



**FILED**

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

Application of Southern California Edison Company (U338E) for Authority to Establish Its Authorized Cost of Capital for Utility Operations for 2013 and to Reset the Annual Cost of Capital Adjustment Mechanism.

Application 12-04-015  
(Filed April 20, 2012)

Application of San Diego Gas & Electric Company (U902M) for Authority to:  
(i) Adjust its Authorized Return on Common Equity, (ii) Adjust its Authorized Embedded Costs of Debt and Preferred Stock, (iii) Adjust its Authorized Capital Structure; (iv) Decrease its Overall Rate of Return, (iv) Modify its Adopted Cost of Capital Mechanism Structure, and (v) Revise its Electric Distribution and Gas Rates Accordingly, and for Related Substantive and Procedural Relief.

Application 12-04-016  
(Filed April 20, 2012)

Application of Southern California Gas Company (U904G) for Authority to:  
(i) Adjust its Authorized Return on Common Equity, (ii) Adjust its Authorized Embedded Costs of Debt and Preferred Stock, (iii) Decrease its Overall Rate of Return, and (iv) Revise its Gas Rates Accordingly, and for Related Substantive and Procedural Relief.

Application 12-04-017  
(Filed April 20, 2012)

Application of Pacific Gas and Electric Company for Authority to Establish Its Authorized Cost of Capital for Utility Operations for Test Year 2013, and to Continue the Annual Cost of Capital Adjustment Mechanism (U39M).

Application 12-04-018  
(Filed April 20, 2012)

## **ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING**

### **1. Summary**

Today's scoping memo and ruling (scoping ruling) sets forth the scope, schedule, filed motions, category, assignment of the presiding officer, and *ex parte* communications rules for this consolidated proceeding following a June 4, 2012 Prehearing Conference, pursuant to Rule 7.4 of the Commission's Rules of Practice and Procedure (Rules). This proceeding shall be split into two phases with the first phase addressing the utilities' 2013 test year cost of capital and the second phase addressing the cost of capital adjustment mechanism.

This scoping ruling also addresses L. Jan Reid's May 8, 2012 motion to participate as a party in PG&E's cost of capital application, the Division of Ratepayer Advocate's (DRA) May 24, 2012 motion to accept its late filed response to Southern California Gas Company's (SoCalGas) motion seeking a stay to file an October 2012 Advice Letter to adjust its cost of capital, and Southern California Generation Coalition's May 9, 2012 response to SoCalGas's motion and May 25, 2012 motion to participate as a party in SoCalGas's cost of capital application.

The issue of whether to hold public participation hearings is deferred pending a review of public responses to the utilities' bill inserts. Each utility is

required to provide a June 29, 2012 report to all parties of record summarizing customer inquiries and protests to their respective applications.

## **2. Scope of Proceeding**

Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), Southern California Gas Company, and Pacific Gas and Electric Company's (PG&E) cost of capital applications are consolidated and will be addressed in two phases. A question of whether this proceeding is the appropriate place to address SoCalGas's request to reset and to replace its Market-Indexed Capital Adjustment Mechanism with the uniform multi-year Cost of Capital Mechanism established by Decision (D.) 08-05-035, which is subject to changes in this proceeding, will be addressed in a subsequent ruling upon review of filed comments on this issue.

The first phase of this proceeding shall address SCE, SDG&E, SoCalGas, and PG&E's test year 2013 cost of capital. Issues impacting the utilities' test year 2013 cost of capital are:

- Appropriate Capital Structure;
- Appropriate Cost of Long Term Debt;
- Appropriate Cost of Preferred Stock; and
- Appropriate Cost of Common Equity.

The second phase of this proceeding shall address the cost of capital mechanism (COCM) established by Decision 08-05-035. Issues that impact this phase of the proceeding are:

- Appropriateness of continuing with the COCM; and
- Modifications of the COCM.

### 3. Schedule

The Phase I Schedule for this proceeding is as follows:

DATE	ACTIVITY
June 28, 2012	Utilities Supplemental Information Served. <sup>1</sup>
June 28, 2012	Interested Parties' Comments of SoCalGas's MICAM Proposal Filed.
June 29, 2012	Utilities Report Customer Return on Equity Inquiries & Protest Served.
July 9, 2012	Response to Interested Parties' Comments on SoCalGas's Market-Indexed Capital Adjustment Mechanism (MICAM) Proposal Filed.
July 31, 2012	Final Date to Request Public Participation Filed.
August 6, 2012	DRA and Intervenor Testimony Served.
August 29, 2012	Rebuttal Testimony Served.
September 10, 2012	Witness List - Order of Testifying Served.
September 14, 2012	Evidentiary Hearing Starts at 10:00 a.m. Commission Courtroom State Office Building 505 Van Ness Avenue, San Francisco, CA 94102
September 21, 24 & 28, 2012	Evidentiary Hearing continues starting at 10:00 a.m. on September 21 and continuing as needed.
October 8, 2012	Late Filed Exhibit Update of Debt/Stock Filed. <sup>2</sup>

<sup>1</sup> See Prehearing Conference (PHC) Reporter's Transcript. Supplemental information pertains to balancing and memorandum accounts, prior years actual versus authorized return on equity, and ratings by rating agencies.

<sup>2</sup> Comments, if any, on this late-filed exhibit should be included in the opening brief.

October 12, 2012	Opening Briefs & Deadline to Request Final Oral Argument Filed.
October 19, 2012	Reply Briefs Filed & Proposed Submission Date.
November 19, 2012	Proposed Decision on Phase 1 Filed.
December 10, 2012	Comments on Proposed Decision Filed.
December 17, 2012	Reply Comments on Proposed Decision Filed.
December 20, 2012	Commission consideration of Proposed Decision on Phase 1.

In any event, it is anticipated that Phase 1 of this proceeding will conclude within 18 months of the issuance of this scoping memo, pursuant to Pub. Util. Code § 1701.5.

The Phase 2 schedule shall be established at the September 24, 2012 evidentiary hearing for Phase I, and by subsequent amended scoping memo.

The parties shall limit testimony to matters involving the identified issues. All parties shall confer among themselves on the sequence in which their witnesses will testify. SCE, the first applicant in this consolidated proceeding, is requested to coordinate with all parties the sequence in which their witnesses will testify and provide a copy of an agreed-upon witness list order for Phase I by September 10, 2012. Any request for final oral argument before the Commission must be filed on the same day Opening Briefs are filed.

#### **4. Filed Motions**

Four motions were filed prior to the holding of an evidentiary hearing, three of which were resolved at the prehearing conference. Three of the four motions were granted. The first motion, L. Jan Reid May 8, 2012 request seeking party status in PG&E's proceeding, became moot with the filing and acceptance of his appearance at the PHC. The second motion, a DRA request to accept its

late filed response to SoCalGas's motion for a stay to file an October 2012 MICAM Advice Letter to adjust its cost of capital was granted at the PHC. The third motion, a Southern California Generation Coalition May 25, 2012 request to intervene in SoCalGas's application was granted at the PHC along with its May 9, 2012 response to SoCalGas's motion.

The fourth motion, SoCalGas's April 24, 2012 request to stay D.97-07-054 MICAM trigger requirement of filing an October 2012 Advice Letter to adjust its cost of capital downward to 10.02% from 10.82% is deferred pending additional information. Interested parties have until June 28, 2012 to file comments on SoCalGas's motion and its inclusion of MICAM in the cost of capital proceeding. SoCalGas's response to those comments is due on or before July 9, 2012.

**5. Category of Proceedings/ Need for Hearings**

This scoping ruling confirms the Commission's preliminary finding in Resolution ALJ 176-3293 (dated May 10, 2012) that this is a ratesetting proceeding, as described in Rule 1.3(e). Hearings are scheduled as set forth above.

**6. Assignment of Presiding Officer**

Administrative Law Judge Michael J. Galvin is the presiding officer in this consolidated proceeding.

**7. Ex Parte Communications**

Parties shall comply with the *ex parte* communications rules set forth in Public Utilities Code Section 1701.3(c) and Rules 8.2 and 8.3.

**IT IS RULED** that:

1. The scope and schedule for this proceeding are set forth herein.

2. The individual cost of capital applications of Southern California Edison Company (SCE) Application (A.) 12-04-015, San Diego Gas & Electric Company (SDG&E) A.12-04-016, Southern California Gas Company A.12-04-017, and Pacific Gas and Electric Company A.12-04-018 are consolidated.

3. This consolidated proceeding shall be phased with the first phase addressing the utilities' 2013 test year cost of capital and the second phase addressing the cost of capital adjustment mechanism.

4. All filings in this proceeding shall be filed at the Commission's Docket Office and served either by mail or by Electronic Service Protocols consistent with Rules 1.9 and 1.10 of the Commission's Rules of Practice and Procedure.

5. Parties shall serve filings on all appearances listed on the service list, including those identified as Information Only and State Service, and on the assigned Commissioner and assigned Administrative Law Judge (ALJ). All filings should be electronically served on the assigned Commissioner; no hard copy shall be served to the assigned Commissioner. All filings shall be served electronically and in hard copy on the assigned ALJ.

6. Parties shall coordinate on the sequence in which their witnesses will testify and SCE shall thereafter provide a copy of an agreed-upon witness order list for Phase I by letter and/or electronic service protocol to all parties and to the assigned Commissioner and assigned ALJ by September 10, 2012.

7. An evidentiary hearing for Phase I will be held at 10:00 a.m., on September 14, 2012 for SDG&E's financial model witness. An evidentiary hearing for the remaining Phase I witnesses will begin at 10:00 a.m. on September 21, 2012 and continue, as needed on September 24, 2012 and September 28, 2012. These evidentiary hearings shall be held in the Commission

Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California.

8. A Phase 2 schedule for the cost of capital mechanism will be established at the September 24, 2012 evidentiary hearing, and by subsequent amended scoping memo.

9. Any request for final oral argument before the Commission shall be made by October 12, 2012 for Phase I.

10. Any settlement conference that may occur in this proceeding shall comply with the Commission's Rules of Practice and Procedure.

11. This scoping ruling confirms that this consolidated proceeding is a ratesetting proceeding. This ruling as to categorization is appealable pursuant to Rule 7.6 of the Commission's Rules of Practice and Procedure.

12. The presiding officer in this proceeding is ALJ Michael J. Galvin.

13. Parties shall comply with the *ex parte* communication rules set forth in Public Utilities Code Section 1701.3(c) and Rules 8.2 and 8.3 of the Commission's Rules of Practice and Procedure.

14. Any customer who intends to seek intervenor compensation in this proceeding shall file a notice of intent to claim compensation in this proceeding by July 5, 2012.

