



**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 Increase
Its Authorized Revenues For Electric Service In
2018, Among Other Things, And To Reflect
That Increase In Rates.

Application No. 16-09-001

(Filed September 01, 2016)

PROTEST OF THE NATIONAL DIVERSITY COALITION

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**NATIONAL
DIVERSITY
COALITION**

October 03, 2016

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I. INTRODUCTION

Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission (“CPUC” or “Commission”), the National Diversity Coalition¹ (“NDC”) hereby protests the Test Year 2018 General Rate Case Application of Southern California Edison² (“Application”) filed September 01, 2016 by Southern California Edison Company (“SCE” or “the utility”). The Application first appeared on the Commission’s Daily Calendar on September 02, 2016. Thus, this protest is timely.

II. BURDEN OF PROOF AND ISSUES OF CONCERN

Pursuant to California Public Utilities Code Section 451, “All charges demanded or received by any public utility ... shall be just and reasonable”³. No utility can change any rate

¹National Diversity Coalition members include the National Asian American Coalition (NAAC), African American Economic Justice Organization, Asian Journal, Chinese American Institute for Empowerment, Christ Our Redeemer AME Church, COR Community Development Corporation, Ecumenical Center for Black Church Studies, Jesse Miranda Center for Hispanic Leadership, Latino Coalition for Community Leadership, Los Angeles Latino Chamber of Commerce, Macedonia Community Development Corporation, National Hispanic Christian Leadership Conference, OASIS Center International, Orange County Interdenominational Alliance, and Templo Calvario CDC. Please note, in prior proceedings before this Commission, NDC members have appeared under the name “Joint Minority Parties”.

² A.16-09-001, *Test Year 2018 General Rate Case Application of Southern California Edison*, (09/01/2016).

³California Public Utilities Code (Cal. P. U. Code) section 451.

unless they demonstrate that the new rate is justified.⁴ The Commission has consistently held that “SCE has the burden of affirmatively establishing the reasonableness of all aspects of its application... Other parties do not have the burden of proving the unreasonableness of SCE’s showing.”⁵ In order to assist the Commission in conducting a thorough evaluation of SCE’s rate proposal, NDC has carried out an initial review of the Application, and identified the issues of concern discussed below. Given the voluminous amount of information in this filing and the limited time to file protests, the following is not an exhaustive list, and the NDC may identify other concerns following additional analysis, discovery, and discussions with SCE.

III. DISCUSSION OF ISSUES

A. SCE Seeks to Accelerate the Alarming Historic Rate of Increases to their Base Revenue Requirement

Since 2009, the Commission has issued GRC decisions allowing substantial cumulative increases in the base revenue requirement (BRR) for SCE. In the 2009 SCE GRC Decision, the Commission authorized a BRR of \$4.829 billion for test year 2009, which was a 28.8% increase over the prior 2006 authorized BRR⁶. In 2012, the Commission authorized a \$5.671 billion BRR for 2012, a 17.44% increase over 2009⁷. Only in the recent 2015 SCE GRC Decision did the Commission impose a relatively small 8% reduction for SCE’s 2015 authorized BRR of \$5.182 billion, yet at the same time approved increases for 2016 and 2017 so that “the cumulative adopted effect on rates by 2017” still resulted in an overall *increase* of 0.54%⁸.

⁴ Cal. P.U. Code Section 454(a).

⁵ D.12-11-051, *Decision On Test Year 2012 General Rate Case for Southern California Edison Company*, (12/10/2012) (“2012 SCE GRC Decision”) at 8. *See also* D.09-03-025, *Alternate Decision of President Peevey On Test Year 2009 General Rate Case for Southern California Edison Company*, (03/17/2009) (“2009 SCE GRC Decision”) at 8.

⁶ 2009 SCE GRC Decision at 2.

⁷ 2012 SCE GRC Decision at 3.

⁸ D.15-11-021, *Decision On Test Year 2015 General Rate Case For Southern California Edison Company*, (11/12/2015) (“2015 SCE GRC Decision”) at 2.

Now, in this Application for 2018, SCE is requesting even greater leaps in base revenue requirement increases above the already bloated amount they have been collecting for the past three GRC cycles. For test year 2018, SCE proposes a \$5.885 billion BRR⁹, a 13.6% increase over their 2015 BRR. On top of this 2018 amount, SCE seeks a further 9.1% increase for 2019 (\$6.418 billion BRR), and then another 8.9% increase on top of that for 2020 (\$6.988 billion BRR)¹⁰. By 2020, the cumulative adopted effect on rates from SCE's requests will be a **34.9%** increase over 2015. These rate hikes far outpace inflation and wage increases in SCE's service territory over the same period of time, and will impose an unreasonable burden on ratepayers' ability to afford their necessary utility service.

B. Rate Escalations Must Be Considered In Light of Ratepayer's Economic Circumstance

NDC has long argued that the Commission must consider economic circumstances and the ability of ratepayers to pay for essential utility services when evaluating the reasonableness of requested revenue increases. Economic circumstances include unemployment levels, rates of annual wage increase, increases in cost of living and prices for other basic goods and services, etc. in the region. There should be a higher level of scrutiny applied in a reasonableness determination for rate increases particularly when they exceed the average wage increase in the utility service territory. This is because it is patently unreasonable and unjust to increase the cost of necessary, basic services like electricity beyond the ability of captive customers to pay. The Commission exists to regulate the utility monopolies and protect ratepayers, especially the most vulnerable ones such as CARE customers, who are already struggling to afford their utility bills.

⁹ Application at 4, Table 1, line 13.

¹⁰*Id.*

C. Strong Commitments to Supplier and Employment Diversity Can Strengthen the Local Economy, Making Future Rate Increases More Justifiable

Not only must utilities be prohibited from harming ratepayers through excessive rate hikes, but they should be regulated so as to benefit and promote the public interest, investing in the communities they are meant to serve, and providing infrastructure and support that will strengthen the local economy. In this way, ratepayers in the SCE service territory will become more financially stable, and better able to pay rate increases for utility expenditures, which will fund increased utility reinvestment in the community. This positive financial cycle is especially applicable for minority communities, which are predominantly low-income. As minority owned businesses grow and thrive, they tend to hire from and serve their local minority community more, helping to end cycles of minority impoverishment. Therefore, a significant portion of utility spending for reasonable, approved projects should be allocated toward diverse suppliers. Also, the majority of utility employees should come from the local community and reflect the diversity of SCE's service territory. SCE must set high aspirational goals for supplier and employment diversity in line with the diversity of the communities they serve. The information they report on diversity should also be transparent, including a break-down of Asian sub-ethnic groups, as defined by US Census categories or the University of California admission categories. The NDC will continue to make efforts to support the utility in achieving these goals.

D. Marketing, Education, and Outreach Must Focus On Communicating Important Information to Minority Communities

SCE must set aside significant portions of overall Marketing, Education, and Outreach (ME&O) funding to target minority communities that are underserved and hard to reach. These largely non-English speaking communities are disproportionately low-income, and would benefit

the most from energy saving and rate subsidy programs. Furthermore, it is essential that information on safety programs, time-of-use changes, renewable generation options, and other utility policies be communicated in language and by means that are accessible and culturally relevant to minority groups. New programs and services will not be effective if the majority of ratepayers in SCE service territory do not understand and do not participate in them.

E. Safety is Directly Tied to Executive Compensation and Infrastructure

Maintenance Policies

Numerous members of NDC operate in SCE's service territory and serve congregations, customers, and the children and youth of the area. Recent events have raised great concerns among NDC members as to the willingness and ability of SCE to safely maintain their gas and electrical systems. Incidences such as the electrical system failure in Long Beach that caused fires in underground structures, explosions that lifted manhole covers into the air, and left up to 30,000 SCE customers without power for days in July and August 2015 have led to a Commission investigation into SCE operations and practices¹¹. Such serious events cannot be ignored, and demand that the Commission closely scrutinize all proposed safety measures in this GRC proceeding, and consider meaningful safety improvements. It is not clear to NDC at this time whether SCE's proposed safety measures are appropriate, or if they will actually lead to meaningful improvements with an efficient use of resources.

What is clear, however, is that utility safety policy is directly tied to executive compensation and incentive pay, which must be designed to hold leadership accountable and

¹¹ I.16-07-007, *Order Instituting investigation on the Commission's Own Motion into the Operations and Practices of Southern California Edison Company; Notice of Opportunity for Hearing; and Order to Show Cause Why the Commission Should not Impose Fines and Sanctions for Major Power Outages in the City of Long Beach on July 15, 2015 to July 20, 2015, and on July 30 to August 3, 2015*, (07/14/2016) ("SCE Investigation").

I.16-07-007, *Scoping Memo and Ruling of Assigned Commissioner*, (09/21/2016) ("SCE Investigation Scoping Memo") at 1-2.

motive them to make reasonable safety decisions. In a report conducted by the Commission’s Safety and Enforcement Division (SED) on the Long Beach power outages discussed above, SED attributed the problems to “multiple systemic factors” including “poor management of network operations”, “a confusing management structure”, and the fact that specific concerns expressed by employees “failed to reach appropriate levels in SCE and SCE did not act on this information”.¹² In particular, a 2011 SCE internal report predicted a “high possibility of a catastrophic failure of the network” in the Long Beach area, but SCE never completed a risk assessment, and failed to implement a corrective action plan.¹³ The Commission’s evaluation of the reasonableness of safety measures proposed by SCE must include consideration of the compensation and incentive policies that shape the focus and motivation of SCE’s executive management team to improve safety.

Without improvements to safety policy and culture at SCE, capital improvements and expenditures may not be implemented appropriately, regardless of how justified the projects themselves may be. In their Application, SCE attempts to justify their exorbitant revenue increase requests mainly by discussing the need to maintain and upgrade infrastructure, including costs to install new 16kV circuits and to better integrate Distributed Energy Resources (DER). While NDC continues to evaluate the specific proposals in the Application, the sheer overwhelming size of the requested revenue increases clearly requires SCE to provide an equivalently strong demonstration that such expenditures are “just and reasonable”¹⁴. Given that SCE has already received substantial increases to base revenue requirements over the past three GRC cycles, and that SCE has always had the responsibility to maintain “adequate, efficient, just

¹² SCE Investigation Scoping Memo, Attachment A at 3-4.

¹³ *Id.* at 4, 51.

¹⁴ Cal. P. U. Code section 451.

and reasonable service, instrumentalities, equipment, and facilities”¹⁵, it hardly seems reasonable that further substantial increases can be justified for maintenance work that they were required to be doing all along.

Upgrades are a necessary and inevitable aspect of properly maintaining any technology infrastructure, and as such, should have been historically planned, budgeted, and implemented by SCE along with regular maintenance and replacement of aging, older systems. Expenditures for newer technology to integrate DER could have been foreseen before this GRC, and integrated into gradual, modest revenue increases that ratepayers could afford. Ongoing and future DER integration upgrades should also be implemented gradually, funded by incremental rate increases that track with improvements in the local economy which result in similar wage increases for ratepayers.

Furthermore, NDC is concerned that *any* amount of revenue increases that the Commission finds to be reasonable for maintenance and upgrades to SCE’s infrastructure may not be used reasonably and appropriately. The 2015 Long Beach incidents show that SCE has not been spending the funding from their vast and growing revenue requirements properly on system maintenance and upgrades. In fact, after considering the tens of thousands of customers that were affected by the “lengthy, uncomfortable, costly, and potentially dangerous” power outages, including a core of 3,800 customers that endured the worst of it, “many of whom were elderly or low income”, the SED report concluded that:

Though a significant consideration, the size and duration of the outages is not the biggest factor of concern for SED. The most significant fact is that these outages were not triggered by any external event beyond the control of the utility, like massive outages caused by wind, snow, rain or heat storms. Rather, the 2015 Long Beach outages would

¹⁵ Cal. P. U. Code section 451.

have been completely avoidable with proper secondary network inspection, maintenance and operation protocols.¹⁶ (emphasis added).

Before funding is authorized for system maintenance and improvements, the Commission must ensure that SCE policies properly prioritize safety, through appropriate maintenance and inspection measures, as well as effective compensation and incentive structures for the executives that set those corporate policies.

IV. PROCEDURAL ISSUES

A. Categorization

NDC does not object to the proposed categorization of this proceeding as ratesetting.

B. The Effect of the Application on the Protestants

NDC is made up of community-based organizations that advocate for racial and economic justice. NDC is actively involved in representing the interests of minority and low-income ratepayers before this Commission and other legislative and regulatory bodies. The proposed rate increase in this proceeding will directly affect NDC constituents by raising their utility bills, and proposed changes in utility operations will affect the safety, quality, and scope of services that our constituents receive.

C. Proposed Schedule

NDC defers to the judgment of the Commission to set an appropriate schedule, and may provide input on a proposed schedule at a later prehearing conference. We urge the Commission to include sufficient time for public participation hearings in the proceeding schedule.

¹⁶ SCE Investigation Scoping Memo, Attachment A at 4.

D. Hearings

NDC believes that evidentiary hearings will be necessary in this matter. NDC also respectfully requests that numerous public participation hearings are scheduled, to allow for meaningful public feedback and input. Parties should be given ample advanced notice of the scheduling details for public hearings to allow time to organize ratepayer participation. Statements delivered at public participation hearings should be made a part of the record, in order to encourage and validate public participation. Finally, interpreters should be made available in the major languages spoken within the service areas where public participation hearings are held.

V. CONCLUSION

For the reasons set forth herein, NDC protests SCE's proposed rate increases, and requests that the scope of the proceeding include, but not be limited to, the matters discussed above. NDC looks forward to fully participating in this proceeding.

October 03, 2016

Respectfully Submitted,

/s/
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