

**CALIFORNIA CITY-COUNTY STREET LIGHT
ASSOCIATION
(CAL-SLA)**

**SCE Test Year 2003 General Rate Case
Tuesday, May 21, 2002**

Members of CAL-SLA Executive Committee and Attorneys --

On May 3, 2002, Southern California Edison filed Application 02-05-004 for a Test Year 2003 General Rate Case. In this application, SCE requests the California Public Utilities Commission to authorize base rate revenues of \$3.1 billion, an increase of \$286.4 million. Base rate revenues recover costs for distribution, transmission, and Edison-owned generation (fossil fuel, nuclear, and hydroelectric). The costs include capital, operation and maintenance, administrative and general, and customer accounting and billing. The requested increase of \$286.4 million would raise base rates by 10.3%. Looking at total current rates, the proposed increase would be 2.6%. Total current rates include the CPUC-authorized energy procurement charges and surcharges.

If the Commission were to allocate the increase in annual base rate revenues to SCE's customer groups on a system average percentage change, each customer group's revenues (residential, commercial, industrial, and agricultural) other than street lighting would increase by approximately 10.3%. Because facilities charges are excluded from revenue allocation and have not yet be revised, the proposed increase in street lighting's base rate revenues would be only 2.4%.

The requested revenue increase regards Phase 1 of the 2003 General Rate Case. The design of electric rates to recover the proposed base rate revenues will be addressed in Phase 2 of the 2003 General Rate Case. Phase 2 will address marginal costs and revenue allocation as well as rate design. I anticipate SCE filing its Phase 2 exhibits on marginal costs, revenue allocation, and rate design in August.

In October 2001, Edison and the CPUC settled a federal court case. The settlement agreement negotiated by Edison and the CPUC was approved by the federal district court. Among other things, the settlement agreement freezes rates at their current level until SCE's back debt has been recovered, which can be no later than 2005. In other words, total rates might not change as result of the requested increase in base rates because energy charges and surcharges could be reduced. SCE has already requested a system-wide 0.5 cent per kilowatt-hour reduction in electric procurement surcharge, effective June 2.

Dave and I will be available at the CAL-SLA Executive Committee meeting on June 6 in San Diego to discuss Edison's 2003 General Rate Case. In summary, SCE's requested increase in base rates might be offset by decreases in energy charges and surcharges. Rate design, which interests CAL-SLA most, will likely be submitted in August. SCE could potentially propose increases in rates for streetlights and traffic control signals.

-- Reed