets:</th>
<th>2601-E-A</th>
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^1 Discuss in AL if more space is needed.
Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

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

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Leslie E. Starck
Senior Vice President
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5540
E-mail: Karyn.Gansecki@sce.com
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<td>Preliminary Statement Part RR</td>
<td>Revised 44975-E</td>
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<td>Preliminary Statement Part ZZ</td>
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<tr>
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<td>Revised 48659-E</td>
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</table>
PRELIMINARY STATEMENT

(Continued)

RR. NEW SYSTEM GENERATION BALANCING ACCOUNT (NSGBA) (Continued)

2. Entries to the NSGBA shall be made as follows:

a. A debit entry equal to the monthly amount of the APGRR calculated by multiplying the applicable MDP (as determined above) to the annual APGRR, less a provision for FF&U.

b. A debit entry to record costs associated with PPA contracts, including:
   1. Capacity and energy costs, including QF/CHP Program contracts that are eligible for net capacity cost recovery,
   2. Applicable proxy energy and fuel costs, and
   3. Applicable costs associated with conducting energy auctions\(^1\);

  c. Credit entries to record:
     1. Proxy energy and ancillary service revenues during periods in which the generating facility is not subject to an energy auction contract; or
     2. Proceeds from the energy auction, including avoidable cost payments made to SCE by the successful bidder(s);
     3. Recorded billed and unbilled revenue from a non-bypassable wires charge applicable to all benefiting customers\(^2\).
     4. Energy revenues for QF/CHP Program contracts that are eligible for net capacity cost recovery.

  d. One-time transfer of amounts recorded in the New System Generation Memorandum Account, consistent with Resolution E-4115.

Interest expense shall accrue monthly by applying an applicable interest rate to the average monthly NSGBA balance.

The interest rate shall be one-twelfth of the Federal Reserve three-month Commercial Paper Rate – Non-financial, from the Federal Reserve Statistical Release H.15. If in any month a non-financial rate is not published, SCE shall use the Federal Reserve three-month Commercial Paper Rate – Financial.

\(^1\) The principles of the energy auction process and related products are contained in the Settlement Agreement (Appendix A) of D.07-07-044, and are incorporated by reference herein.

\(^2\) “Benefiting customers” are defined in D.06-07-029 as all Bundled Service Customers, Direct Access Customers, Community Choice Aggregation Customers, and customers who are located or locate within the distribution territory of an investor-owned utility but take service from a local publicly-owned utility subsequent to the date that the new generation goes into service.
Preliminary Statement

(Continued)

ZZ. Energy Resource Recovery Account (Continued)

3. Operation of the ERRA

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

a. Credit entry equal to the recorded ERRA Revenue;

b. A debit entry equal to recorded URG Fuel and Fuel-related expenses;

c. A debit entry equal to recorded QF/CHP Program contract expenses
   (including contract restructuring expenses), net of recorded revenues,
   refunds, or other credits;

d. A credit entry equal to the net capacity costs recorded in the NSGBA QF/CHP Program subaccount;

e. A debit entry equal to recorded Interutility contracts expenses, net of recorded
   revenues, refunds or other credits;

f. A debit entry equal to recorded Bilateral contracts expenses;

g. A debit entry equal to recorded Residual Net Short Requirement expenses;

h. A debit entry equal to other expenses associated with SCE’s purchased
   power activities to the extent not recovered elsewhere (such as the costs
   associated with purchasing Firm Transmission Rights, and payments made in
   support of the Lower Colorado River Multi-Species Conservation Program);

i. A debit entry equal to recorded ISO expenses;

j. A credit entry equal to Excess Energy Sales Revenues allocated to SCE;

k. A credit entry equal to recorded Reliability Must Run (RMR) contracts and
   ancillary services revenue

l. A credit entry equal to proceeds received from the sale or exercise of hedging
   instruments;

m. A credit entry equal to recorded revenues billed under Schedule PC-TBS,
   Procurement Charge Transitional Bundled Service;

n. A credit entry equal to any litigation settlement proceeds as authorized by the
   Commission; and

o. A debit entry equal to the recorded costs associated with the subscription,
   retention and disposition of turned-back capacity on The El Paso Interstate
   Pipeline (net of recorded proceeds realized from the short-term release of
   capacity to another party);

p. Debit or credit entries equal to recorded Mountainview-related costs
   including:

   i. Availability incentives;

   ii. Heat Rate Incentives;

   iii. Amortization of emission credits; and

   iv. Gain or loss on sales of emission credits;

q. A debit entry equal to recorded 20/20 Rebate Program Costs including:

   i. 20/20 Rebate amount included on customers’ bills increased for FF&U

   ii. Incremental O&M Costs incurred to implement the Summer 2004 and
       2005 20/20 programs.

r. A credit entry equal to the payment made by a CCA to compensate SCE for
   incremental purchased power costs as the result of the CCA causing a delay
   in the “CCA cut-over date” pursuant to D.05-12-041.

s. Transfers, up to a maximum of 10 million, to the Energy Assistance Fund
   Tracking Account Associated with the Energy Assistance Fund Rate Relief
   Program.

t. A debit entry equal to recorded independent evaluator costs.

u. A debit entry equal to the fees associated with participation in Western
   Renewable Energy Generation Information System.

ii/ Generation-related Other Operating Revenue (OOR) is recorded in the Native Load Balancing Account.

(Continued)
3. Operation of the ERRA (Continued):

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

v. A credit entry equal to the proceeds received (net of book cost) from the sale
   of sulfur dioxide (SO2) credits.  (T)

w. A debit entry equal to the cost associated with the purchase of sulfur dioxide
   (SO2) allowances.  (T)

x. A debit equal to costs related to congestion charges and CRRs.  (T)
y. A credit equal to congestion revenue and CRRs.  (T)
z. A debit equal to costs associated with CAISO convergence bidding.  (T)

aa. A credit equal to CAISO convergence bidding revenues.  (T)

bb. A debit entry equal to costs related to Tradable Renewable Energy credits
    (TRECS).  (T)

c. A credit entry equal to the proceeds of the sale of TRECS.  (T)

dd. A debit entry equal to power purchase payments provided to eligible Net
   Energy Metering customers for energy produced by on-site generation in
   excess of consumption over a 12-month period. Power purchase payments
   may include additional compensation for renewable attributes where
   applicable.  (T)

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

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