

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



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Application of Southern California Edison
Company (U 338-E) for Authority to,
Among Other Things, Increase Its
Authorized Revenues for Electric Service
in 2012, And to Reflect that Increase in
Rates.

Application 10-11-015
(Filed November 23, 2010)

**MOTION OF THE UTILITY REFORM NETWORK
TO ESTABLISH A MEMORANDUM ACCOUNT**

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December 29, 2010

**MOTION OF THE UTILITY REFORM NETWORK
TO ESTABLISH A MEMORANDUM ACCOUNT**

Pursuant to Rule 11.1 of the Commission's Rules for Practice and Procedure, The Utility Reform Network (TURN) respectfully moves the California Public Utilities Commission (Commission) to authorize a General Rate Case (GRC) Revenue Requirement Memorandum Account (GRC RRMA) similar to those adopted in each GRC conducted in approximately the last ten years for a major energy utility. The requested memorandum account would be available to track the change in revenue requirement ultimately adopted in this proceeding during the period between January 1, 2012 and the date a final decision is adopted.

In its protest of SCE's application, DRA has indicated that it needs the due date for its testimony to be no earlier than May 11, 2011. TURN fully supports the staff's request and faces similar challenges as those described in the DRA protest, including devoting limited resources to reviewing voluminous materials purporting to justify very substantial revenue requirement increases in three GRCs for major energy utilities. By approving the memorandum account now, rather than later in the proceeding as is typically the case, the Commission could establish an initial procedural schedule that is driven by the essential goal of providing parties sufficient time to perform the necessary review and analysis, rather than by the improbable goal of achieving a final decision before a year-end target date.

SCE filed its application for a test year 2012 GRC on November 23, 2010. Consistent with the utility's test year 2006 and 2009 GRC applications, SCE included in the application a proposed schedule that would produce a final decision on the

application in December, 2011, before the start of the 2012 test year.¹ On December 15, 2010, Southern California Gas Company and San Diego Gas & Electric Company (referred to collectively as the “Sempra Utilities”) each filed its application for a test year 2012 GRC. Each application includes a proposed schedule with a Commission decision indicated for November 2011.²

The Commission faces a daunting task as it attempts to successfully conduct test year 2012 GRC applications for three major energy utilities in two separate proceedings. Parties such as TURN and the Division of Ratepayer Advocates (DRA) who anticipate taking an active role in each of the GRC proceedings will be similarly challenged by the need to cover these proceedings with somewhat limited resources and within whatever time constraints the Commission incorporates into the adopted procedural schedules for each proceeding. By establishing the GRC RRMA at the outset of the proceeding and before the initial procedural schedule is set, the Commission could create the opportunity to adopt a schedule that will permit the parties (as well as the Commission) sufficient time for the work necessary to the effective review of SCE’s GRC application.

The present circumstances call for an approach that is consistent with reality, even if that approach may not be fully consistent with the Rate Case Plan. TURN submits that creating the memorandum account now rather than later in this proceeding is consistent with reality in at least two important ways. First, the Commission needs to acknowledge that despite repeatedly setting initial procedural schedules driven by the achievement of a year-end final decision on the GRC application, the final decision in each major GRC application of this millennium has issued after the start of the test year. If this has been

¹ SCE Application A.10-11-015, pp. 18-20.

² SDG&E Application A.10-12-005, p. 13; SoCalGas Application A.10-12-006, p. 14.

consistently true for the processing of a single GRC proceeding (albeit with two consolidated applications for the Sempra GRCs), it is almost certain to be true where the Commission is attempting to process two GRCs covering three major energy utilities, all for the same 2012 test year.

Second, DRA and intervenors such as TURN who intend to be active in both GRC proceedings do not have the resources to provide their usual level of analysis and advocacy in GRC proceedings that are conducted simultaneously or even with substantial overlap.³ DRA has already indicated that it needs a testimony due date of no earlier than May 11, 2011, a date that is entirely reasonable under the circumstances and virtually guarantees that a decision will not issue before the end of 2011. If the Commission intends to have these GRCs conducted in a manner that permits DRA, TURN, and other intervenors to fully participate to the best of their abilities in each proceeding, it needs to seek and create opportunities to provide sufficient time for them to do so. Eliminating the constraint of achieving a decision before the end of 2011 would be an important step toward making good on that intention.

In SCE's 2003 general rate case, the Commission identified three policy objectives it would seek to advance in considering whether to grant a request for a memorandum account: "holding utility shareholders and ratepayers harmless for any required procedural delays in this proceeding, removing incentives for any party to seek or promote delay, and providing parties and decisionmakers with sufficient time to

³ For example, the utility-proposed schedule for each proceeding would have parties simultaneously preparing briefs for the SCE GRC while participating in the evidentiary hearings for the Sempra Utilities GRCs.

review and analyze the record.”⁴ In particular, the Commission recognized the need to ensure that DRA had sufficient time for its GRC work.

We expect ORA to provide us with critical analysis in cases that have significant consumer impact. Moreover, the Commission has an affirmative statutory obligation to provide for the assignment of personnel to, and the functioning of, ORA, and this includes the provision of personnel and resources “at a level sufficient to ensure that customer and subscriber interests are fairly represented in all significant proceedings.” [Citing PU Code §309.5(c).] Time is a resource, and if we were to fail to provide adequate time for ORA to participate in a meaningful way in major proceedings such as this one, we would act in contravention of this statutory obligation.⁵

The Commission similarly emphasized the need to provide DRA with adequate time to review the utilities’ testimony and prepare testimony addressing the issues in the proceeding in the Sempra Utilities’ “cost of service” proceeding that served as a GRC-equivalent for a 2004 test year.⁶ DRA has already indicated that “adequate time” under the present circumstances will require a testimony due date of no earlier than May 11, 2011. To give DRA enough time to perform its review and analysis, the Commission will not be able to produce a final decision before the end of 2011, absent an uncontested settlement on the vast majority of major issues (an outcome not achieved in recent memory for the revenue requirement phase of an SCE GRC).

The Commission should also recognize that the relief sought in this motion is consistent with the relief granted in every GRC (or GRC-equivalent) proceeding since at

⁴ D.03-05-076 (*mimeo*), pp. 7-8.

⁵ *Id.* at 5.

⁶ D.03-12-057, p. 4.

least the test year 2003 GRC for PG&E.⁷ The only noteworthy differences are the timing of the presentation of the motion and the request that a ruling on these matters issue at an earlier stage of the proceeding.

To implement this relief, TURN proposes an identical approach to that SCE proposed in its last GRC.⁸ Consistent with those prior decisions, until a final decision is adopted in this proceeding, SCE will continue to recover its previously authorized revenue requirement through the operation of the Base Revenue Requirement Balancing Account (BRRBA). Assuming that a final decision is not adopted by year-end 2011, then during the period between January 1, 2012 and the effective date of the final decision, SCE will track this previously adopted authorized GRC revenue requirement in the GRC RRMA. When the final decision is adopted, SCE would determine the balance (*i.e.*, over- or under-collection) in the GRC RRMA by comparing the authorized 2012 revenue requirement to the previously authorized revenue requirement recorded in the GRC RRMA.

SCE has contended in the past that a memorandum account does not shield the utility from all negative impacts, as a GRC decision issued after the start of the test year would still purportedly hamper SCE's ability to budget at levels consistent with the

⁷ D.02-12-073 (for PG&E Test Year 2003 GRC); D.03-05-076 (for SCE Test Year 2003 GRC); D.03-12-057 (for Sempra Utilities Test Year 2004 Cost of Service proceedings); D.06-01-012 (for SCE Test Year 2006 GRC); D.06-10-013 (for PG&E Test Year 2007 GRC); D.07-12-053 (for Sempra Utilities Test Year 2008 GRCs); D.08-12-049 (for SCE Test Year 2009 GRC); and D.10-11-018 (for PG&E Test Year 2011 GRC).

⁸ To ensure consistency on this point, TURN's description of the mechanics of the memorandum account is largely the same as the description that SCE included in its motion seeking a memorandum account in A.07-11-011.

adopted outcomes.⁹ TURN submits that even if the Commission were to accept without question SCE's contention on this point,¹⁰ on balance it is still appropriate to establish the memorandum account earlier rather than later in the proceeding in order to create a schedule that would relieve some of the time constraints that the Rate Case Plan imposes on other parties.

In conclusion, by establishing the GRC RRMA at the outset of the proceeding, the Commission could mitigate, if not eliminate the time constraints normally created when the initial procedural schedule targets achieving a year-end decision. This approach will enable adoption of an initial procedural schedule that permits the Commission and the parties more time for their work in this GRC. Therefore, consistent with longstanding Commission practice regarding the establishment of memorandum accounts, TURN respectfully moves the Commission to issue an interim decision in this proceeding approving the establishment of the GRC RRMA to become effective during the period between January 1, 2012 and the effective date of the final decision in this proceeding.

⁹ SCE raised the same point when it sought a memorandum account in its 2003 GRC, as the Commission noted without further comment in its decision approving the memorandum account.

¹⁰ Once the Proposed or Alternate Decision issues, the utility's ability to budget should be largely unaffected. In SCE's 2003 GRC, the original Proposed Decision would have increased the revenue requirement associated with then-present rate levels by approximately \$15 million, while the final decision adopted a \$73 million increase. The \$58 million difference between those two potential outcomes represented approximately 2% of the \$2.814 billion revenue requirement adopted for the test year. In SCE's 2006 GRC, the original Proposed Decision included an increase of \$284 million, and the final decision adopted an increase of \$333 million; the \$49 million difference is approximately 1% of the \$3.749 billion revenue requirement for the test year. And in SCE's 2009 GRC, the original Alternate Decision included an increase of \$555 million, while the final decision adopted an increase of \$495 million, and the \$60 million difference is approximately 1% of the \$4.829 billion revenue requirement. (For the major energy utilities, experience to date is that where the Commission simultaneously issues a Proposed and Alternate Decision in a GRC, a modified version of the Alternate Decision is ultimately adopted.) Therefore, once the Proposed or Alternate Decision issues, the challenge to the utility appears to be a 1-2% variance in the test year revenue requirement.

December 29, 2010

Respectfully submitted,

By: _____/s/_____

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the “Motion of The Utility Reform Network to Establish a Memorandum Account” by electronic mail to the following persons on the official service lists for A.10-11-015 and A.07-07-011:

A.10-11-015

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A.07-11-011

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Executed this 29th day of December, 2010, at Scottsdale Arizona.

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