

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



January 5, 2006

Advice Letter 1948-E

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

Reference: 2006 cost of capital compliance advice filing pursuant to Decision 05-12-043

Dear Mr. Jazayeri:

Advice Letter 1948-E is effective January 1, 2006. A copy of the advice letter is included herewith for your records.

Sincerely,

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

Sean H. Gallagher, Director
Energy Division

jjr

December 22, 2005

**ADVICE 1948-E
(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: 2006 Cost of Capital Compliance Advice Filing Pursuant to
D.05-12-043

In compliance with Decision (D.) 05-12-043 (2006 Cost of Capital Decision), issued by the California Public Utilities Commission (Commission) on December 15, 2005, 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 hereto.

PURPOSE

This advice filing is made in accordance with Ordering Paragraph 5 of the Cost of Capital Decision to update SCE's authorized revenue requirement for the 2006 adopted rate of return.

BACKGROUND

On July 8, 2004, the Commission issued D.04-07-022 that authorized SCE to recover, through rates and through authorized ratemaking mechanisms, the CPUC jurisdictional base revenue requirement of \$2.814 billion for the 2003 test year.¹ D.04-07-022 also, among other things, adopted a Post Test Year Ratemaking (PTYR) mechanism for the years 2004 and 2005. In Advice 1808-E, filed on July 16, 2004, SCE set forth its 2003 and 2004 Authorized Base Revenue Requirement (ABRR) using the 2003/2004 authorized rate of return of 9.75 percent adopted in D.02-11-027 and D.03-08-063.

On November 1, 2004, consistent with D.04-07-022, SCE filed Advice 1835-E to set forth the 2005 CPUC jurisdictional base revenue requirement of \$3.459 billion using the then currently authorized rate of return of 9.75 percent. On December 14, 2004, the

¹ The CPUC jurisdictional base revenue requirement of \$2.814 billion was calculated based on the previously authorized rate of return of 9.49 percent.

Commission issued D.04-12-047 establishing the 2005 authorized rate of return of 9.07 percent for SCE. SCE filed Advice 1853-E on December 29, 2004 implementing the 2005 adopted rate of return and revising its 2005 ABRR to \$3.411 billion. On April 11, 2005 SCE filed Advice 1885-E to again revise the 2005 authorized revenue requirement from \$3.411 billion to \$3.366 billion, to remove a San Onofre Nuclear Generating Station Units Nos. 2&3 (SONGS 2&3) Refueling and Maintenance Outage that had been previously forecast and included in Advice 1835-E.

Due to the delay in SCE's 2006 GRC proposed decision, on December 14, 2005, SCE filed Advice 1940-E to, among other things, modify its 2005 ABRR to \$3.456 billion, to be effective January 1, 2006, to include two SONGS 2&3 Refueling and Maintenance Outages for 2006. On December 15, 2005, the Commission issued D.05-12-043 establishing the 2006 authorized rate of return of 8.77 percent for SCE.² This advice filing updates the 2005 CPUC jurisdictional ABRR for the 2006 authorized rate of return adopted in D.05-12-043³.

2005 CPUC JURISDICTIONAL AUTHORIZED BASE REVENUE REQUIREMENT (ABRR) EFFECTIVE JANUARY 1, 2006

SCE has calculated its 2005 ABRR to be effective January 1, 2006 using the 8.77 percent rate of return adopted in D.05-12-043. Table 1 below shows that SCE's functionalized 2005 ABRR, to be effective on January 1, 2006 is \$3.433 billion. Compared to the current ABRR of \$3.456 billion, previously filed in Advice 1940-E, there is a decrease in revenue requirement of \$23 million.

Beginning on January 1, 2006, SCE will recover this ABRR through the operation of the Base Revenue Requirement Balancing Account (BRRBA). SCE will consolidate the January 1, 2006 ABRR in rate levels in the 2006 Energy Resource Recovery Account (ERRA) Forecast compliance advice filing expected to be filed in February 2006. Therefore, SCE's rates will not change as a result of implementing this advice letter filing.

² On December 1, 2005, SCE also filed Advice 1932-E, its annual Reduced Capital Recovery Amount (RCRA), pursuant to D.94-05-068, D.99-10-057, and Advice 1420-E-A/B setting forth the 2006 RCRA revenue requirement. The RCRA revenue requirement was calculated using the 2006 authorized rate of return of 8.77 percent; therefore, that revenue requirement does not need to be revised.

³ SCE filed its 2006 GRC application (A.04-12-014) on December 21, 2004 and is currently awaiting a proposed decision in that proceeding adopting its 2006 ABRR.

TABLE 1				
2005 GRC Adopted Revenue Requirement, effective January 1, 2006 - Functionalized With 2006 Authorized Rate of Return at 8.77% and Two Refuelings at SONGS				
Thousands of Dollars				
Line No.	Item	Distribution	Generation	Total
1.	Base Revenues	2,749,569	683,082	3,432,651
2.	Expenses:			
3.	Operation & Maintenance	1,159,847	427,461	1,587,308
4.	Depreciation	599,735	71,108	670,843
5.	Taxes	467,849	92,218	560,067
6.	Revenue Credits	(141,344)	(787)	(142,131)
7.	Total Expenses	2,086,087	590,000	2,676,087
8.	Net Operating Revenue	663,482	93,082	756,564
9.	Rate Base	7,565,350	1,061,363	8,626,713
10.	Rate of Return	8.77%	8.77%	8.77%

EFFECTIVE DATE

In accordance with D.05-12-043 upon Energy Division approval, the changes submitted in this advice filing will become effective on January 1, 2006.

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:

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

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

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

Akbar Jazayeri
Director of Revenue and Tariffs
Southern California Edison Company
2244 Walnut Grove Avenue, 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 and A.05-05-011. Address change requests to the attached GO 96-A Service List should be directed to (626) 302-4039 or by electronic mail at AdviceTariffManager@sce.com. For changes to any other Service List, please contact the Commission's Process Office at (415) 703-2021 or by electronic 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/AboutSCE/Regulatory/adviceletters>.

For questions, please contact Karen Salvato at (626) 302-2504 or by electronic mail at Karen.Salvato@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:ks:mm
Enclosures

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)	
Company name/CPUC Utility No.: <u>Southern California Edison Company (U 338-E)</u>	
Utility type: <input checked="" type="checkbox"/> ELC <input type="checkbox"/> GAS <input type="checkbox"/> PLC <input type="checkbox"/> HEAT <input type="checkbox"/> WATER	Contact Person: <u>James Yee</u> Phone #: <u>(626) 302-2509</u> E-mail: <u>James.Yee@sce.com</u>
EXPLANATION OF UTILITY TYPE ELC = Electric GAS = Gas PLC = Pipeline HEAT = Heat WATER = Water	(Date Filed/ Received Stamp by CPUC)
Advice Letter (AL) #: <u>1948-E</u>	
Subject of AL: <u>2006 Cost of Capital Compliance Advice Filing Pursuant to D.05-12-043</u>	
Keywords (choose from CPUC listing): <u>Compliance</u>	
AL filing type: <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Annual <input checked="" type="checkbox"/> One-Time <input type="checkbox"/> Other _____	
If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: <p style="text-align: center;"><u>D.05-12-043</u></p>	
Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: _____	
Summarize differences between the AL and the prior withdrawn or rejected AL ¹ : 	
Resolution Required? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Requested effective date: <u>1/1/06</u> No. of tariff sheets: <u>3</u>	
Estimated system annual revenue effect: (%): _____	
Estimated system average rate effect (%): _____	
When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).	
Tariff schedules affected: <u>Preliminary Statement Part YY and Table of Contents</u>	
Service affected and changes proposed ¹ : _____	
Pending advice letters that revise the same tariff sheets: _____	

¹ Discuss in AL if more space is needed.

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

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

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

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

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 39645-E	Preliminary Statement Part YY	Revised 39480-E
Revised 39646-E	Table of Contents	Revised 39632-E
Revised 39647-E	Table of Contents	Revised 39483-E

PRELIMINARY STATEMENT

Sheet 1

YY. Base Revenue Requirement Balancing Account (BRRBA)

1. Purpose:

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

2. Definitions:

a. Authorized Distribution Base Revenue Requirement:

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

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

<u>Effective Date</u>	<u>ADBRR</u>
May 22, 2003	\$ 2,432,380
January 1, 2004	\$ 2,665,448
January 1, 2005	\$ 2,770,383
January 1, 2006	\$ 2,749,569

(R)

b. Authorized Generation Base Revenue Requirement:

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

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

<u>Effective Date</u>	<u>AGBRR</u>
May 22, 2003	\$ 401,149
January 1, 2004	\$ 675,852
September 7, 2004	\$ 671,712
January 1, 2005	\$ 596,049
January 1, 2006	\$ 683,082

(R)

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

<u>Effective Date</u>	<u>AGBRR Without Refueling</u>	<u>Number of Refuelings included in AGBRR</u>	<u>Total Amount of Refuelings included in AGBRR</u>	<u>AGBRR</u>
May 22, 2003	\$ 401,149	0	\$ 0	\$ 401,149
January 1, 2004	\$ 588,690	2	\$ 87,162	\$ 675,852
September 7, 2004	\$ 584,550	2	\$ 87,162	\$ 671,712
January 1, 2005	\$ 596,049	0	\$ 0	\$ 596,049
January 1, 2006	\$ 593,185	2	\$ 89,897	\$ 683,082

(R)

(Continued)

(To be inserted by utility)
Advice 1948-E
Decision 05-12-043

Issued by
John R. Fielder
President

(To be inserted by Cal. PUC)
Date Filed Dec 22, 2005
Effective Jan 1, 2006
Resolution _____



TABLE OF CONTENTS

Sheet 1

Cal. P.U.C.
Sheet No.

TITLE PAGE11431-E

TABLE OF CONTENTS - RATE SCHEDULES 39646-39647-39590-39591-39592-39593-39633-E (T)

TABLE OF CONTENTS - LIST OF CONTRACTS AND DEVIATIONS39633-E

TABLE OF CONTENTS - RULES38662-E

TABLE OF CONTENTS - BASELINE REGIONS38663-E

TABLE OF CONTENTS - SAMPLE FORMS38664-39634-37804-38796-35196-36853-E
.....36854-E

PRELIMINARY STATEMENT:

A. Territory Served22909-E

B. Description of Service22909-E

C. Procedure to Obtain Service22909-E

D. Establishment of Credit and Deposits22909-E

E. General..... 22909-27629-2763038292-E

F. Symbols27630-E

G. Gross Revenue Sharing Mechanism 26584-26585-26586-26587-27195-27196-27197-E
.....27198-27199-27200-27201-E

H. Baseline Service 11457-31455-11880-11881-31679-E

I. NOT IN USE..... -E

J. Employee-Related Balancing Account.....36295-E

K. Nuclear Decommissioning Adjustment Mechanism 36582-36583-E

L. Performance-Based Ratemaking Exclusions Distribution Adjustment Mechanism
.....3443738293-36584-36585-36297-E

M. Income Tax Component of Contributions 34071-27632-E

N. Memorandum Accounts..... 21344-39605-39144-39473-37770-31526-36784-36506-34416-E
36507-34418-36526-37771-37772-37773-37774-37775-37776-27542-39606-27643-27644-E
27645-27646-27647-27648-27649-27650-27651-27652-27653-27654-27655-27656-31327-E
26596-36797-21960-34441-34442-22546-27658-23703-27829-29774-29775-29776-29777-E
27663-39057-36591-30057-30058-30059-30060-26484-26485-23212-28280-24197-29470-E
26486-29471-24199-29472-23221-23222-23223-24200-26487-29473-23227-37099-28282-E
39145-24477-24812-22380-28283-22621-36593-24272-27015-30234-27476-26007-26757-E
26996-26735-33597-27500-27424-27425-27477-29778-28408-29789-29488-36594-35952-E
..... 36595-32988-39474-36596-39475-31665-31936-32936-33531-37830-E

O. California Alternative Rates for Energy (CARE) Adjustment Clause
..... 34705-36471-36472-36473-3659838294-E

P. Optional Pricing Adjustment Clause (OPAC)..... 27670-27671-27672-27673-27674-E

(Continued)

(To be inserted by utility)
Advice 1948-E
Decision 05-12-043

Issued by
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(To be inserted by Cal. PUC)
Date Filed Dec 22, 2005
Effective Jan 1, 2006
Resolution _____



TABLE OF CONTENTS

Sheet 2

(Continued)

Cal. P.U.C.
Sheet No.

PRELIMINARY STATEMENT: (Cont'd)

Q. Demand Side Management Adjustment Clause (DSMAC)..... 24255-21355-20380-E
.....20381-22167-20383-21356-30264-20386-E

R. Historical Procurement Charge Balancing Account.....37080-E

S. Procurement Energy Efficiency Balancing Account (PEEBA)35953-E

T. Electric and Magnetic Fields Measurement Program..... 18319-18320-18321-E

U. NOT IN USE.....-E

V. Hazardous Substance Cleanup Cost Recovery Mechanism 37646-22174-E
.....27264-31561-31527-31528-18857-22175-18859-18860-18861-18862-18863-E

W. Departing Load and Customer Generation Departing Load (CGDL)
Cost Responsibility 33558-39001-33560-33561-33562-E
.....33563-33564-33565-33566-33567-33568-33569-33570-33571-33572-33573-33574-33575-E

X. Research, Development and Demonstration Adjustment Clause (RDDAC) 39476-39477-E

Y. Economic Development Adjustment Clause (EDAC).....39645-36602-36603-36604-E (T)

Z. Family Energy Rate Associates Balancing Account..... 36373-36374-E

AA. California Alternate Rates for Energy (CARE) Balancing Account 3444438295-34445-36298-E

BB. PBR Distribution Revenue Requirement Adjustment Factor (PDRRAD)
.....31330-31331-31332-31333-35496-31335-31336-31337-E

CC. PBR Distribution Performance Mechanism (PDPM) 32057-31339-32058-31341-31342-E
.....31343-32059-32060-32061-32062-32063-32064-32065-32066-32067-32068-32069-32070-E
.....32071-32072-E

DD. Cost Of Capital Trigger Mechanism 31356-35497-31358-32074-31360-E

EE. Electric Deferred Refund Account (EDRA)21212-26600-E

FF. Public Purpose Programs Adjustment Mechanism36319-34448-38296-34449-34450-36605-E
.....36299-33005-E

GG. Energy Efficiency Program Adjustment Mechanism (EEPAM) 30277-24257-E

HH. Low Income Energy Efficiency Program Adjustment Mechanism (LIEEPAM) 30278-24259-E

II. Bond Charge Balancing Account (BCBA)..... 32855-32234-32235-E

JJ. Direct Access Cost Responsibility Surcharge Tracking Account 35531-35532-E

KK. NOT IN USE-E

LL. NOT IN USE.....-E

MM. Community Choice Aggregation Implementation Cost Balancing Account.....37949-E

NN. NOT IN USE-E

OO. NOT IN USE-E

PP. NOT IN USE-E

QQ. NOT IN USE-E

RR. NOT IN USE-E

SS. NOT IN USE-E

TT. NOT IN USE-E

UU. Late Payment Charge Revenue Balancing Account (LPCRBA) 36606-36607-E

VV. Air Conditioning Cycling Device Balancing Account (ACCDDBA) 39478-39479-E

WW. Community Choice Aggregation Cost Responsibility
Surcharge Tracking Account..... 37950-E

XX. NOT IN USE-E

YY. Base Revenue Requirement Balancing Account (BRRBA) 39480-36611-36612-39481-E

ZZ. Energy Resource Recovery Account36508-36616-34480-37777-36617-38297-E
.....36332-32352-32353-32354-E

AAA. Post Test Year Ratemaking Mechanism (PTYR) 36618-36619-36620-36621-E
.....36622-36623-36624-36625-36626-E

BBB. Employee Safety and Distribution Reliability Performance Incentive Mechanism (SRPIM)
.....36627-36628-36629-E

(Continued)

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