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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California Pacific Electric Company, LLC (U933E) for Authority to Among Other Things, Increase Its Authorized Revenues For Electric Service, Update Its Energy Cost Adjustment Clause Billing Factors, Establish Marginal Costs, Allocate Revenues, And Design Rates, as of January 1, 2013.

Application 12-02-014
(Filed February 17, 2012)

ASSIGNED COMMISSIONER'S SCOPING MEMORANDUM AND RULING

1. Summary

This scoping memo identifies the issues to be considered in this proceeding. It sets a procedural schedule, determines the category of the proceeding is ratesetting, and determines there is a need for hearings pursuant to Rule 7.3 of the Commission's Rules of Practice and Procedure (Rules).¹

2. Background

California Pacific Electric Company, LLC (CalPeco)² is an electric utility subject to the Commission's jurisdiction. It filed a general rate case for test year 2013 and two subsequent years seeking, among other things, the following:

¹ http://docs.cpuc.ca.gov/WORD_PDF/AGENDA_DECISION/143256.PDF.

² CalPeco serves approximately 49,000 electric customers in and around the Lake Tahoe Basin. CalPeco's service territory differs greatly from the three major electric utilities in California. It is geographically compact and generally encompasses the western portions of the Lake Tahoe basin. CalPeco's California customers are located in portions of Placer, El Dorado, Nevada, Sierra, Plumas, Mono, and Alpine Counties.

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- (1) An annual increase in overall rates totaling \$7.501 million, or 10.02% overall based on present rates, effective January 1, 2013;
- (2) An authorized Return on Equity of 10.5%, resulting in an overall Rate of Return of 8.24%;
- (3) An amendment to its Energy Cost Adjustment Clause mechanism (Energy Mechanism);
- (4) An amendment to its Post Test-Year Adjustment Mechanism;
- (5) To establish a Base Revenue Requirement Adjustment Mechanism (Revenue Mechanism); and
- (6) Adoption of a new Electric Marginal Cost study, Revenue Allocation, and Rate Design.

3. Categorization and Need for Hearings

This scoping memo confirms the Commission's categorization of this proceeding as ratesetting as preliminarily determined in Resolution ALJ-136-3290. This determination is appealable under the provisions of Rule 7.6. This scoping memo also determines that hearings are necessary. The application timely appeared on the Commission's daily calendar.

4. Record and Restrictions on *Ex Parte* Communications

This Scoping Memo adopts a schedule that includes formal hearings. (*See* Rules 7.1(a) and 7.3(a) and Rule 7.5.) The record will be composed of all

Almost 80% of CalPeco's customers are located in the Lake Tahoe Basin. The biggest population center is the City of South Lake Tahoe. The CalPeco service territory extends from Portola in the north to Markleeville and Topaz Lake in the south. The terrain in CalPeco's California service territory is mountainous and heavily forested, with elevations ranging from 9,050 feet in Squaw Valley to just under 5,000 feet at Portola. Most of CalPeco's customers are located at elevations greater than 6,000 feet. Approximately half of the electricity CalPeco delivers is to residential customers and approximately 60% of residential accounts are second-family homes or rentals. (Application at 3.)

documents filed and served on parties. It will also include testimony and exhibits received at hearing. Parties shall use the procedures contained in Rule 11.3 to seek resolution of discovery disputes. Parties are directed to either resolve disputes or expeditiously refer disputes to the assigned Administrative Law Judge (Judge) to avoid adverse impacts on the schedule. (See § 10.)

In a ratesetting proceeding involving hearings, *ex parte* communications are permitted only if consistent with certain restrictions, and are subject to reporting requirements. (See Pub. Util. Code § 1701.3(c) and Rules 8.2, 8.3, and 8.5.). Parties shall electronically serve the assigned Commissioner and Judge all three-day notices required by Rule 8.2(c)(2) for all *ex parte* meetings with decisionmakers.

5. Scope

Interested parties were provided an opportunity to comment on what issues should be included in the scope of this proceeding in their protests to the application and again at the prehearing conference. Parties should develop prepared testimony to address any issues on which factual information or policy opinion may be helpful to explain or support their positions. Issues that turn solely on interpretation of law may be deferred to briefing. In the interest of minimizing delay, however, the parties are cautioned against narrowly interpreting the scope of prepared testimony.

There will be one phase to this proceeding. The schedule adopted below provides enough time for parties to address all items proposed by the applicant.

The scope shall include:

- adopting the just and reasonable revenue requirement for test year 2013;
- adopting an appropriate attrition mechanism for 2014 and 2015;

- adopting a reasonable cost allocation, marginal cost, and rate design;
- adopting a test year 2013 capital structure, cost of capital, and specifically a return on equity;
- review and amend as necessary the Energy Mechanism;
- adopt any appropriate amortization or other adjustment to the Energy Mechanism;
- consider whether to adopt a Revenue Mechanism and appropriate tariff description;
- a review of CalPeco’s forecast of operations generally; and
- any other issues which may affect the quality, safety, or cost of service offered by CalPeco.

This is a first rate case for CalPeco under the current ownership and management structure. Therefore parties are also advised that they should examine and address the adequacy of CalPeco's internal controls and operating practices.

6. Schedule

After careful reflection, I have considered the position of DRA that they are unable to effectively participate on the schedule proposed by the assigned Judge at the prehearing conference. To ensure effective participation, I adopt the following schedule:

CalPeco Rate Case Schedule	
Intervenor Testimony	Friday July 27, 2012
Rebuttal Testimony	Friday, August 17, 2012
Settlement Discussions	Any Time Before Evidentiary Hearings
Evidentiary Hearings Commission Courtroom State Office Building 505 Van Ness Avenue, San Francisco, California 94102	Week of September 10, 2012 beginning at 9:30 AM
Concurrent Opening Briefs	Friday, October 5, 2012
Concurrent Reply Briefs, Request for Final Oral Argument, and Submission	Friday, October 19, 2012

Based on the schedule above, we expect this proceeding to be concluded within 18 months of the date of mailing this scoping memo pursuant to Pub. Util. Code § 1701.5.

7. Briefs

Parties shall use a common outline for briefs. The outline is to be developed jointly by the parties. The parties may bring any unresolved disputes regarding the outline to the attention of the Judge before the end of evidentiary hearings.

Parties are strongly encouraged to avoid the use of acronyms in testimony, briefs, and other filings. Clear plain language will enhance the accessibility of the complex issues and arguments we face in this proceeding to all audiences including the general public, the media, and others interested in this proceeding. Obvious and common acronyms may be used. (E.g., kWh (kilowatt hour), CalPeco, TURN (The Utility Reform Network), DRA (Division of Ratepayer Advocates), etc.)

8. Settlement Requirements

Any settlements between parties, whether regarding all or some of the issues, must comply with Article 12 of the Rules and shall be served in writing. Such settlements must include a complete explanation of the settlement and complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest. The proposing parties bear the burden of proof as to why the settlement should be adopted by the Commission.

A mediation Neutral will be available to mediate settlement discussions if requested by the parties.

9. Final Oral Argument

Pursuant to Rule 13.13(b), a party in a ratesetting proceeding, where there has been a hearing, has the right to make a final oral argument before the Commission if the final oral argument is requested within the time and manner specified in the scoping memo or later ruling. This request must be made by written motion. By this scoping memo requests for final oral argument are due concurrently with the concurrent reply briefs.

10. Discovery

Parties should begin discovery now if they have not already started. Discovery should be conducted pursuant to the Commission's longstanding guidelines. However, to expedite resolution of disputes we specifically direct the parties that CalPeco must expeditiously: inform any party when there will be a delay in responding; convey any questions for clarification; raise any dispute on relevance, confidentiality, or any other basis where a response may be withheld; and disclose any other challenge or dispute concerning the discovery request. Rather than delay the proceeding for motions to compel, etc., any party may inform the assigned Judge and all parties on the service list, of the dispute and a timely conference call will be scheduled to discuss and mediate the dispute. These conferences may be on short notice and need not be reported. If necessary, the Judge may require a motion and reply to resolve the matter. The intervenors are required to also serve their data requests another parties. They should coordinate to avoid duplication. All requests for the responses to the data requests made by another parties should be made to CalPeco.

Presiding Officer

Pursuant to Rule 13.2, Judge Douglas M. Long is designated as the presiding officer.

IT IS RULED that:

1. This proceeding is categorized as ratesetting. This ruling is appealable within 10 days under Rule 7.6.
2. The Commission's preliminary determination that hearings are necessary is affirmed.
3. The issues to be considered are those described in Section 5.
4. The schedule is as described in Section 6.
5. Rules 8.2, 8.3 and 8.5 governing *ex parte* communications apply to this proceeding.
6. Any proposed settlements must comply with Article 12 of the Commission's Rules of Practice and Procedure.
7. Final oral argument is permissible as described in Section 9.
8. Expedited discovery procedures are described in Section 10.
9. Parties are strongly encouraged to avoid the use of acronyms in testimony, briefs, and other filings.
10. Judge Douglas M. Long is designated as the presiding officer.

Dated April 19, 2012, at San Francisco, California.

/s/ MICHEL PETER FLORIO

Michel Peter Florio
Assigned Commissioner