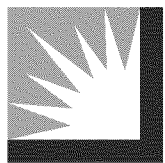


Cost Responsibility Surcharge Development of Indifference Amount

**DA OIR Phase III Workshop
December 7, 2010**



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Adopted Methodology

- Pursuant to D.06-07-030 (as modified), SCE develops an “indifference amount” annually in the ERRRA forecast proceeding;
 - For each vintage year, SCE calculates the cost of the total portfolio of all generation resources signed in that year to serve bundled service customers’ load.
 - The generation portfolio for each vintage year includes all resources and contracts entered into to serve bundled load for that year.
 - Energy Division produces a market price benchmark (MPB) for the forecast year, which includes:
 - Value of energy (average price for a 12-month forward strip over 31 days in October)
 - Value of RA/generation capacity (per MWh adder)
 - Line losses (per MWh adjustment)
 - Each portfolio is valued at the MPB to produce a market value for the total portfolio.
 - The market value of the portfolio is subtracted from the total portfolio cost for each year to determine any above-market costs, identified as the “indifference amount,” which can be positive or negative.
 - Statutory CTC revenue is subtracted from the indifference amount to produce the Power Charge Indifference Adjustment (PCIA).
 - CTC and PCIA revenue requirements are allocated to individual rate groups using the top 100-hours method to determine rates.

Adopted Methodology – Example

Southern California Edison Company
Illustrative Vintaged Indifference Rate Calculation
2011

	VINTAGE									
	Pre 2003	2003	2004	2005	2006	2007	2008	2009	2010	2011
Supply (GWhs)	56,402	56,402	56,402	56,412	62,565	65,642	69,744	72,820	77,948	79,998
Supply At Cust Meter	53,590	53,590	53,590	53,600	59,446	62,369	66,266	69,189	74,061	76,010
Total Portfolio Cost (\$000)	3,530,145	3,530,145	3,530,145	3,530,412	3,970,792	4,290,981	4,592,901	5,038,091	5,346,740	5,635,200
Market Price Benchmark (\$/MWh)	44.51	44.51	44.51	44.51	44.51	44.51	44.51	44.51	44.51	44.51
Market Cost (\$000)	2,385,288	2,385,288	2,385,288	2,385,721	2,645,934	2,776,041	2,949,516	3,079,623	3,296,467	3,383,205
Vintaged Above Market Cost	1,144,857	1,144,857	1,144,857	1,144,691	1,324,857	1,514,940	1,643,384	1,958,468	2,050,273	2,251,995
Total GWh Sales (All Customers)	86,710	86,710	86,710	86,710	86,710	86,710	86,710	86,710	86,710	86,710
System Avg. Indifference Rate (\$/MWh)	13.20	13.20	13.20	13.20	15.28	17.47	18.95	22.59	23.65	25.97
Vintaged Above Market Cost	1,144,857	1,144,857	1,144,857	1,144,691	1,324,857	1,514,940	1,643,384	1,958,468	2,050,273	2,251,995
Less: On-Going CTC	597,638	597,638	597,638	597,638	597,638	597,638	597,638	597,638	597,638	597,638
System Level PCIA Rev Rqmt	547,219	547,219	547,219	547,053	727,219	917,302	1,045,746	1,360,830	1,452,635	1,654,357

Adopted Methodology – Historical Indifference Rates

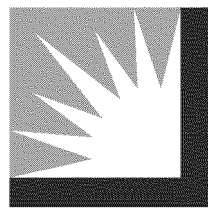
Vintaged DA/CCA CRS

AL 2225.-E 2008	AL 2320-E 2009	AL 2336-E 2009	AL 2346-E 2009	AL 2446-E 2010	A.10-08-001 2011
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Market Price Benchmark (MPB) (\$/MWh)	77.91	71.16	71.16	71.16	61.64	44.51
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Indifference Charge (\$/MWh)

2001/2002	4.54	3.46	4.28	3.78	4.06	15.87
2003	4.63	3.82	4.63	4.13	4.06	15.87
2004	4.63	3.84	4.66	4.15	4.09	15.87
2005	6.26	3.85	4.67	4.16	4.09	15.87
2006	9.81	7.80	8.60	8.23	6.67	17.59
2007	11.24	10.44	11.23	10.86	9.05	20.15
2008	12.50	11.42	12.21	11.84	10.17	21.27
2009		12.38	13.17	12.79	12.51	24.69
2010					13.43	26.56
2011						29.23



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