STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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April 23, 2013

Agenda ID #12075
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 12-08-001:

This is the proposed decision of Administrative Law Judge (ALJ) Seaneen M. Wilson. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Wilson at smw@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ KAREN V. CLOPTON
Karen V. Clopton, Chief
Administrative Law Judge

KVC:acr

Attachment

Decision **PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE WILSON** (Mailed 4/23/2013**)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval of Its Forecast 2013 ERRA Proceeding Revenue Requirement.	Application 12-08-001 (Filed August 1, 2012)

DECISION APPROVING SOUTHERN CALIFORNIA EDISON COMPANY'S 2013 ENERGY RESOURCE RECOVERY ACCOUNT FORECAST

TABLE OF CONTENTS

Title **Page**

1. Summary 2
2. Procedural Background 2
3. Request 3
   3.1. Southern California Edison Company's August Application 3
   3.2. Southern California Edison Company's Update 5
4. Discussion 7
   4.1. DRA's Recommendation 8
   4.2. PAC Recommendations 10
      4.2.1. Power Charge Indifference Amount in SCE's Initial Application 10
      4.2.2. PCIA Forecast 10
      4.2.3. 10-Year Rule 11
      4.2.4. Comparison with Another Utility 13
   4.3. Conclusion 13
5. Procedural Issues 14
   5.1. Categorization and Need for Hearings 14
   5.2. Admittance of Testimony and Exhibits into Record 14
      5.2.1. SCE Motion to Receive its Testimony and Exhibits into the Record 14
      5.2.2. PAC Motion to Receive its Testimony and Exhibits into the Record 15
      5.2.3. SCE Motion to Treat Confidentially and Seal a Portion of the Evidentiary Record 15
      5.2.4. DRA Motion to Treat Confidentially and File the Confidential Version of its Brief Under Seal 16
      5.2.5. SCE Motion to Strike a Portion of DRA's Opening Brief 17
6. Comments on Proposed Decision 18
7. Assignment of Proceeding 19
Findings of Fact 19
Conclusions of Law 22
ORDER 24

DECISION APPROVING SOUTHERN CALIFORNIA EDISON COMPANY'S 2013 ENERGY RESOURCE RECOVERY ACCOUNT FORECAST

1. Summary

This decision authorizes a $4.118 billion[1] 2013 Energy Resource Recovery Account (ERRA) forecast revenue requirement for Southern California Edison (SCE). The ERRA proceeding revenue requirement consists primarily of SCE's: 1) proposed 2013 fuel and purchased power costs; 2) estimated December 31, 2012 year-end recorded balancing account balances that SCE requests to recover from or return to customers; and 3) other miscellaneous expenses, such as spent nuclear fuel expense and Department of Energy decontamination and decommissioning fees. This decision also adopts SCE's requested 2013 forecast of electric sales and associated rates.

2. Procedural Background

On August 1, 2012, Southern California Edison Company (SCE) filed Application (A.) 12-08-001, its *Application of Southern California Edison Company (U338E) For Approval of Its Forecast 2013 ERRA Proceeding Revenue* (August Application), in which SCE requested that the Commission adopt a forecasted 2013 energy procurement revenue requirement of $4.387 billion.

On September 4, 2012, protests were filed by the Division of Ratepayer Advocates (DRA), and jointly by Alliance for Retail Energy Markets (AReM) and Direct Access Customer Coalition (DACC). AReM/DACC also requested party status. On November 2, 2012 a prehearing conference (PHC) took place in San Francisco to establish the service list for the proceeding, discuss the scope of

[1] $4.118 billion consists of $4.389 billion (Updated ERRA request) net of $271 million Greenhouse Gas (GHG) cap-and-trade costs.

the proceeding, and develop a procedural timetable for the management of the proceeding. In addition to AReM/DACC, party status was granted to DRA and the Public Agency Coalition (PAC).

On November 16, 2012, SCE served an update to its August Application (Update) requesting adoption of a total 2013 Energy Resource Recovery Account (ERRA) forecast revenue requirement of $4.389 billion.

Pursuant to the *Scoping Memo and Ruling of Assigned Commissioner* (Scoping Memo), dated November 14, 2012, intervenor testimony was due December 3, 2012, SCE rebuttal was due December 17, 2012, and evidentiary hearings were scheduled for January 4, 2013. As discussed below, no intervenors filed testimony, and the hearings were subsequently removed from the calendar. On January 11, 2013, the assigned Administrative Law Judge (ALJ) granted a request of the active parties to this proceeding to change the schedule of briefing in the current proceeding. Instead of one round of concurrent briefs due on January 25, 2013, pursuant to the Scoping Memo, the assigned ALJ ruled via electronic mail (e-mail) that the briefing schedule would instead consist of Opening Briefs due on January 25, 2013 and Reply Briefs due on February 1, 2013.

All rulings issued by the assigned Commissioner and ALJ are affirmed herein.

3. Request

3.1. Southern California Edison Company's August Application

The purpose of this proceeding is to determine SCE's 2013 ERRA forecast revenue requirement. In the ERRA, SCE records fuel and purchased power costs associated with serving bundled electric customers and tracks billed revenues

against actual recorded costs. The ERRA regulatory process includes: (1) an annual forecast proceeding to adopt a forecast of the utility's electric procurement cost revenue requirement and electricity sales for the upcoming year, and (2) an annual compliance proceeding to review the utility's compliance in the preceding year regarding energy resource contract administration, least cost dispatch, fuel procurement, and entries made to the ERRA balancing account.

Thus, in this ERRA forecast proceeding, SCE primarily seeks approval of its forecast 2013 fuel and purchased power revenue requirement of $4.387 billion. This forecast revenue requirement also includes the December 31, 2012 balances in certain balancing accounts that SCE seeks to recover from or return to customers, and other miscellaneous expenses such as spent nuclear fuel expense and Department of Energy decontamination and decommissioning fees. SCE also requested authority for its 2013 forecast of electric sales and associated rates. In its August Application, SCE's request was based on a number of underlying forecast components, including:

- SCE's Load Forecast;
- Forecast Energy Production and Costs from SCE's Portfolio of Resources;
- Financing Costs;
- Carrying Costs; and
- Cost Responsibility Surcharges (Direct Access, Departing Load, and Community Choice Aggregation).

The request pursuant to SCE's August Application is $506.62 million greater than the 2012 ERRA forecast of $3.880 billion. The $506.62 million includes an increase associated with the estimated fuel and purchased power of approximately $561 million and a decrease of approximately $53 million

associated primarily with overcollected balancing accounts in 2012. In particular, the requested increase includes:

1. A 2013 forecast of $298 million of GHG cap-and-trade related costs, but not the offset for cap-and-trade related revenue;
2. SCE's net short energy position, which is forecast to increase significantly as a result of the anticipated sale of SCE's ownership interest in the coal-fired Four Corners Generating Station and limited availability of the San Onofre Nuclear Generating Station (SONGS);
3. The estimated average on-peak power price of $40.79/Megawatt hour (MWh), which is an increase of $3.97/MWh above the average on-peak power price assumed in the 2012 forecast of $36.82/MWh; and
4. The inclusion of new generation capacity contracts that will come online in 2013.

3.2. Southern California Edison Company's Update

On November 16, 2012, SCE served its Update in order to: 1) update its 2013 ERRA forecast proceeding revenue requirement, including fuel and purchased power, financing costs and carrying costs, a more recent retail customer sales forecast, and updated estimate of its December 31, 2012 balancing account balances; 2) update the 2013 forecast Cost Allocation Methodology (CAM)-related revenue requirement; and 3) provide an estimate of the 2013 forecast Cost Responsibility Surcharge (CRS) components for Direct Access, (DA) Departing Load (DL), and Community Choice Aggregation (CCA) customers.

SCE's updated 2013 forecast ERRA revenue requirement is $4.389 billion, which is $508.5 million greater than the current 2012 ERRA revenue requirement and $1.845 million more than the 2013 ERRA forecast revenue requirement set forth in SCE's August Application. The $508.47 million includes a generation

service revenue requirement increase of $529.2 million and a delivery service revenue requirement decrease of $20.7 million.

In its January 25, 2013 Opening Brief, SCE requests that $271 million of GHG cap-and-trade related costs be removed from its proposed 2013 ERRA revenue requirement. SCE requests this adjustment in order to be in compliance with Decision (D.) 12-12-033, Ordering Paragraph 20, in which the Commission requires utilities to defer inclusion of GHG cap-and-trade costs and revenues in rates until implementation is finalized in Rulemaking (R.) 11-03-012. SCE also proposes that it be allowed to file an advice letter to request this $271 million of GHG cap-and-trade costs when implementation in R.11-03-012 is finalized.

The proposed revisions to SCE's request in its Update are driven primarily by the following:

1. Changes in the December 31, 2012 estimated balances of the various balancing accounts using recorded data through October 31, 2012 and estimated data for November and December 2012 activity. The updated cumulative balances result in a $113 million reduction from the estimated December 31, 2012 balances included in the August Application;
2. An increase in the CAM revenue requirement, which is offset by balancing account over-collections;
3. A revision to SCE's fuel and purchased power estimate which is primarily driven by increases in forward natural gas and power market prices;
    a. SCE's updated 2013 forecast assumes an average natural gas price of $4.07/Million Metric British Thermal Units (MMBtu), which is based on an October 15, 2012 New York Mercantile Exchange (NYMEX) gas price forward curve. This represents a $0.59/MMBtu increase compared to the then current gas price forecast used to support SCE's August 2012 Application;

b. SCE assumes an average power price of $39.94/MWh, which is based on October 15, 2012 forward power broker quotes. This represents an approximate $4/MWh increase in the average power price forecast compared to the then current forecast used to support SCE's August 2012 Application;

4. The impact from the increase in the forecast of gas and power prices is partially offset by several factors, including, but not limited to:

   a. A lower SCE bundled load forecast;

   b. A revised procurement planning assumption on SONGS unit availability in 2013; and

   c. A lower GHG price forecast.

5. Updated retail sales forecasts which result in a lower forecasted annual bundled load;

6. Updated procurement planning assumption regarding SONGS availability in 2013, consistent with SCE's most recent filing with the Nuclear Regulatory Commission (NRC);

7. A GHG price outlook based on the forward broker quotes for 2013- traded GHG allowances as of October 15, 2012. The updated GHG price forecast is $0.88/metric ton lower than the forecast used to support SCE's August Application. Combined with other factor changes, the lower GHG price forecast leads to a reduction in SCE's total forecast GHG-related compliance cost estimate; and

8. Inclusion of the costs that will be incurred in 2013 from SCE's recently completed 2012 All Source Request for Offers (AS RFO) solicitation. The 2012 AS RFO was completed on October 22, 2012.

4. Discussion

Part of determining whether SCE's forecasts should be adopted involves verifying the methods and inputs used by SCE in calculating its forecasts, and its

compliance with applicable Commission decisions. While both SCE and PAC served testimony, DRA and AReM/DACC did not serve testimony in the current proceeding, but did discuss the scoped issues in their briefs. No party found SCE to be out of compliance with any of the applicable decisions, rules, or regulations, though both DRA and PAC suggested alternative inputs and methodologies that each party posited would be more reasonable than SCE's forecast. These are discussed further below.

SCE's 2013 ERRA forecast and related estimates were performed according to standard regulatory protocols. SCE's forecast estimates for its 2013 load and sales, energy production and costs, power procurement and ERRA balancing account financing costs, and fuel inventory and collateral carrying costs, are reasonable. Unless discussed in Sections 4.1 and 4.2 below, we adopt SCE's requested 2013 ERRA revenue requirement and associated requests.

4.1. DRA's Recommendation

In its Opening Brief, DRA recommends that the Commission should disallow the forecasted fuel and purchased power costs proposed by SCE in its Update, which is based on a single-day price, and recalculate this forecast using a 30-day average of the gas price. In support of its position, DRA states that: 1) the gas price used by SCE is not just or reasonable, as defined by Public Utilities Code § 454.5(d)(1)-(5), and is not a best estimate as defined in a prior SCE ERRA decision[2] to use in this calculation; 2) Even though SCE has used single day pricing in the past, it should not "mechanically" continue to use this method when trends change; 3) The Commission should order SCE to use a

[2] D.11-10-002, Appendix at 1.

30-day average gas price instead of a single-day price, which would have resulted in an input that is closer to the current gas price; 4) As a result of SCE's use of a single day price, SCE may set off the trigger mechanism, requiring it to file an application for recovery of funds from its ERRA prior to its scheduled compliance application date; and 5) SCE's forecast is not reasonable compared to PG&E's and SDG&E's current ERRA estimates.

In its Reply Brief, SCE responds to DRA concern, stating that: 1) there is no harm in using single-day pricing, because DRA's proposed revision results in a change in rates of less than one-tenth of 1 cent/kWh, and the forecasted amounts collected from ratepayers are tracked in a balancing account and can be refunded or collected when trued up in the following year; and 2) if the Commission changes the single-day gas price, there are other assumptions and estimates that have changed since the Update, such as the forecast of SONGS usage, that could be revised as well.

SCE has used a methodology (single-day pricing) that it has used in the past, which results in a rate change that is not material and therefore not unjust or unreasonable. SCE's methodology is in compliance with applicable decisions and rules regarding its forecast of fuel and purchased power costs. Therefore, we deny DRA's request that SCE recalculate its forecasted fuel and purchased power costs. We also reject any comparison to other utilities' estimates in current proceedings, as they are not valid in determining SCE's ERRA forecast. These other forecasts are based on a different set of variables and inputs, such as sources of supply, location, types of customers, and timelines.

4.2. PAC Recommendations

4.2.1. Power Charge Indifference Amount in SCE's Initial Application

In its Opening Brief, PAC recommends that SCE should include its forecast Power Charge Indifference Amount (PCIA) data in the initial Application, because it would provide meaningful and necessary information for review by parties. AReM/DACC agrees with PAC's concerns. In its Reply Brief, SCE agrees to provide its forecast PCIA in the initial application of its next ERRA forecast.

As parties are in agreement and inclusion of the PCIA forecast in the initial application provides parties more time to perform their analysis, we require SCE to include its forecasted PCIA and associated calculations in all future initial ERRA forecast applications that it files.

4.2.2. PCIA Forecast

PAC also advances that SCE's PCIA forecast discriminates against and unfairly impacts PAC's members, and that the *Vintaged Indifference Rate Calculation*[3] should be modified to reflect "historical and expected *normal* operation of SONGS."[4] PAC suggests that SCE should not have excluded SONGS and other supply resources from its supply forecast. In doing so, PAC posits that SCE's 2013 forecast supply is over 30% less than SCE's 2011 forecast.[5] PAC states that this exclusion distorts the results, and is discriminatory and

[3] PAC Opening Brief at 7, footnote 20.

[4] PAC Opening Brief at 10.

[5] PAC Opening Brief at 8.

unfair to customers such as PAC's members. AReM/DACC agrees with PAC's concerns regarding the PCIA, and that this issue should be addressed.

In its Reply Brief, SCE states that its calculation of the PCIA is in compliance with applicable rules, is not discriminatory, and is consistent with applicable rules and decisions, including but not limited to Decision (D.) 11-12-018. SCE proposes that if PAC wants to change the methodology used to calculate the PCIA, it should do so via a petition for modification.

Since SCE's calculation of the PCIA is in compliance with applicable rules and decisions, we deny PAC's request that SCE revise its PCIA forecast. If parties wish to revise currently authorized methodologies regarding calculation of the PCIA forecast, they should propose such revision in a proceeding in which all utilities and parties affected would participate, such as a petition to modify. An application in which just one utility and selected parties participate is not the appropriate venue for a review that would affect multiple utilities and parties.

4.2.3. 10-Year Rule

In its Opening Brief, PAC ventures that SCE's calculation of the PCIA violates the "10-year rule," pursuant to D.04-12-048[6] and D.08-09-012.[7] PAC proposes that SCE recalculate its PCIA with the exclusion of resources that have received cost recovery for 10 years or more. In particular, PAC suggests that these two decisions require that cost recovery for utilities' non-renewable resources should occur over no more than 10 years; and that at the end of 10 years, bundled customers' indifference to the utility's load forecasts and

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[6] *See* D.04-12-048 at 55-64.

[7] *See* D.08-09-012 at 52-55.

resource portfolios no longer needs to be mitigated. PAC references SONGS as one of the resources that has received cost recovery for more than 10 years. If the Commission rejects PAC's proposal, PAC suggests that SCE not be allowed to seek cost recovery for resources that are older than 10 years from PAC members.[8]

AReM/DACC agrees with PAC that such utility resources should not be included in the PCIA calculation "ad infinitum," but believes that this issue should be addressed in a consolidated fashion, and recommends inclusion in Petition (P.) 12-12-010.

In its Reply Brief, SCE posits that the 10-year rule only applies to utility owned fossil fuel generation acquired as a result of the procurement and use of fossil fuel.[9] As SONGS was not acquired as a result of the procurement process and is not fueled by fossil fuel, SCE believes this "10-year rule" is not applicable to SONGS.

Since D.04-12-048 clearly states that the "10-year rule" is applicable to generation acquired through the procurement process and is fueled by fossil fuel, the "10-year rule" is not applicable to SONGS. Therefore, we deny PAC's request that SCE recalculate its PCIA and exclude SONGS and similar resources from that recalculation that have received cost recovery for 10 years or more. If parties wish to revisit the "10-year rule" pursuant to D.04-12-048, D.08-09-012, and any other applicable decisions, we suggest that parties file a petition to modify one or both of these decisions, in order to include all affected utilities and parties. We do not require that this issue be added to the scope of P.12-12-010 (as

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[8] PAC Opening Brief at 13.

[9] *See* D.04-12-048 at 61.

suggested by AReM/DACC), but suggest that parties to both the current proceeding and to this petition may propose that this issue be added to the scope of any rulemaking resulting from P.12-12-010.

4.2.4. Comparison with Another Utility

In its Opening Brief, PAC posits that SCE's ERRA estimates are high compared to PG&E's. In its Reply Brief, SCE states that comparison of its forecast ERRA with PG&E's is not relevant to its current request. As discussed above in Section 4.1, we reject any comparison to other utilities estimates in current proceedings, as they are not valid.

4.3. Conclusion

For all of the foregoing reasons, SCE's 2013 ERRA forecast revenue requirement forecast of $4.118 billion,[10] as updated pursuant to SCE's Update, is adopted. We remind SCE that its calculation of the 2013 forecast ERRA, CTC, PCIA, and CAM amounts must be in compliance with all applicable Commission decisions and regulations.

In addition, SCE's forecast of electric sales and proposed associated electric rates, is adopted.

In order for SCE to be in compliance with D.12-12-033, we grant SCE's request to reduce the 2013 ERRA revenue requirement by $271 million of GHG cap-and-trade costs. We also authorize SCE to request the $271 million of GHG cap-and-trade costs via a Tier 1 advice letter, once implementation in R.11-03-012 is finalized.

[10] $4.389 billion net of $271 million of GHG cap-and-trade costs.

In order to implement the authority granted herein, SCE must file a Tier 1 advice letter within 30 days of the issuance date of this decision. The tariff sheets filed in this Tier 1 advice letter shall be effective on or after the date filed.

5. Procedural Issues

5.1. Categorization and Need for Hearings

In Resolution ALJ-176-3299 dated August 1, 2012, the Commission preliminarily categorized this application as ratesetting and that evidentiary hearings were necessary. On January 11, 2013, the assigned ALJ issued an e-mail ruling removing the previously scheduled evidentiary hearings from the calendar. Given these developments, we make a final determination here that the category is ratesetting, and a public hearing is not necessary.

5.2. Admittance of Testimony and Exhibits into Record

Since hearings were not held in the current proceeding, there was no opportunity to enter testimony and exhibits into the record. In order for us to assess the proposals put forth by the parties, it is necessary to include all testimony and exhibits submitted by SCE and PAC into the record.

5.2.1. SCE Motion to Receive its Testimony and Exhibits into the Record

Pursuant to Rule 13.8(d) of the Commission's Rules of Practice and Procedure,[11] SCE filed a motion on January 14, 2013 requesting that its testimony be received into the record. Rule 13.8(d) allows for testimony to be offered into evidence when hearings are not held.

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[11] For the remainder of this decision all reference to Rules refer to the Commission's Rules of Practice and Procedure.

We therefore receive both the public and confidential versions of SCE's testimony (Exhibits SCE-1, SCE-2, SCE-3, and SCE-4) into the record of the current proceeding. The confidential nature of selected SCE exhibits is addressed below, in Section 5.2.3.

5.2.2. PAC Motion to Receive its Testimony and Exhibits into the Record

Pursuant to Rules 11.1, 13.7, and 13.9, PAC filed a motion on January 22, 2013 requesting that its testimony be received into the record and that the Commission take official notice of its Exhibits PAC-1 and PAC-2. As discussed in Section 5.2.1 above, Rule 13.8 is the applicable rule regarding requests for receipt of evidence in Commission proceedings. As the exhibits address issues within the scope of this proceeding, no hearings were held in which to receive exhibits, and no parties objected to their receipt into evidence, the assigned ALJ granted PAC's motion for receipt of Exhibits PAC-1, -2, -3 -4 and -5 into evidence in A.12-08-001 via e-mail on January 26, 2013. As the exhibits have been received into evidence, there is no need to take official notice of them. Therefore, the assigned ALJ denied PAC's motion requesting official notice of Exhibits PAC-1 and -2. We affirm the assigned ALJ's rulings herein.

5.2.3. SCE Motion to Treat Confidentially and Seal a Portion of the Evidentiary Record

On January 14, 2012, SCE filed a motion requesting authority to treat as confidential and seal portions of the evidentiary record in this proceeding (Exhibits SCE-1C and SCE-3C) pursuant to Rule 11.5 and D.06-06-066. D.06-06-066 addresses our practices regarding the confidential treatment of electric procurement information submitted to the Commission that may be

market sensitive, and Rule 11.5 addresses sealing all or part of an evidentiary record.

SCE states that Exhibits SCE-1C and SCE-3C contain confidential, market sensitive information, including but not limited to forecasts of fuel and collateral carrying costs, fuel inventory carrying costs, procurement collateral carrying costs, and an estimate of its revolving credit line to support procurement collateral requirements and general purpose working capital needs. SCE posits that disclosure of this information would cause SCE and its ratepayer's imminent and direct harm.

We have granted similar requests for confidential treatment in the past[12] and do so again here. Pursuant to Rule 11.5, we seal the confidential portions of the evidentiary record, which include Exhibits SCE-1C and SCE-3C; and pursuant to D.06-06-066, we authorize the confidential treatment of Exhibits SCE-1C and SCE-3C as set forth in the ordering paragraphs of this decision.

5.2.4. DRA Motion to Treat Confidentially and File the Confidential Version of its Brief Under Seal

Pursuant to Rule 11.1, D.06-06-066, and General Order 66-C, DRA filed a motion on January 25, 2013 requesting authority to file the confidential version of its Opening Brief under seal. DRA states that its brief contains information identified by SCE as confidential. Pursuant to Rule 11.4, parties may request leave to file a document under seal. Since we grant SCE confidential treatment of

[12] *See* D.11-12-031.

similar information, we also grant DRA's request except as discussed in Section 5.2.3, and as set forth in the ordering paragraphs of this decision.

5.2.5. SCE Motion to Strike a Portion of DRA's Opening Brief

On February 8, 2013, SCE filed a motion requesting that portions of DRA's Opening Brief (brief) be struck. SCE believes that what it identifies as DRA's "analysis" and "study" of SCE's gas price forecast in both the text and attachment to DRA's brief constitute late submitted evidence. SCE posits that DRA's presentation of this information in its brief violates Rules 13.6(a), 13.7(e), and 13.8(b), which in part require the preservation of parties' rights. SCE goes on to state that it did not have an opportunity to submit rebuttal testimony to what SCE describes as evidence.

In its response of February 25, 2013, DRA stated that SCE's motion should be denied because the "analysis" and "study," consisting of Attachment A to the brief, and the corresponding discussion of SCE's gas price forecast in the body of the brief, is not prepared testimony pursuant to the rules referenced above, and relies primarily on SCE's Exhibits SCE-1 and SCE-3. DRA also posits that the information in its brief is not prejudicial to SCE, because SCE will likely update its natural gas price forecast in a future compliance report. DRA also states that this information is illustrative and publicly available, and therefore could be officially noticed pursuant to Rule 13.9.

5.2.5.1. Discussion

We grant in part and deny in part SCE's motion to strike the "analysis" and "study" in DRA's brief. Most of DRA's brief, which we do not strike, relies on SCE's exhibits and publicly available information, while the balance, which

we do strike, relies on new information presented in Attachment A to DRA's brief.

Briefs are based on the record of the proceeding. Pursuant to the schedule set out in the Scoping Memo, DRA had an opportunity to present its own testimony, and chose not to. Therefore, the information in Attachment A to DRA's brief and the associated text constitutes information that is not in the record.

The California Evidence Code § 450 et. seq., which Rule 13.9 is based on, requires that noticeable evidence be of common knowledge and not reasonably subject to dispute. We searched for such data and did not find it publicly available, and therefore find that it cannot be described as common knowledge. Therefore, we deny DRA's request to take official notice of Attachment A to its brief and the associated text, pursuant to Rule 13.9 and the California Evidence Code § 450 et. seq.

Based on the discussion above, I grant, in part, SCE's motion to strike the following sections of DRA's brief:

1. Page 6 – All of the second full paragraph;
2. Page 6 – All but the first sentence of the third full paragraph;
3. Page 11 – At the top of the page, the sentence that begins "As Attachment A shows" and ends "beginning of October"; and
4. Attachment A.

6. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.

Comments were filed on _____, and reply comments were filed on _____ by _____.

7. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Seaneen M. Wilson is the assigned ALJ in this proceeding.

Findings of Fact

1. In its Update, SCE proposes a 2013 ERRA forecast revenue requirement of $4.389 billion. This request represents an increase of $508.47 million from its 2012 ERRA revenue requirement, and is $1.845 million more than the estimated 2013 ERRA proceeding revenue requirement originally forecast in SCE's August Application.

2. The increase of $508.47 million includes a generation service revenue requirement increase of $529.2 million and a delivery service revenue requirement decrease of $20.7 million.

3. In its January 25, 2013 Opening Brief, SCE requested that $271 million of GHG cap-and-trade related costs be removed from its proposed 2013 ERRA revenue requirement. SCE requested this adjustment pursuant to D.12-12-033, Ordering Paragraph 20, in which the Commission requires utilities to defer inclusion of GHG cap-and-trade costs and revenues in rates until implementation is finalized in R.11-03-012. SCE also proposes that it be allowed to file an advice letter to request this $271 million of GHG cap-and-trade costs when implementation in R.11-03-012 is finalized.

4. No party found SCE to be out of compliance with any of the applicable decisions, rules, or regulations applicable to ERRA forecasts, though both DRA and PAC suggested alternative inputs and methodologies that each party posited would be more reasonable than SCE's forecast.

5. In its Opening Brief, DRA recommends that the Commission should disallow SCE's updated forecast of fuel and purchase power costs, which is based on a single-day price, and recalculate this forecast using a 30-day average of the gas price.

6. SCE used a methodology to determine its forecasted fuel and purchase power costs (single-day pricing) that is in compliance with applicable decisions and rules.

7. If SCE changed its methodology for determining forecasted fuel and purchase power costs from single-day pricing to a 30-day average, the resulting rate change would amount to less than one-tenth of 1 cent/kWh.

8. In its Opening Brief, PAC recommends that SCE should include its forecast of the PCIA in its initial application, because it would provide meaningful and necessary information for their review. AReM/DACC agrees with PAC's concerns.

9. In its Reply Brief, SCE agreed to provide its forecast of the PCIA in the initial application of its next ERRA forecast.

10. PAC also advances that SCE's PCIA forecast discriminates against and unfairly impacts PAC's members, and that the *Vintaged Indifference Rate Calculation* should be modified to reflect "historical and expected *normal* operation of SONGS."

11. In its Opening Brief, PAC maintains that SCE's calculation of the PCIA violates what PAC identifies as the "10-year rule," pursuant to D.04-12-048 and D.08-09-012. PAC proposes that SCE recalculate its PCIA with the exclusion of applicable resources that have received cost recovery for 10 years or more.

12. The "10-year rule" only applies to utility-owned fossil fuel generation acquired as a result of the procurement process.

13. SONGS was not acquired as a result of the procurement process and is not fueled by fossil fuel.

14. Both DRA and PAC posit that SCE's ERRA estimates are high compared to other energy utilities.

15. In Resolution ALJ-176-3299 and reiterated in the Scoping Memo, this application was preliminarily categorized as ratesetting and that hearings were required.

16. On January 11, 2013, the assigned ALJ issued an e-mail ruling removing the previously scheduled evidentiary hearings from the calendar.

17. Pursuant to Rule 13.9, parties may request that official notice be taken of matters that may be judicially noticed pursuant to the California Evidence Code § 450 et. seq. This code section requires that noticeable evidence be of common knowledge and not reasonably subject to dispute.

18. D.06-06-066 addresses the Commission's practices regarding the confidential treatment of electric procurement information submitted to the Commission that may be market sensitive.

19. SCE requested that the public and confidential versions of its Exhibits SCE-1, SCE-2, SCE-3, and SCE-4 be received into the record.

20. PAC requested that its Exhibits PAC-1 through PAC-5 be received into the record.

21. PAC requested that official notice be taken of its Exhibits PAC-1 and PAC-2.

22. SCE requested that the confidential portions of the evidentiary record, which include its Exhibits SCE-1C and SCE-3C, be treated confidentially and be sealed pursuant to D.06-06-066 and Rule 11.5.

23. The Commission has granted similar requests for confidential treatment in the past, such as in D.11-12-031.

24. DRA requested authority to file the confidential version of its Opening Brief under seal, pursuant to Rule 11.4.

25. SCE requested that portions of DRA's Opening Brief be struck. SCE believes that what it identifies as DRA's "analysis" and "study" of SCE's gas price forecast in both the text and attachment to DRA's brief constitutes late submitted evidence.

26. In its response to SCE's motion to strike, DRA proposed that the information in its brief could be officially noticed pursuant to Rule 13.9.

27. Pursuant to the schedule set out in the Scoping Memo, DRA had an opportunity to present its own testimony, and chose not to.

Conclusions of Law

1. SCE should be granted authority to reduce its 2013 ERRA revenue requirement forecast by $271 million of GHG cap-and-trade costs, in order to comply with D.12-12-033.

2. SCE should be authorized to request its $271 million of GHG cap-and-trade costs through a Tier 1 advice letter, once implementation in R.11-03-012 is finalized.

3. SCE's updated 2013 ERRA forecast revenue requirement of $4.389 billion, net of $271 million of GHG cap-and-trade costs, resulting in a 2013 ERRA forecast revenue requirement $4.118 billion, should be adopted.

4. SCE's 2013 forecast of electric sales and associated rates should be adopted.

5. Since SCE is in compliance with applicable decisions and rules regarding its forecast of fuel and purchase power costs, has used the single-day pricing methodology in the past, and any resulting rate change would be immaterial, we

deny DRA's request that SCE be required to recalculate its forecast of fuel and purchase power costs using a 30-day average gas price.

6. SCE shall include its forecasted PCIA and associated calculations in all future initial ERRA forecast applications that it files.

7. Since SCE's calculation of the PCIA is in compliance with applicable rules and decisions, we deny PAC's request that SCE revise its PCIA forecast.

8. As the "10-year rule" (adopted in D.04-12-048 and D.08-09-012) is not applicable to resources such as SONGS, we deny PAC's request that SCE recalculate its PCIA with the exclusion of such resources that have received cost recovery for 10 years or more.

9. We do not require that reconsideration of the "10-year rule" be added to the scope of any rulemaking resulting from P.12-12-010, but parties may propose that this issue be added to the scope of any rulemaking resulting from P.12-12-010.

10. It is not reasonable to compare SCE's request to requests by other energy utilities.

11. A public hearing was not necessary in the current proceeding.

12. SCE's request that the public and confidential versions of Exhibits SCE-1, SCE-2, SCE-3, and SCE-4 be received into evidence should be granted.

13. SCE's request that its Exhibits SCE-1C and SCE-3C be treated as confidential and sealed should be granted.

14. PAC's request that its Exhibits PAC-1 through PAC-5 be received into the record should be granted.

15. PAC's request that official notice be taken of its Exhibits PAC-1 and PAC-2 should be denied.

16. DRA's request that the confidential version of its Opening Brief be filed under seal should be granted.

17. The new information included by DRA in its Opening Brief does not qualify for official notice, pursuant to Rule 13.9 and California Evidence Code § 450 et. seq.

18. SCE's request that portions of DRA's brief be stricken should be granted in part and denied in part. Except as detailed herein, DRA's brief should remain intact. The following portions of DRA's brief should be stricken:

a. Page 6 – All of the second full paragraph;
b. Page 6 – All but the first sentence of the third full paragraph;
c. Page 11 – At the top of the page, the sentence that begins "As Attachment A shows" and ends "beginning of October"; and
d. Attachment A.

19. In order to implement the authority granted herein, SCE should file a Tier 1 advice letter within 30 days of the issuance date of this decision.

20. A.12-08-001 should be closed.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company's request to reduce its 2013 Energy Resource Recovery Account revenue requirement forecast by $271 million of Greenhouse Gas cap-and-trade costs is granted.

2. Southern California Edison Company shall request authority for its $271 million of Greenhouse Gas cap-and-trade costs through a Tier 1 advice letter, once implementation in Rulemaking 11-03-012 is finalized.

3. Southern California Edison Company is authorized to recover its 2013 Energy Resource Recovery Account forecast revenue requirement of $4.118 billion ($4.389 billion less of $271 million of greenhouse gas cap-and-trade costs).

4. Southern California Edison Company's requested 2013 forecast of electric sales and associated rates are adopted.

5. Public hearings were not necessary in this proceeding.

6. Southern California Edison Company must file a Tier 1 Advice Letter within 30 days of the issuance date of this decision in order to implement Ordering Paragraph 3.

7. Southern California Edison Company's request that the public and confidential versions of its testimony (Exhibits SCE-1, SCE-2, SCE-3, and SCE-4) be received into evidence is granted.

8. Southern California Edison Company's (SCE) Exhibits SCE-1C and SCE-3C are granted confidential treatment and are sealed, for a period of three years from the date of this order. During this three-year period, this information may not be viewed by any person other than the assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Assistant Chief ALJ, or the Chief ALJ, except as agreed to in writing by SCE, or as ordered by a court of competent jurisdiction. If SCE believes that it is necessary for this information to remain under seal for longer than three years, SCE may file a motion providing a justification for a further extension at least 30 days before the expiration of the three-year period granted by this order.

9. The Public Agency Coalition's request that its Exhibits PAC-1 through PAC-5 be received into the record is granted.

10. The Public Agency Coalition's request that official notice be taken of its Exhibits PAC-1 and PAC-2 is denied.

11. The Division of Ratepayer Advocates' (DRA) request that the confidential version of its Opening Brief be filed under seal is granted for a period of three years from the date of this order. During this three-year period, this information may not be viewed by any person other than the assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Assistant Chief ALJ, or the Chief ALJ, except as agreed to in writing by DRA, or as ordered by a court of competent jurisdiction. If DRA believes that it is necessary for this information to remain under seal for longer than three years, DRA may file a motion providing a justification for a further extension at least 30 days before the expiration of the three-year period granted by this order.

12. Southern California Edison's request that portions of the Division of Ratepayer Advocates' (DRA) Opening Brief be stricken is granted in part and denied in part. Except as detailed herein, DRA's brief shall remain intact. The following portions of DRA's brief should be stricken:

a. Page 6 – All of the second full paragraph;
b. Page 6 – All but the first sentence of the third full paragraph;
c. Page 11 – At the top of the page, the sentence that begins "As Attachment A shows" and ends "beginning of October"; and
d. Attachment A.

13. Application 12-08-001 is closed.

This order is effective today.

Dated _____, at San Francisco, California.