

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE  
STATE OF CALIFORNIA**

Order Instituting Rulemaking on the	)	
Commission's Proposed Policies and Programs	)	Rulemaking 04-01-006
Governing Post-2003 Low-Income Assistance	)	(Filed January 8, 2004)
Programs	)	
_____	)	

**REPLY OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) TO THE  
UTILITY REFORM NETWORK'S RESPONSE TO SCE'S PETITION FOR  
MODIFICATION OF DECISION 05-10-044**

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Dated: **January 5, 2006**

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**I.**

**INTRODUCTION**

Pursuant to Rule 47(g) of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, and the January 3, 2006 e-mail note from Administrative Law Judge (ALJ) Steven Weissman granting SCE permission to file a reply, Southern California Edison Company (SCE) hereby submits this reply to The Utility Reform Network's (TURN) response to SCE's Petition for Modification of Decision 05-10-044.

On November 28, 2005, SCE filed its Petition for Modification (the "Petition") requesting that the Commission modify Decision 05-10-044 (the "Decision") to exempt SCE, an *electric* utility, from the winter shut-off moratorium, or in the alternative, limit the shut-off moratorium, as originally contemplated, to low-income customers only. On December 27, 2005, TURN responded to the Petition urging the Commission to deny it.<sup>1</sup> TURN's arguments are without merit and the Petition should be granted.

SCE is committed to protecting its most vulnerable customers and taking measures to mitigate the impacts of high natural gas prices this winter. However, SCE continues to believe

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<sup>1</sup> On December 28, 2005, the Office of Ratepayer Advocates (ORA) also filed a brief response to the Petition.

that the shut-off moratorium is inconsistent with SCE's customers' energy usage patterns and electric bills, and will result in detrimental, unintended consequences to its customers. SCE respectfully requests that the Commission modify the decision as set forth in SCE's Petition, and reject TURN's request that the Petition be denied.

## II.

### **TURN'S REQUEST FOR DENIAL SHOULD BE REJECTED, AND SCE'S PETITION FOR MODIFICATION GRANTED**

In its response, TURN claims that SCE "misleads the Commission" because SCE's rates will increase in 2006. SCE's Petition is not misleading. Indeed, SCE acknowledged in its Petition that its electric rates may increase as a result of high natural gas prices, although any increase will be significantly lower than the increases seen by gas customers, and will not fully be seen in its electric customers' bills until February 2006. (*See* Petition, nn. 1 & 5.) TURN does not deny this. In fact, in its response, TURN conveniently omits that the LA Times article it cites states that "[a]bout 40% of [SCE's] residential base, about 1.5 million customers, won't be affected by any of the planned increases because their electricity usage is below certain benchmarks set by regulators." Nearly half of SCE's CARE customers will see no bill impacts resulting from rate increases in early 2006.<sup>2</sup> Moreover, the average 8.6% increase in electric bills that TURN cites<sup>3</sup> is nothing like the increase expected in gas bills.<sup>4</sup> Even if SCE's

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<sup>2</sup> Approximately 423,250 CARE customers, those consistently using less than 130% of baseline allowances, will see no bill impacts resulting from rate increases being implemented by SCE in early 2006. Based on rates recently implemented on January 1, 2006, of those remaining customers with usage subject to Tier 3 energy charges, 22% (208,200) will have monthly bill impacts of less than 3%; 22% (208,900) will have monthly bill impacts of between 3% and 10%; and the remaining 11% (99,900) of CARE customers will have bill impacts of over 10%.

<sup>3</sup> The LA Times article cited by TURN states that the first increase – the average increase amounting to 8.6% for residential customers – to take effect January 1 "would stem in part from higher natural gas prices incurred through state power contracts." Elizabeth Douglass & Marc Lifsher, *Edison Says it Will Raise Power Rates*, L.A. TIMES, Dec. 21, 2005. The article goes on to state that "[a] second increase of about 5.5% to 6% will take effect February . . . [to] cover[] higher natural gas expenses incurred by SCE through its own power purchases and the cost of fueling its Mountainview plant in Redlands." *Id.*

<sup>4</sup> *See* Decision, p. 2 ("Buyers and sellers of natural gas anticipate exceptionally high gas prices this winter, with utility bills as much as 70% higher than comparable bills last year"); *see also* Douglass & Lifsher, *Edison Says*

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customers' electric bills increase by February 2006 (half-way into the winter period, and only for *some* customers), any benefit to the customer of deferring up to 50% of their winter bills to the summer months is only diminished by the additional burden of having increased already higher summer bills when air conditioning is a necessity for many of SCE's customers.

TURN also argues that the "shutoff moratorium was originally contemplated as applying to all residential customers." (Response, p. 5.) SCE disagrees. The impetus for the Decision was "to address the potential impact of [bill increases from high natural gas prices] on low- and fixed-income customers" and the utilities were directed to prepare "proposals for reducing impacts for low-income customers during the coming months ..." (Notice of October 6, 2005 Full Panel Hearing in Los Angeles.) It was within this context that the draft decision was issued, wherein, as TURN points out, the Commission stated that "[t]he utilities are prohibited from shutting off service this winter to **low-income** customers who make regular payments of at least 50% of their bills." (Draft Decision, p. 3) (emphasis added.) SCE does not know the Commission's basis for changing the Draft Decision and respectfully requests that the Commission clarify this issue when ruling on SCE's Petition for Modification.

Finally, TURN fails to address SCE's argument that if its customers take advantage of the shut-off moratorium, under a levelized payment plan, they will pay *more* during the winter months than the cost of their actual electricity usage; and under a 9-month repayment plan, the customers' winter bills will be deferred to the hot summer months, exacerbating their already higher summer electric bills.<sup>5</sup> SCE believes that Tables 1 through 4 attached to the Petition

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*it Will Raise Power Rates*, L.A. TIMES, Dec. 21, 2005 ("[SoCalGas] said it expected customer bills to be 45% to 55% higher this winter because of rising natural gas costs.")

<sup>5</sup> Further, TURN (nor ORA) does not respond to SCE's argument that the shut-off moratorium may result in a negative credit rating perception/action. As described in the Petition, in setting SCE's credit rating, S&P and Moody's rely on the protections granted by AB57 and the ERRRA trigger Mechanism, which provide "timely recovery of the utilities' procurement costs." (D.03-10-059, p. 7.) However, by allowing all residential customers to defer up to 50% of their bills, the rating agencies could conclude that the Commission has created a mechanism that circumvents the protections for timely recovery. This may result in a negative rating perception/action, as it seems to reverse the Commission's policy on timely cost recovery ratemaking.

illustrating this dilemma provide compelling evidence that the shut-off moratorium should not apply to SCE's residential customers.

### **III.**

#### **CONCLUSION**

SCE respectfully requests that the Commission modify the Decision as requested by, and as set forth in, SCE's Petition for Modification. The requested modification is consistent with the Commission's intent of mitigating the impacts of high natural gas costs this winter – SCE's customers will be protected from high natural gas prices (in part through the gas utilities' efforts) while being guarded against the unintended adverse consequences of higher summer electric bills.

Respectfully submitted,

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January 5, 2006

## CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of REPLY OF SOUTHERN CALIFORNIA EDISON COMPANY (U-338-E) TO THE UTILITY REFORM NETWORK'S RESPONSE TO SCE'S PETITION FOR MODIFICATION OF DECISION 05-10-044 on all parties identified on the attached service list(s). Service was effected by one or more means indicated below:

- Transmitting the copies via e-mail to all parties who have provided an e-mail address. First class mail will be used if electronic service cannot be effectuated.
- Placing the copies in sealed envelopes and causing such envelopes to be delivered by hand or by overnight courier to the offices of the Commission or other addressee(s).
- Placing copies in properly addressed sealed envelopes and depositing such copies in the United States mail with first-class postage prepaid to all parties.
- Directing Prographics to place the copies in properly addressed sealed envelopes and to deposit such envelopes in the United States mail with first-class postage prepaid to all parties.

Executed this **5th day of January, 2006**, at Rosemead, California.

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