



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

**FILED**

06-07-10  
04:59 PM

Application of Southern California Edison )  
Company (U 338-E) for a Commission Finding )  
that its Procurement-Related and Other )  
Operations for the Record Period January 1 )  
Through December 31, 2008 Complied with its )  
Adopted Procurement Plan; for Verification of its )  
Entries in the Energy Resource Recovery )  
Account and Other Regulatory Accounts; and for )  
Recovery of \$35.796 Million Recorded in Four )  
Memorandum Accounts. )

Application No. 09-04-002

(Filed April 1, 2009)

**NOTICE OF EX PARTE COMMUNICATION**

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Dated: **June 7, 2010**

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

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Recovery of \$35.796 Million Recorded in Four	)	
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**NOTICE OF EX PARTE COMMUNICATION**

Pursuant to Rule 8.3 of the Commission’s Rules of Practice and Procedure, Southern California Edison Company (SCE) gives notice that on Friday, June 4, 2010, SCE’s Manager of Regulatory Affairs, Brian Prusnek, sent an email to Commissioner Timothy Simon’s Energy Advisor, Paul Phillips, attaching a summary of issues in SCE’s April 2009 Energy Resource Recovery Account (ERRA) Review proceeding, A.09-04-002. A copy of Mr. Prusnek’s June 4 email, which includes the attached summary of issues, is included as Attachment “A”. Mr. Prusnek sent this summary at Mr. Phillips’ request.

To receive a copy of this *ex parte* notice, please contact:

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Respectfully submitted,

/s/ \_\_\_\_\_  
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June 7, 2010

**ATTACHMENT "A"**

From: Brian Prusnek/SCE/EIX  
To: "Paul Phillips" <psp@cpuc.ca.gov>  
Date: 06/04/2010 04:23 PM  
Subject: ERRA

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FOR INTERNAL USE ONLY

Hi Paul -

please find attached a summary of the outstanding issues we believe the PD needs to resolve. I'm happy to set up a meeting with you to discuss.

Please don't hesitate to let me know if you have any questions.



- Brian Summary of Issues in A09-04-002.doc

Brian C. Prusnek  
Regulatory Affairs Manager  
Southern California Edison  
San Francisco Office  
(415) 929-5515 (o)  
(415) 405-6691 (c)

## SUMMARY OF REMAINING ISSUES IN SCE's ERRA Proceeding - A.09-04-002

- **Least Cost Dispatch:** DRA no longer takes issue with SCE's least cost dispatch activities during 2008, but is "concerned that SCE may not be prudently anticipating its revenue requirement, resulting in unnecessary rate adjustments to its customers". DRA's concern is based on an ERRA Trigger Application, A.08-12-22, that SCE filed on December 24, 2008, but subsequently withdrew. As SCE explained, DRA's concern regarding "unnecessary rate adjustments to SCE's customers" is not supported by the evidence in this proceeding. SCE's customers' rates were not increased because SCE withdrew its December 2008 Trigger Application. SCE withdrew that Application after it correctly forecast that the undercollection in the ERRA balancing account would drop below the Assembly Bill (AB) 57 threshold by the end of June 2009.
- **Utility Retained Generation:** DRA recommended that the Commission disallow approximately \$5,330,000 associated with two outages, one at San Onofre Nuclear Generating Station (SONGS) Unit 2 and one at Palo Verde Nuclear Generating Station (Palo Verde) Unit 3. DRA's analysis of these forced outages ignores the Commission's "reasonable manager" standard, and instead relies on the findings in root cause evaluations (RCEs) that were performed after these outages took place, with the benefit of hindsight. SCE has described the actions taken by personnel at SONGS and Palo Verde prior to these outages, and explained why these actions were prudent at the time they were taken. The Commission should reject DRA's conclusory analysis, and find that SCE has met its burden to demonstrate the reasonableness of these outages.
- **PDDMA:** SCE is requesting to recover \$3.910 million in costs recorded in the Project Development Division Memorandum Account (PDDMA) during the Record Period. DRA asked the Commission to disallow \$587,928 of SCE's recorded costs in the PDDMA because they were for support functions that led to SCE filing applications with the Commission for its Solar Photovoltaic Program (A.08-03-008), Fuel Cell Program (A.09-04-018), and Hydrogen Energy California Feasibility Study (A.09-04-008).

DRA's recommendation is based on a misinterpretation of Decision (D).06-05-016, which DRA believes precludes any costs from being recorded in the PDDMA that are "associated" with applications pending before the Commission. The Commission made clear in D.06-05-016 that SCE is entitled to recover its costs recorded in the

PDDMA provided they are supportive in nature, and regardless of whether these support functions lead SCE to file an application before the Commission for approval of a specific project – as was the case here. SCE should therefore be allowed to recover these recorded costs.

- **DOELMA**: SCE is requesting recovery of \$0.265 million of costs associated with the DOELMA. DRA does not take issue with the reasonableness of SCE's recorded costs, but instead recommends that the Commission require SCE to submit its recorded expenses in a separate application because SCE's underlying advice letter establishing this account, Advice Letter 2085-E, states that SCE shall present its recorded costs by way of "an application". DRA's argument should be rejected because this ERRA Review proceeding *is an application*, and as ruled in the June 24, 2009 Scoping Memo in this proceeding, SCE's non-ERRA accounts, including the DOELMA, are appropriately reviewed in the present proceeding. Given that DRA does not take issue with any of SCE's recorded costs in this account, the Commission should find that they are reasonable and recoverable.

- **MRTUMA**: SCE is requesting to recover \$5.1 million of recorded costs in the MRTUMA. DRA has argued that SCE's request is premature and that SCE should be required to resubmit its request once all MRTU development project orders for 2007 and 2008 have been closed. DRA also has requested the Commission to review SCE and the other investor-owned utilities' MRTU accounts in a separate, consolidated proceeding.

DRA's recommendations should be rejected. In Resolution E-4087 the Commission made it clear that: (1) it intends to allow SCE to request recovery of any amounts recorded in the MRTUMA on an annual basis in its ERRA Review proceedings; (2) costs associated with the implementation of MRTU will be incurred over several years; (3) there is no need to defer recovery of operation and maintenance (O&M) or other costs recorded in any given year until the capital project orders related to that year have closed; and (4) SCE has made specific arrangements to protect against double recovery of MRTU-related costs from year to year.

The Commission should reject DRA's proposal to establish a consolidated MRTU proceeding to review the expenses recorded by all three utilities because it would inappropriately attempt to second-guess the policies and decisions adopted by the

California Independent System Operator (CAISO) and the Federal Energy Regulatory Commission (FERC) on a federally-mandated program under which SCE is required to operate.

- **Reviewing Non-ERRA Accounts in the ERRA Review Proceeding:** DRA has questioned the appropriateness of the Commission's continued review of non-ERRA balancing and memorandum accounts in the ERRA Review proceeding. In its June 24, 2009 Scoping Memo in this proceeding, the Commission agreed with SCE that it was appropriate to include and review non-ERRA accounts in the ERRA Review proceeding, and ordered DRA to continue its review of SCE's non-ERRA accounts in this proceeding. The Commission left it to DRA to develop a record justifying why these accounts should be removed from the ERRA Review proceeding and consolidated for review in a separate proceeding. In particular, the Commission observed the following issues that would need to be addressed before such a finding could be made: (1) the extent of the problems related to addressing non-ERRA accounts in the ERRA proceeding; (2) where and how the other IOUs address each of the non-ERRA accounts presented by SCE in this proceeding; and (3) why it would be appropriate to override previous Commission determinations that certain non-ERRA accounts should be addressed in SCE's ERRA Review proceeding.

In its report, DRA either ignored or failed to sufficiently address these issues. Instead, it just observed that the number of non-ERRA accounts in SCE's ERRA proceedings "has grown and continues to grow". As SCE explained in its rebuttal testimony, this is not sufficient to justify removing these accounts from review in this proceeding.

**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 the **NOTICE OF EX PARTE COMMUNICATION** 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.

Executed this **7th day of June 2010**, at Rosemead, California.

/s/ \_\_\_\_\_

Melissa Schary

Case Analyst

SOUTHERN CALIFORNIA EDISON COMPANY

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