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PROPOSED DECISION Agenda ID #12873 (Rev. 1)

Ratesetting

5/1/2014 Item 10

Decision **PROPOSED DECISION OF ALJ WILSON** (Mailed 3/25/2014)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison
Company (U338E) for Approval of Its Forecast
2014 ERRRA Proceeding Revenue Requirement.

Application 13-08-004
(Filed August 1, 2013)

**DECISION APPROVING SOUTHERN CALIFORNIA EDISON COMPANY'S
2014 ENERGY RESOURCE RECOVERY ACCOUNT FORECAST**

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DECISION APPROVING SOUTHERN CALIFORNIA EDISON COMPANY'S 2014 ENERGY RESOURCE RECOVERY ACCOUNT FORECAST

1. Summary

Today's decision adopts a 2014 Energy Resource Recovery Account (ERRA) revenue requirement forecast of approximately \$5.157 billion, as adjusted herein.

The ERRA proceeding revenue requirement consists primarily of Southern California Edison Company's: 1) proposed 2014 fuel and purchased power costs; and 2) other miscellaneous expenses, such as spent nuclear fuel expense and Department of Energy decontamination and decommissioning fees.

2. Procedural Background

On August 1, 2013, Southern California Edison Company (SCE) filed Application (A.) 13-08-004, its *Application of Southern California Edison Company (U338E) For Approval of Its Forecast 2014 ERRA Proceeding Revenue* (August Application), in which SCE requested that the Commission adopt a forecasted 2014 energy procurement revenue requirement of \$5.844 billion.

On September 3, 2013 a protest was filed by the Public Agency Coalition (PAC); on September 4, 2013, protests were filed by the Office of Ratepayer Advocates (ORA), and jointly by the Alliance for Retail Energy Markets (AReM) and Direct Access Customer Coalition (DACC). On September 16, 2013 SCE replied to these protests. On October 21, 2013, a Prehearing Conference took place in San Francisco to establish the service list for the proceeding, discuss the scope of the proceeding, and develop a procedural timetable for the management of the proceeding.

The *Scoping Memo and Ruling of Assigned Commissioner* (Scoping Memo) was issued on October 31, 2013, and set the procedural schedule. Parties to this

proceeding include ORA, PAC, AReM/DACC, and the California Large Energy Consumers Association (CLECA). On November 6, 2013, SCE served its updated request (Update) requesting adoption of a total 2014 Energy Resource Recovery Account (ERRA) forecast revenue requirement of \$6.007 billion. On November 20, 2013, intervenor testimony was served by PAC, AReM/DACC, and CLECA; on November 26, 2013, rebuttal testimony was served by SCE and CLECA.

After hearing from active parties that evidentiary hearings were not necessary, the assigned Administrative Law Judge (ALJ) ruled on December 3, 2013 that such hearings be removed from the calendar.

On January 8, 2014, a joint workshop with the parties to A.13-09-017 was held to discuss issues raised in intervenor testimony regarding calculation of the Power Charge Indifference Amount (PCIA). On January 27, 2014, opening briefs were filed by SCE, CLECA, AReM/DACC, PAC, and ORA. A Direct Access Customer Ratemaking Consensus Protocol for the San Onofre Nuclear Generating Station (SONGS) Outages and Retirement (Protocol) was attached to the opening briefs of SCE, CLECA, and AReM/DACC. This Protocol was developed as a possible resolution to interested parties concerns with the effect of removing net SONGS costs on the PCIA calculation. This issue is discussed in more detail below. Reply briefs were filed by SCE, CLECA, AReM/DACC, and ORA on February 24, 2014.

All rulings issued by the assigned Commissioner and ALJ are affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, are denied.

3. Request

3.1. SCE's August Application

The purpose of this proceeding is to determine SCE's 2014 ERRRA forecast revenue requirement. In the ERRRA, SCE records fuel and purchased power costs associated with serving bundled electric customers and tracks billed revenues against actual recorded costs. The ERRRA 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, maintenance of utility-owned generation, and entries made to the ERRRA balancing account.

Thus, in this ERRRA forecast proceeding, SCE primarily seeks approval of its forecast 2014 fuel and purchased power revenue requirement of \$5.844 billion, as set out in its August Application. This forecast revenue requirement also includes one-half of the currently estimated December 31, 2013 balances in the ERRRA balancing accounts that SCE seeks to recover from or return to customers ($\$823 \text{ million} / 2 = \412 million), and other miscellaneous expenses such as spent nuclear fuel expense and Department of Energy decontamination and decommissioning fees.

This request was \$1.174 billion greater than SCE's proposed 2013 ERRRA forecast in A.12-08-001, and \$1.963 billion greater than its 2012 authorized ERRRA rates. As described by SCE, the increases in its 2014 ERRRA revenue requirement request are due to:

- SCE's increased dispatch of its utility-owned and controlled resources as a result of increased implied market heat rates and the permanent retirement of SONGS;
- Increases in SCE's capacity costs due to New Generation resources coming on-line;
- An increase in renewable procurement costs;
- An increase in the 2014 estimate of Greenhouse Gas (GHG) cap-and-trade related costs;¹ and
- SCE's estimate of an average on-peak power price of \$50.82/megawatt hour (MWh) for 2014, which is an increase of \$4.94/MWh above the average on-peak power price assumed in the 2013 forecast of \$45.88/MWh.

3.2. SCE's November Update

On November 6, 2013, SCE served its Update in order to: 1) update its 2014 ERRA forecast proceeding revenue requirement, including fuel and purchased power, financing costs and carrying costs, and updated estimate of its December 31, 2013 balancing account balances; 2) update the 2014 forecast Cost Allocation Methodology (CAM)-related revenue requirement; and 3) provide an estimate of the 2014 forecast Cost Responsibility Charge (CRS) components for Direct Access (DA), Departing Load, and Community Choice Aggregation (CCA) customers.

Pursuant to its Update, SCE's 2014 forecast ERRA revenue requirement is \$6.007 billion, which is \$1.968 billion greater than the 2013 forecasted ERRA proceeding revenue requirement and approximately \$163 million more than its August Application request for 2014. This change from the August Application

¹ Pursuant to Decision (D.) 12-12-033, SCE does not include any offset for cap-and trade related revenue against the related costs. SCE's GHG revenue is included in a separate proceeding filed August 1, 2013.

to the Update is a result of: 1) a decrease in the estimate of the fuel and purchased power forecast of approximately \$206 million; 2) an increase in the estimate of the ERRA balancing account balance of approximately \$486 million; and 3) a decrease in the estimate of the balances in other balancing accounts of approximately \$117 million. As a result of the forecasted decrease in the other balancing account balances, SCE proposes to amortize these balances over one year instead of two, as requested in its August Application.

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

1. Changes in the December 31, 2013 estimated balances of the various balancing accounts using recorded data through September 30, 2013 and estimated data for October through December 2013 activity;
2. A revision to SCE's fuel and purchased power estimates which is primarily driven by decreases in forward natural gas and power market prices;
 - a. SCE's updated 2014 forecast assumes an average natural gas price of \$4.06/Million Metric British Thermal Units (MMBtu), which is based on an October 8, 2013 New York Mercantile Exchange gas price forward curve. This represents a \$0.13/MMBtu decrease compared to the then current gas price forecast used to support SCE's August Application;
 - b. SCE assumes an average power price of \$40.32/MWh, which is based on October 8, 2013 forward power broker quotes. This represents an approximate \$5/MWh increase in the average power price forecast compared to the August Application;
 - c. Result in a reduction in the implied market heat rate, forecasted dispatch from SCE's portfolio and associated dispatch costs, and lower expected payments to combined heat and power and renewables contracts.

3. A GHG price outlook based on the forward broker quotes for 2014-traded GHG allowances as of October 8, 2013. The updated GHG price forecast is \$2.27/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
4. Inclusion of the costs that will be incurred in 2014 from SCE's recently completed 2013 All Source Request for Offers (AS RFO) solicitation. The 2013 AS RFO was completed on October 17, 2013.

In its opening brief, SCE: 1) requests Commission adoption of the 2014 forecast revenue requirement and associated electric sales forecast, rate proposals, and ERRA, CAM, fuel, and purchased power expenses; 2) supports the proposed Consensus Protocol addressing the unique facts presented by the closure of SONGS with respect to calculation of the PCIA; and 3) has reached an agreement with PAC on a plan to address the Under-collection Contribution (UC) charge balance through an advice letter filing. In its February 10, 2014 Revised Response to ALJ Ruling Requesting Information, SCE further: 3) agrees with ORA's recommendation that the Commission adopt by reference SCE's GHG cost forecast approved in D.13-12-041; and 4) accepts the reduction of its 2014 forecast by \$466.69 million of net SONGS costs. SCE's Update Testimony also noted that because forecast fuel and purchased power prices had significantly decreased between the August Application and the November Update, SCE was now proposing that a one-year amortization for the 2013 ERRA under-collection is consistent with Commission practice and is reasonable.

SCE posits that the Protocol provides resolution of the parties concerns regarding the ratemaking treatment for the PCIA as a result of the SONGS outages/closure, as it provides: 1) equitable rate treatment for bundled and

DA customers in terms of both timing and cost responsibility; 2) upholds the indifference principle that underlies DA ratemaking by the Commission; and 3) a non-precedential resolution based on the unique circumstances resulting from the outages/closure of SONGS Units 2 and 3.

4. Interested Parties Positions

4.1. ORA

In its protest, ORA raises concerns regarding the costs and inputs used by SCE to calculate its request, and increased estimates resulting from the permanent retirement of SONGS, New Generation resources coming on-line, renewable procurement costs, GHG costs, and on-peak power prices. ORA did not serve testimony regarding these issues.

In its Opening Brief, ORA raises a concern that SCE had included 2013 net SONGS costs in its calculation of the 2014 ERRA Forecast, and that such amount should be removed. ORA also states that SCE's proposed electric sales forecast is reasonable, and that it has no objection to SCE's forecast rates, ERRA, CAM, and fuel and purchased power expenses for 2014, as long as these items were adjusted for net SONGS costs.

4.2. PAC

In its protest, PAC raises several concerns regarding the calculation of the PCIA and its effect on DA and CCA customers. In particular, PAC is concerned with the effect of SONGS rate treatment and vintaging on the PCIA calculation.

In its testimony, PAC evaluates the DA CRS under-collection balance² and under-collection, raising questions about the accuracy of the under-collection.

² The under-collection balance was generated in the period prior to 2006 when the full DA CRS obligation exceeded the payment cap.

PAC requests that the Commission not make a determination regarding the accuracy of the under-collection, as it is not necessary for adoption of the ERRRA or CRS revenue requirements. In particular, PAC proposes that instead of tracking the under-collection on an aggregated basis for the entire core customer group, SCE should track by individual rate class within the core group. PAC also proposes that the Commission staff and interested parties work together to resolve this issue.

As background, PAC states that during the early years of the CRS, it was capped at an amount that was not sufficient to cover all DA CRS components. As a result, bundled customers were divided into two customer groups, core³ and non-core.⁴ The Commission allocated the shortfall between core and non-core based on the level of DA participation of these customer groups – the core class of bundled customers had a low level of DA participation while the non-core class had a higher level of DA participation. In the case of SCE, core customers were allocated 4% and non-core customers were allocated 96% of the shortfall. By July 2009, SCE's non-core DA customers had paid off the shortfall allocated to them, while core DA customers still had a balance of \$3.5 million remaining as of September 30, 2013.

PAC states that SCE tracks the under-collection balance on an aggregated basis for the entire core customer group, because prior to March 2010, SCE charged a single under-collection rate to all core customer tariffs. Subsequently, SCE began to charge different under-collection rates to each individual customer

³ In this case, core is made up of residential, small commercial, agricultural, and street lighting customers.

⁴ In this case, non-core is made up of large commercial customers.

class in the core group. In its review, PAC found that 2012 recorded and tariffed under-collection rates are different, and that there is recorded energy usage without commensurate recorded revenue. PAC proposes that, given the change in the tariffed under-collection rate, a more equitable tracking method and one that is more consistent with Commission decisions is to track the under-collection balance on a rate class basis instead.

In its opening brief, PAC states that it believes the Protocol does not equitably address the first-year rate shock experienced by early vintage customers versus latter vintage and bundled customers. PAC estimates that, based on the Protocol, rates for early vintage (2001) customers will increase by over 100%, while those with a 2012 vintage will increase by 16%. PAC suggests that the Commission either: 1) not follow the Protocol, remove net SONGS costs completely from the PCIA, and require SCE to propose a separate charge; or 2) use the Protocol, but only if SCE is directed to implement actions that will mitigate the first-year rate impact of SONGS retirement.

4.3. AReM/DACC

In its protest, AReM/DACC states that its primary interest in the current proceeding is in regards to SCE's calculation and rate treatment of the PCIA, CTC, and CAM, all of which are charged to DA customers.

AReM/DACC believe that SCE's proposed PCIA calculation is not in compliance with D.13-10-052, in that it includes SONGS costs while excluding the associated SONGS output, resulting in a higher PCIA. AReM/DACC proposes that it would be reasonable to either include or omit both the costs and generation related to SONGS from the Indifference Amount calculation (component of the PCIA).

AReM/DACC proposes to either: 1) remove both SONGS costs and output in the PCIA calculation; or 2) excluding all SONGS costs from the PCIA calculation and set aside any recovery of these costs until the issue is resolved in the SONGS OII.

In its opening brief, AReM/DACC supports the Protocol, with the caveat that its support does not bar either or both of them from proposing an alternative methodology at a later date. AReM/DACC believe that the Protocol resolves DA customers' ratemaking concerns regarding costs associated with the extended outages and subsequent closure of SONGS Units 2 and 3.

In its opening brief, AReM/DACC also support PAC's recommendation regarding how to resolve the core DA UC balance. In its reply brief, AReM/DACC propose a clarification that if some or all of the net SONGS costs removed from the current proceeding are eventually authorized in the SONGS OII, that such amounts not be subject to the Protocol or the PCIA calculation at that time.

4.4. CLECA

CLECA is also concerned with the effect of the closure of SONGS on the PCIA calculation. In particular, CLECA describes an inter-temporal shift that results from the closure of SONGS, and proposes two alternative resolutions.

CLECA states that, pursuant to D.13-10-052, net SONGS costs (for bundled customers) are deferred for a future determination of reasonableness in the SONGS OII and recorded in a memorandum account; and that bundled customer rates will either go up or down when that determination is made. However, because costs for DA customers can only be recovered through or removed from the current PCIA, tracking in a memorandum account and eventual adjustment in the future cannot be made for DA customers. CLECA then posits that, as a

result of this timing difference and lack of a way to track the costs in question; 1) current DA customers would either pay more than they should in the current proceeding (if in the future the Commission determines that net SONGS costs are unreasonable) or not enough (if in the future the Commission determines that net SONGS costs are reasonable); and 2) future DA customers would either receive the benefit of not paying or be responsible for paying for the net SONGS costs.

Similar to AReM/DACC, CLECA is concerned that SCE's calculation of the PCIA deducts net SONGS costs but includes SONGS gigawatt hours (GWh) in the Indifference Amount calculation.

CLECA proposes two alternative solutions: 1) remove SONGS-related costs from current rates for all customers; if determined to be reasonable, bundled customers would pay them through an increase in rates from a transfer to the ERRA from the SONGS memorandum account, while DA customers would pay through a rebilling of the PCIA for 2014; or 2) include the SONGS base rate revenue requirement and the replacement costs in bundled rates via the ERRA and in DA rates via the 2014 PCIA.

In response to other interested parties testimony, CLECA recommended that the Commission open a rulemaking to consider modifications to the PCIA methodology in order to address the impact on the PCIA and Indifference Amount calculation.

In its opening brief, CLECA supports the Protocol, stating that it should result in symmetrical treatment of bundled and DA customer regarding the Commission's resolution of the net SONGS costs issue. In its reply brief, CLECA agrees that if SCE is authorized to recovery its adjusted 2013 ERRA

under-collection, such recover should be amortized over 12 months. CLECA also supports the removal of 2013 net SONGS costs from the request herein.

5. SCE Rebuttal Testimony

SCE agrees with PAC's recommendation that the Commission not make a determination as to the accuracy of the assessment of the DA CRS under-collection balance here, because it is not necessary for a final determination of reasonableness in the current case. SCE also agrees that a Commission-facilitated collaborative forum to address this issue would be useful, given recent changes in the Indifference calculation.

SCE recommends that the Commission should reject both of AReM/DACC's ratemaking proposals regarding the calculation of the PCIA. SCE believes that the Commission should not follow the same approach it utilized in D.13-10-052, which assumed normal operation that was then adjusted, because SONGS is not operating in 2014. SCE also disagrees with excluding both SONGS costs and generation from the PCIA until resolution of the SONGS OIL, as this ERRA proceeding is the appropriate forum for the PCIA. For these same reasons, SCE also disagrees with CLECA's first alternative. SCE does agree with CLECA's second alternative, which it believes would consistently treat DA and bundled service customers, and allow for true-up in the future.

6. Consensus Protocol

On January 8, 2014, a workshop was held in order to discuss issues raised in intervenor testimony regarding calculation of the PCIA. A Protocol was attached to the opening briefs of SCE, CLECA, and AReM/DACC (all of whom support the Protocol), and put forth as a possible solution to interested parties concerns regarding the effect of removing net SONGS costs on the PCIA

calculation. ORA does not object to the Protocol, while PAC does not support the Protocol unless revisions are considered in the future.

In its reply brief, SCE responds to PAC's concerns, stating that PAC's proposal would redesign the PCIA through the reallocation of the load applicable to the various vintages. Pursuant to D.08-09-012, the PCIA is calculated on a total generation portfolio basis, by which the vintage of load assigned to a particular departing customer is based on the departure date of that customer; and that the various cost factors are different for different vintages because older vintages, for example, such as 2001, consist of a less diversified (and different) portfolio of generation resources.

7. SONGS and GHG Costs

In response to an e-mail ruling from the assigned ALJ dated January 31, 2014, SCE provided information regarding inputs to its 2014 ERRRA forecast, in possible inclusion of 2013 net SONGS costs and GHG costs. SCE filed its response on February 4, 2014, and a revised response on February 10, 2014. On February 10, 2014, ORA filed its comments to the response.

7.1. SCE

7.1.1. GHG Cost Recovery

In its application, SCE states that it appropriately included \$135.5 million (or half of the total GHG costs authorized through December 31, 2013) of GHG costs authorized for 2012-2013 in its estimated 2013 ERRRA balance, as well as a \$284.4 million forecast of 2014 GHG costs. Subsequent to SCE's application herein and Update, the Commission issued D.13-12-041, which confirmed recovery of one-half of the 2012-2013 GHG costs along with the 2014 annual estimate. Therefore, SCE agrees that it should now remove these GHG costs,

totaling \$420 million, from the 2014 ERRA forecast, and instead recover these costs pursuant to D.13-12-041.

7.1.2. Net SONGS Costs

SCE states that, without waiving any of its legal rights and maintaining its argument that prospectively removing “net SONGS costs” before a prudence determination in the SONGS OII is inappropriate and inconsistent with AB 57, it can accept a 2014 ERRA forecast revenue requirement that removes and defers the net SONGS costs for future recovery. SCE states that its acceptance of this deferment is conditioned on the Commission’s implementation of all other ratemaking proposals in its request herein, and that once the SONGS OII has been resolved, standard ERRA ratemaking would resume.

In its February 10, 2014 response, SCE calculates that by removing \$466.69 million in 2013 net SONGS costs and \$420.0 million in GHG costs from its Update request of \$6.007 billion, and adding \$37 million to account for a year-end balance update, SCE’s request is reduced to \$5.157 billion.

7.2. ORA

ORA reiterates its previous request that all net SONGS costs be excluded from the ERRA calculation from the beginning of the outages. ORA also states that it lacks sufficient data to verify whether the net SONGS costs calculated by SCE (as detailed in Section 6.2 above) are reasonable.

ORA recommends that SCE remove GHG costs from the current proceeding and recover them pursuant to D.13-12-041.

8. Discussion and Conclusion

Except as discussed below regarding adjustment for net SONGS costs, GHG costs, and the effect of SONGS on the PCIA calculation, no party objected to SCE’s proposed electric sales forecast, forecasted rates, and 2014 forecast of

SCE's ERRAs, CAM, and fuel and purchased power expense. The Commission finds that these items, as adjusted, are reasonable.

SCE and PAC agreed to a plan to address PAC's concerns regarding the under-collection charge balance through SCE's filing of an advice letter. SCE has filed this advice letter with the Commission. The Commission finds that this is a reasonable solution to PAC's concerns. SCE shall provide a copy of the advice letters it files and associated documents in its 2014 ERRAs compliance proceeding by serving those documents as supplemental testimony in that docket (A.14-04-006).

Because SCE's 2013 ERRAs under-collection is lower than originally stated in its application, due to a reduction in its forecasted fuel and purchase power prices, due to our removal of net SONGS costs, and because CLECA is agreeable to a 12-month amortization, the Commission adopts a 12-month amortization for the 2013 ERRAs under-collection, adjusted for our removal of 2013 net SONGS costs.

The Commission appreciates PAC's concerns regarding the different effect the Protocol has on the various vintages, but finds that the Protocol is a solution for the specific extraordinary event of SONGS outages/closures, which leaves bundled and DA customers indifferent, and is supported by a majority of the parties. The Protocol also does not disturb our authority in D.08-09-012 regarding the determination of load applicable to each vintage.

In order for SCE to be in compliance with the D.13-12-041, SCE shall remove GHG costs totaling \$420 million from its 2014 ERRAs forecast, and recover these GHG costs pursuant to D.13-12-041.

SCE now agrees to remove \$466.69 million in 2013 net SONGS costs from its Update request, which resolves ORA's concerns regarding the inclusion of net

SONGS costs in its 2014 ERRA forecast. A determination of the reasonableness of net SONGS costs removed herein is deferred without prejudice to the SONGS OII. The removal of net SONGS costs herein does not affect SCE's legal right to pursue the reasonableness of these costs. The Commission finds that the removal of these net SONGS costs is in compliance with D.13-10-052, and is a reasonable solution to ORA's concerns.

Therefore, the Commission authorizes a 2014 ERRA forecast of \$5.157 billion, which is SCE's Update request of \$6.007 billion, increased by \$37 million to account for a year-end balance update, reduced by \$420 million of GHG costs and \$466.69 million to account for 2013 net SONGS costs.

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

9. Procedural Issues

9.1. Categorization and Need for Hearings

In Resolution ALJ-176-3319 dated August 15, 2013, the Commission preliminarily categorized this application as ratesetting and that evidentiary hearings were necessary. On December 3, 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 hearing is not necessary.

9.2. Admittance of Testimony and Exhibits into Record

Because 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, CLECA, AReM/DACC, and PAC into the record.

9.2.1. Motions to Receive Testimony and Exhibits into the Record

Pursuant to Rule 13.8(d) of the Commission's Rules of Practice and Procedure,⁵ SCE filed a motion on February 20, 2014 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.

Pursuant to Rules 11.1 and 13.8(d), CLECA filed a motion on February 5, 2014, requesting that its testimony be received into the record.

Pursuant to Rules 11.1 and 13.8(d), AReM/DACC filed a motion on January 31, 2014, requesting that its testimony be received into the record.

Pursuant to Rules 11.1 and 13.8(d), PAC filed a motion on January 29, 2014 requesting that its testimony be received into the record.

We therefore receive both the public and confidential versions of SCE's testimony (Exhibits SCE-1, 1-C, -2, -3, -3C, -4, and -5) into the record of the current proceeding. The confidential nature of selected SCE exhibits is addressed below. 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 Commission grants the motions of SCE, CLECA, AReM/DACC, and PAC for receipt of their above-referenced exhibits into evidence in A.13-08-004.

⁵ For the remainder of this decision all reference to Rules refer to the Commission's Rules of Practice and Procedure.

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

On February 20, 2014, 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. No opposition to SCE's request was filed.

We have granted similar requests for confidential treatment in the past⁶ 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.

10. 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 April 21, 2014 by SCE and CLECA. No reply comments were filed. Comments have been considered herein.

⁶ See D.11-12-031.

11. 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. On August 1, 2013, SCE filed A.13-08-004, in which SCE requested that the Commission adopt a forecasted 2014 ERRA of \$5.844 billion.

2. In Resolution ALJ-176-3319 dated August 15, 2013, the Commission preliminarily categorized this application as ratesetting and that evidentiary hearings were necessary.

3. On November 6, 2013, SCE served its Update, in which it requested that the Commission adopt a forecasted 2014 ERRA of \$6.007 billion.

4. On December 3, 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. In response to an e-mail ruling from the assigned ALJ dated January 1, 2014, SCE provided information regarding inputs to its 2014 ERRA forecast, in particular, its 2013 net SONGS costs and GHG costs. SCE filed its response on February 4, 2014 and its revised response on February 10, 2014. On February 10, 2014, ORA filed its comments to the response.

6. Pursuant to D.13-10-052, 2013 net SONGS costs (for bundled customers) are deferred for a future determination of reasonableness in the SONGS OII and recorded in a memorandum account. Bundled customers rates will either go up or down when that determination is made.

7. Except as discussed herein regarding adjustment for net SONGS costs, GHG costs, and the effect of SONGS on the PCIA calculation, no party objected

to SCE's proposed electric sales forecast, forecasted rates, and 2014 forecast of SCE's ERRR, CAM, and fuel and purchased power expense.

8. AReM/DACC and CLECA are concerned with the effect of the closures of SONGS on the PCIA calculation, because costs for DA customers cannot be tracked for future adjustment. Costs for bundled customers can be tracked in a memorandum account, while DA customer costs can only be recovered through or removed from the current PCIA. This results in an inter-temporal shift of costs to either current or future customers, depending on the outcome of SONGS costs recovery in the SONGS OII.

9. The Protocol provides resolution of the parties concerns regarding the ratemaking treatment for the PCIA as a result of the SONGS outages/closure, as it: 1) provides equitable rate treatment for bundled and DA customers in terms of both timing and cost responsibility; 2) upholds the indifference principle that underlies DA ratemaking by the Commission; and 3) is a non-precedential resolution to the unique circumstances resulting from the outages/closure of SONGS Units 2 and 3.

10. The Protocol is supported by SCE, CLECA, and AReM/DACC; ORA does not object to the Protocol; and PAC does not support the Protocol, unless revisions are made to the Protocol.

11. Pursuant to D.08-09-012, the PCIA is calculated on a total generation portfolio basis, by which the vintage of load assigned to a particular departing customer is based on the departure date of that customer; and the various cost factors are different for different vintages because older vintages, for example, such as 2001, consist of a less diversified (and different) portfolio of generation resources.

12. During the early years of its existence, the CRS was capped at an amount that was not sufficient to cover all DA CRS components. The Commission allocated

the shortfall via the under-collection, between core and non-core customers, based on the level of DA participation in these customer groups.

13. In this case, core is made up of residential, small commercial, agricultural, and street lighting customers.

14. In this case, non-core is made up of large commercial customers.

15. The core class of bundled customers had a low level of DA participation while the non-core class had a higher level of DA participation.

16. In the case of SCE, core customers were allocated 4% and non-core customers were allocated 96% of the shortfall.

17. By July 2009, SCE's non-core DA customers had paid off the shortfall allocated to them, while core DA customers still had a balance of \$3.5 million remaining as of September 30, 2013.

18. The Commission finds that the consensus reached by SCE and PAC to address PAC's concerns regarding the under-collection charge balance through SCE's filing of an advice letter is reasonable. A Commission-facilitated collaborative forum to address this issue is useful, given recent changes in the Indifference calculation.

19. In its August Application, SCE proposes to amortize half of its estimated 2013 balancing account under-collection.

20. As a result of the decreases in the non-ERRA balancing account balance and in forecast purchased power prices and expense in its Update, SCE proposes to amortize this balance over one year instead of two, as requested in its August Application.

21. CLECA proposes that if SCE is authorized to recovery its 2013 ERRA under-collection, such recovery should be amortized over 12 months.

22. Subsequent to SCE's application and Update, the Commission issued D.13-12-041, which confirmed recovery of one-half of the 2012-2013 GHG costs along with the 2014 annual estimate.

23. The Commission finds that it is reasonable for SCE to remove GHG costs, totaling \$420 million from the 2014 ERRA forecast, and instead recover these costs pursuant to D.13-12-041.

24. A determination of the reasonableness of net SONGS costs removed herein will be made in the SONGS OII.

Conclusions of Law

1. The removal of net SONGS costs is in compliance with D.13-10-052, and is reasonable. The Commission should reduce SCE's 2014 ERRA forecast by \$466.69 million.

2. GHG costs totaling \$420 million should be removed from SCE's 2014 ERRA forecast, and instead recovered pursuant to D.13-12-041.

3. The Commission should authorize SCE a 2014 ERRA forecast revenue requirement of \$5.157 billion, which is SCE's Update request of \$6.007 billion, increased by \$37 million to account for a year-end balance update, reduced by \$420 million of GHG costs and reduced by \$466.69 million to account for 2013 net SONGS costs.

4. The Commission should adopt the Protocol as a solution for consideration of the relationship between the SONGS outages/closure and the PCIA.

5. Except as discussed in Conclusions of Law 1, 2, 3, and 4, regarding adjustment for net SONGS costs, GHG costs, the year-end balance update, and the effect of SONGS on the PCIA calculation, the Commission adopts SCE's adjusted: 1) proposed electric sales forecast; 2) forecasted rates; and 3) 2014 forecast of SCE's ERRA, CAM, and fuel and purchased power expense.

6. Because the Protocol itself states that it is non-precedential and limited in nature to the outages/closure of SONGS 2 and 3, the Commission sees no need to clarify the Protocol's applicability. With regards to any future authorization of deferred SONGS costs, the Commission does not pre-judge, and leaves that issue to the future proceeding(s) in which a determination is made.

7. The consensus reached by SCE and PAC regarding a plan to address PAC's concerns regarding the under-collection charge balance is reasonable and should be adopted. SCE should provide a copy of the advice letters it filed and associated documents, to address PAC's concerns, in its 2014 ERRA compliance proceeding by serving those documents as supplemental testimony in that docket (A.14-04-006). .

8. Due to a reduction in its forecasted fuel and purchase power prices, and the removal of SCE's 2013 net SONGS costs from the current proceeding for future consideration in the SONGS OII, and because CLECA is agreeable to a 12-month amortization, the Commission should adopt a 12-month amortization for the 2013 ERRA under-collection, adjusted for our removal of 2013 net SONGS costs.

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

10. The Commission should grant the motions of SCE, CLECA, AReM/DACC, and PAC for receipt of their exhibits into evidence in A.13-08-004.

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

O R D E R**IT IS ORDERED** that:

1. The Commission reduces Southern California Edison Company's 2014 Energy Resource Recovery Account forecast by \$466.69 million to account for the removal of net San Onofre Nuclear Generating Station costs.
2. The Commission removes \$420 million of Greenhouse gas costs from Southern California Edison Company's 2014 Energy Resource Recovery Account forecast, pursuant to Decision 13-12-041.
3. The Commission authorizes Southern California Edison Company's (SCE) 2014 Energy Resource Recovery Account forecast of \$5.157 billion, which is SCE's Update request of \$6.007 billion, increased by \$37 million to account for a year-end balance update, reduced by \$466.69 million to account for 2013 net San Onofre Nuclear Generating Station costs and reduced by \$420 million of GHG costs.
4. The Commission adopts the Consensus Protocol as a solution for consideration of the relationship between the San Onofre Nuclear Generating Station outages/closure and the Power Charge Indifference Amount in Application 13-08-004.
5. Except as discussed in Ordering Paragraphs 1, 2, 3, and 4, regarding adjustment for net San Onofre Nuclear Generating Station (SONGS) costs, Greenhouse Gas costs, the year-end balance update, and the effect of SONGS on the Power Charge Indifference Amount calculation, the Commission adopts Southern California Edison Company's adjusted: 1) proposed electric sales forecast; 2) forecasted rates; and 3) 2014 forecast of Energy Resource Recovery Account, Cost Allocation Methodology, and fuel and purchased power expense.

6. The consensus reached by Southern California Edison Company (SCE) and the Public Agency Coalition (PAC) regarding a plan to address PAC's concerns regarding the under-collection charge balance is reasonable and adopted. SCE shall provide a copy of the advice letters it filed and associated documents to address PAC's concerns, in its 2014 Energy Resource Recovery Account compliance proceeding by serving those documents as supplemental testimony in that docket (Application 14-04-006). .

7. The Commission adopts a 12-month amortization for Southern California Edison Company's (SCE) 2013 Energy Resource Recovery Account ERRA under-collection, adjusted for our removal of SCE's 2013 net San Onofre Nuclear Generating Stations (SONGS) costs from the current proceeding for future consideration in the SONGS Order Instituting Investigation.

8. Southern California Edison Company shall file a Tier 1 advice letter within 30 days of the issuance of this decision. The tariff sheets filed in this Tier 1 advice letter shall be effective on or after the date filed.

9. The motions of Southern California Edison Company, California Large Energy Consumers Association, Alliance for Retail Energy Markets/Direct Access Customer Coalition, and Public Agency Coalition, for receipt of their exhibits into evidence in Application 13-08-004 are granted.

10. Southern California Edison Company's (SCE) motion to treat as confidential and seal Exhibit SCE-1C and -3C is granted. The information shall remain sealed and confidential for a period of three years after the date of this order. During this three-year period, this information will remain under seal and confidential, and shall not be made accessible or disclosed to anyone other than the Commission staff or on the further order or ruling of the Commission, assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Law and

Motion Judge, the Chief Judge, or the Assistant Chief ALJ, 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 new motion stating the justification of further withholding of the information from public inspection. This motion shall be filed at least 30 days before the expiration of today's limited protective order.

11. Application 13-08-004 is closed.

This order is effective today.

Dated _____, at Los Angeles, California.