California Public Utilities Commission

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News Release

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# PUC ISSUES PROPOSED DECISION ON EDISON'S REQUEST TO ACQUIRE MOUNTAINVIEW POWER COMPANY

SAN FRANCISCO, November 18, 2003 -- The California Public Utilities Commission (PUC) today issued a Proposed Decision on Southern California Edison Company's request to acquire Mountainview Power Company, LLC (MVL) as a wholly-owned subsidiary of Edison and to enter into a power purchase agreement (PPA) with MVL for the purchase of electricity from Mountainview Power Project (Mountainview), subject to conditions and modifications.

Although the Proposed Decision approves Edison's application for a Federal Energy Regulatory Commission (FERC) jurisdictional PPA, with modifications, as the most expeditious way to build the facility in light of Edison's financial situation, the Proposed Decision says the Commission would prefer it if Edison sought authorization to purchase and own Mountainview as a utility-owned generation project. If Edison pursues that option, the Proposed Decision says the Commission will expedite the approval of a Certificate of Public Convenience and Necessity (CPCN) before the expiration of the option date of Feb. 29, 2004. This would obviate the need for Edison to seek FERC approval by that date.

Edison filed its application on July 21, 2003, seeking Commission authorization to enter into a PPA with a to-be-acquired wholly-owned utility subsidiary (MVL) that currently has the rights, permits, and contracts to build a new state-of-the-art combined-cycle gas turbine generating station, Mountainview. Mountainview is located in Redlands, 60 miles east of Los Angeles, in the heart of the fastest-growing portion of Edison's service area, with an expected net electrical output of 1,054 MW and with a low target heat rate of 7,100 Btu/kWh. The facility will use natural gas as its sole fuel, and the gas will be delivered via a new 17.5-mile gas interconnection lateral to be built by Southern California Gas Company (SoCalGas). The water supply for Mountainview will be treated reclaimed wastewater from the City of Redlands and groundwater from wells on the site.

Mountainview is presently owned by MVL, a wholly-owned subsidiary of Sequoia Generating Company, LLC (Sequoia). Edison has entered into an option agreement with Sequoia for the right to acquire MVL in its entirety, as a wholly-owned subsidiary. Sequoia has contractual arrangements intended to cover engineering, procurement, construction, major equipment and gas, water, and electric interconnections. In addition, MVL already completed an Application for Certification from the California Energy Commission (CEC) and received a license for the project from the CEC in March 2001. As part of the application process, the CEC conducted an environmental analysis of the project, which is the functional equivalent of preparing an Environmental Impact Report pursuant to the California Environmental Quality Act.

If acquired by Edison, MVL will complete construction of the facility pursuant to Sequoia's already negotiated construction contracts, and MVL will commit the output of the facility to Edison as a dispatchable resource dedicated to Edison's customers at cost-based rates when it comes on line in 2006. Under the option agreement, if Edison acquires MVL by Nov. 30, 2003, the price is fixed. Edison may extend the option term through Feb. 29, 2004, but the price and option payments increase.

Edison proposes financing the acquisition of Mountainview as a wholly-owned subsidiary through existing debt and equity proceeds with the operation and maintenance costs recovered through the ratemaking mechanism established for recovering procurement costs.

The Commission is expected to vote on this issue at its meeting on Dec. 18, 2003.

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