



IMPORTANT INFORMATION ABOUT PROPOSED INCREASES IN ELECTRIC RATES

On May 9, 2005, SCE filed its 2006 Cost of Capital Application with the California Public Utilities Commission ("CPUC"). The CPUC designated the application as A.05-05-011. It requests an increase in SCE's revenue requirement of \$10.3 million, or 0.1 percent.

This application is necessary to establish SCE's authorized cost of capital for 2006. The authorized cost of capital determines how much money SCE is allowed in rates as a return on its invested capital. In this proceeding, the Commission will determine the reasonable costs of long-term debt, preferred stock, and common stock that are part of the authorized cost of capital. The authorized cost of capital adopted in this application will be applied to capital investment authorized in SCE's pending General Rate Case (GRC) application. Assuming that SCE's requested capital investment is adopted in the GRC, the annual revenue requirement increase for SCE's 2006 cost of capital will be approximately \$10 million.

SCE is requesting a return on common equity of 11.80% and a return on rate base of 9.05%. SCE's requested cost of capital will fairly compensate those who invest in SCE, and permit SCE to attract capital to meet its obligations to serve its customers safely and efficiently. It will also allow SCE to mitigate financial effects in 2006 resulting from purchased power contracts.

The following table shows an estimate of proposed revenues and rate changes by customer group. The percentage increase in total revenue is less than one percent. Any revenue change resulting from this application will be consolidated with revenue changes from other SCE applications.

Customer Group	Revenue Change (\$millions)	%Change
Domestic (Residential)	3.2	0.10%
Small and Medium Power	4.3	0.13%
Large Power	2.4	0.15%
Agricultural and Pumping	0.3	0.13%
Street and Area Lighting	0.1	0.06%
TOTAL	10.3	0.11%

On an illustrative basis, if total rates were to change as requested, an average residential electric customer using 550 kilowatt-hours per month in the summer would see an increase of \$0.04 per month, from \$72.44 to \$72.48.

THE CPUC WELCOMES YOUR PARTICIPATION AND COMMENTS

The CPUC will issue its decision after evidentiary hearings on SCE's request. At the hearings, SCE representatives, interested parties, and the CPUC's Office of Ratepayer Advocates (ORA) will present testimony. The ORA staff of engineers, accountants, economists, attorneys and other professionals independently evaluate utility rate increase proposals and present their analyses and recommendations to the CPUC at evidentiary hearings. The rates approved may differ from those SCE requests.

If you need advice on how to participate or wish to make comments to the CPUC, please write to:

The Public Advisor
California Public Utilities Commission
320 West Fourth Street, Suite 500
Los Angeles, CA 90013
public.advisor.la@cpuc.ca.gov

Please state in your letter if you would like a response; otherwise, no reply will be sent. Your letter should also mention Application No. A.05-05-011. The Public Advisor will give your letter to the Commissioners and it will become part of the formal file.

FOR MORE INFORMATION REGARDING THIS APPLICATION

If you have questions or need further information about this matter, or to request a copy of the application and attachments, please write to:

Southern California Edison Company
P.O. Box 800
2244 Walnut Grove Avenue
Rosemead, CA 91770
Attention: Mark R. Bliss

Para solicitar una copia de esta notificación en español por favor escriba a

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