

Decision 14-05-023 May 15, 2014

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

Application of Southern California Edison Company (U338E) for a Commission Finding that its Procurement-Related and Other Operations for the Record Period January 1 Through December 31, 2012 Complied with its Adopted Procurement Plan; for Verification of its Entries in the Energy Resource Recovery Account and Other Regulatory Accounts; and for Recovery of \$4.998 Million Recorded in Six Memorandum Accounts.

Application 13-04-001  
(Filed April 2, 2013)

**DECISION ADOPTING SOUTHERN CALIFORNIA EDISON COMPANY'S  
2012 ENERGY RESOURCE RECOVERY ACCOUNT COMPLIANCE REQUEST**

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## **DECISION ADOPTING SOUTHERN CALIFORNIA EDISON COMPANY'S 2012 ENERGY RESOURCE RECOVERY ACCOUNT COMPLIANCE REQUEST**

### **1. Summary**

By this decision, the California Public Utilities Commission approves Southern California Edison Company's request regarding its 2012 Energy Resource Recovery Account compliance application, as discussed herein.

### **2. Background**

The California Public Utilities Commission (Commission) established the Energy Resource Recovery Account (ERRA) balancing account mechanism in Decision (D.) 02-10-062 to track fuel and purchased power billed revenues against actual recorded costs of these items. In the same decision, the Commission required regulated electric utilities in California to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism (to address balances exceeding certain benchmarks), and a schedule for semiannual ERRA applications. A compliance review looks at whether a utility has complied with all applicable rules, regulations, opinions, and laws, while a reasonableness review looks at not only a utility's compliance, but also whether the data or actions resulting from, for example, the calculation of a forecasted expense, are realistic, based on the methods and inputs used. In the annual ERRA forecast application, the utility requests adoption of the utility's forecast of what it expects its annual fuel and purchased power costs for the upcoming 12 months to be. In a separate annual ERRA compliance application a utility requests a determination of whether it is in compliance with applicable rules governing energy resource contract administration, prudent maintenance of utility-retained generation (URG), and least cost dispatch conducted during a prior year and therefore able to address any over- or under-collection in its ERRA balancing

account. This decision resolves the Southern California Edison Company's (SCE) 2012 ERRA compliance application.

On April 2, 2013, SCE filed Application (A.) 13-04-001, its 2012 ERRA compliance filing. On April 18, 2013, A.13-04-001 was categorized as ratesetting with a need for hearings, in Resolution (Res.) ALJ 176-3313.

On May 2, 2013, the Women's Energy Matters (WEM) filed a protest; on May 6, 2013, the Office of Ratepayer Advocates (ORA) filed a protest; and on May 16, 2013, SCE filed its reply to WEM's and ORA's protests.

On May 20, 2013, a prehearing conference was held to establish the service list, discuss the scope of this proceeding, and develop a procedural timetable for the management of this proceeding. On June 7, 2013, Commissioner Michel Peter Florio, the assigned Commissioner, issued his *Assigned Commissioner's Scoping Memo and Ruling* (Scoping Memo), in which evidentiary hearings were set for November 18 and 19, 2013. Evidentiary hearings were subsequently changed to December 11 and 12, 2013 and January 13, 2014.

On November 5, 2013, the assigned Administrative Law Judge (ALJ) granted Pacific Gas and Electric Company's (PG&E) request for party status.

Opening briefs were filed by SCE, ORA, and PG&E on February 10, 2014. Reply briefs were filed by the same parties on February 18, 2014.

All rulings made by the assigned Commissioner and ALJ during the pendency of this proceeding are affirmed herein. All remaining motions are denied herein.

### **3. SCE Request**

SCE requests the Commission find that during the record period of January 1, 2012 through December 31, 2012, SCE's: 1) fuel and purchased power expenses complied with its Commission approved procurement plan and were

recorded accurately; 2) contract administration, management of utility-retained generation (URG), dispatch of generation resources, and related spot market transactions complied with Standard of Conduct Four (SOC 4)<sup>1</sup> in its procurement plan; and 3) other activities subject to Commission review in this ERRA Review proceeding complied with applicable Commission decisions and resolutions. Decision 02-10-062 requires that SCE provide the entries recorded in its ERRA Balancing Account and other regulatory accounts for review.

Separate from the ERRA, two other Commission authorized accounts were under-collected during the Record Period: 1) the Litigation Costs Tracking Account (LCTA) by \$3.474 million; 2) the Market Redesign and Technology Upgrade Memorandum Account (MRTUMA) by \$7.027 million. Also during the Record Period, two other non-ERRA Commission authorized accounts were over-collected: 1) the Project Development Division Memorandum Account (PDDMA) by \$3.363 million; and 2) the Purchase Agreement Administration Costs Balancing Account (PAACBA) by \$2.196 million. With the over-collections partially offsetting the under-collections, and consideration for franchise fees and uncollectables of \$56 thousand, SCE's requested increase in revenues totals \$4.998 million.

The under-collection in the LCTA consists of SCE's costs for outside counsel, expert witnesses, and other outside litigation costs related to the California Energy Crisis, where SCE is pursuing refunds from suppliers who overcharged customers. SCE returns these refunds on an annual basis to customers through the Energy Settlements Memorandum Account.

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<sup>1</sup> Pursuant to D.02-10-062, SOC 4 details the criteria used to determine the compliance of utilities regarding contract administration and economic dispatch of generation resources.

The under-collection in the MRTUMA consists of incremental capital revenue requirement and operation and maintenance expenses recorded in 2012 associated with implementing the California Independent System Operator's (CAISO) MRTU initiative.

The over-collection in the PDDMA (\$3.363 million) reflects SCE's labor, contract labor, and miscellaneous business development costs associated with identifying locations for potential new SCE generation, evaluating generation technologies, tracking the costs of regulatory and legislative generation-related initiatives, and other related costs in compliance with D.06-05-016.

The over-collection in the PAACBA (\$2.196 million) reflects expenses related to the administrative costs of SCE's contracts for its Aggregator Managed Portfolio Program, as authorized by D.08-03-017.

Compared to revenue at present rates as of March 1, 2013, this application requests a revenue increase of \$4.998 million, or 0.042%, beginning in 2014 for these non-ERRA accounts. If total rates were to change as requested, an average residential customer using 600 kilowatt-hours per month would see an increase of \$0.06 per month, from \$113.25 to \$113.31.

#### **4. WEM**

In its protest, WEM states that it objects to SCE removing testimony from this proceeding in order for the issues of replacement resources for San Onofre Nuclear Generation Station (SONGS) to be considered in the SONGS Order Instituting Investigation (OII). WEM proposes that if the following two criteria are adopted, it would not dispute the removal of SCE's Exhibits 3 and 5 from the current proceeding: 1) proper notice of the different venue is given to SCE customers; and 2) the due dates in the SONGS OII for service of parties rebuttal testimony is extended, in order to allow sufficient time for them to conduct

discovery and analysis, prepare testimony, and prepare for hearings. WEM goes on to state that unless its proposed relief is granted, it requests that SCE's Exhibits 3 and 5 (regarding SONGS) be retained in this ERRA compliance proceeding. Ultimately, the assigned Commissioner did not include the issues WEM proposed in the Scoping Memo for this proceeding, and WEM did not serve testimony in the current proceeding.

## **5. PG&E**

In its rebuttal testimony, PG&E posits that ORA's recommendation to require a further detailed documentation regarding corrective actions of unplanned outages is burdensome, that the utility may not even have the information requested, and if provided would have little value to ERRA compliance review proceedings. PG&E is concerned that ORA does not limit its request for more information than is already provided to unplanned outages of a specific duration or facility size, which PG&E finds burdensome, given the number of facilities it owns. As background, PG&E provided the definitions of planned and unplanned outages pursuant to the North American Electric Reliability Corporation (NERC).<sup>2</sup>

For example, PG&E states that it operates 84 separate generation facilities with 126 generating units; in 2012 it had 1,217 unplanned outages. ORA's recommendation, if adopted and applied to PG&E, would require PG&E to

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<sup>2</sup> Planned outage hours as the sum of all hours experienced during Planned Outages + Planned Outage Extensions of any Planned Outages.

Unplanned outage hours as the sum of all hours experienced during Forced Outages + Startup Failures + Maintenance Outages + Maintenance Outage Extensions of any Maintenance Outages. NERC also considers Scheduled Outages to include both Planned Outages and Maintenance Outages.

provide, assuming one page of material per outage, approximately 1,200 pages of testimony. PG&E also questions whether ORA's request for post-mortem of an outage is required if the utility already develops one, or if ORA wants the utility to create a post-mortem if one doesn't already exist. And, since over 94% of PG&E's 2012 outages at UOG facilities were attributable to outages that lasted for more than 24 hours and facilities of 25 megawatts (MW) or greater (already provided), PG&E believes that the material produced by ORA's proposal will not produce useful information. PG&E finds ORA's recommendation that the utilities provide prospective corrective action plans unclear. Specifically: 1) whether ORA proposes that these plans be required for planned outages, unplanned outages, or both; 2) whether ORA proposes that parties have an opportunity to review, comment, and make recommendations regarding the plans; and 3) the amount of detail ORA expects in each plan. PG&E also believes that the ERRRA compliance proceeding should include a review of the reasonableness of the record period, as such falls outside the intent of Assembly Bill 57.

PG&E states that if the Commission believes that certain types of information are required, the Commission should: 1) clearly identify the information required so that a utility can plan ahead; 2) limit corrective action materials to forced outages of more than 24 hours at facilities of 25 MW or greater; and 3) limit such materials to a description of repairs done to get the plant back in service and provide a post-mortem analyses of the causes of the outages. PG&E believes that these types of outages have a most significant impact on customers, and is consistent with current practice in ERRRA compliance review proceedings. PG&E agrees with ORA that any requirement that certain materials regarding UOG outages be provided in what PG&E identifies as an



ERRA compliance review application and testimony be prospective only, and that utilities have sufficient time to prepare them for a future compliance request, such as for the 2014 record period.

PG&E posits that the scope of ORA's recommendation regarding outage replacement costs is unclear. If ORA is proposing that the utility provide replacement cost information regarding all planned and unplanned outages, PG&E's concerns discussed above as to the burden of providing such information applies to this request as well. If ORA's request is limited to unplanned outages, PG&E believes this is still a burden, because 45% of its 2012 unplanned outages were maintenance outages, which, pursuant to CAISO tariff requirements, cause little or no impact on customers. Therefore, PG&E does not see the purpose in this request.

## **6. ORA**

ORA focused its review on URG operations, contract administration, LCD of electric generation resources, procurement of Greenhouse Gas (GHG) compliance instruments, and an audit of balancing and memorandum account entries.

ORA believes that SCE did not meet SOC 4 or the reasonable manager standard, and that the Commission should consider adoption of a \$82,668,000 maximum disallowance cap.<sup>3</sup>

ORA also recommends that SCE demonstrate that it has complied with SOC 4 and the reasonable manager standard in future compliance reviews. In evidentiary hearings, ORA witness, Michael Yeo clarified ORA's proposal,

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<sup>3</sup> This equates to two times the total annual administrative expenses for all procurement activities in 2012 of \$41.334 million.

stating that its request for further information regarding outages applied only to forced outages. In its opening brief, ORA clarified its proposal further, stating that its request applied to forced outages lasting longer than 24 hours for units producing more than 25 MW. In its reply brief, ORA further clarified its recommendation, stating that information regarding SCE's planned outages only be provided if such outages lasted more than one week after the planned period.

ORA posits that SCE did not demonstrate its achievement of LCD of its electric generation resources during 2012. Based on this, ORA recommends that: 1) SCE provide numerical calculations in support of achievement of LCD, beginning with the 2014 Record Period; and 2) the Commission order a workshop to develop proposed criteria and methodologies by which LCD compliance can be assessed. In its opening brief, ORA references D.13-11-005, positing that the Commission should require SCE to incorporate any LCD compliance criterion and methodologies developed as a result of workshops ordered in D.13-11-005.

In response to ORA's position that it cannot affirmatively conclude that SCE has met the Commission's Least Cost Dispatch (LCD) standard (ORA states that it validated that approximately 92% of the energy bids that SCE submitted to CAISO), SCE states that it has met the standard, consistent with the Commission's least-cost mandate and provided sufficient documentation in support of its compliance. SCE posits that it is unable to provide the proof requested by ORA, because dispatch decisions are now made by the CAISO (with the introduction of MRTU). SCE admits that it is still responsible for scheduling and bidding its generation to the CAISO, but once that is done, it is the CAISO's responsibility to dispatch the generation. SCE posits that there is no reason to expect ORA to review any additional data provided, as ORA

already only reviews a sampling of data. SCE also believes that since the CAISO makes the dispatch decisions, more SCE data regarding LCD would not be of any use. In its opening brief, SCE responds to ORA's reference to D.13-11-005 (in A.11-04-001 – SCE's 2010 ERRRA compliance application). SCE references Ordering Paragraph 3 of D.13-11-005, which states that any new requirements resulting from the ordered workshops would be applied for the Record Period 2014 and forward. SCE therefore concludes that new requirements should not apply to the current 2012 Record Period, as requested by ORA.

SCE disagrees with ORA's recommendation that it provide further information regarding Utility Owned Generation (UOG) outages, including but not limited to corrective action reports, post-mortem analysis, post-outage review of other facilities, power replacement cost information, and imprudent expenses incurred. SCE also disagrees with ORA's finding that six boiler tube outages at Four Corners Units 4 and 5 were imprudent. SCE posits that ORA's recommendations ignore the fact that SCE provided significant and adequate amounts of information regarding UOG operations in direct testimony and in responses to ORA's Master Data Request (MDR); and that if both the cost of replacement power and base-rate related expenses are disallowed, customers would receive power for free. If SCE were to undertake the recommended repairs, SCE posits that it would not be economically or operationally feasible, requiring material expenditures and lengthy outages. SCE also states that Four Corners is co-owned by six utilities, the Arizona Public Service Company (APS) operates Four Corners, and in the near future SCE will either complete the sale of its plant share to APS or the plant will be permanently retired by July 2016. SCE also states that none of these boiler tube outages resulted from a lack of following established operation and maintenance practices and procedures by the operator,

APS. SCE states that it provided information regarding these outages, and that the number of outages was consistent with historic plant experience and industry averages. Because it is not the sole owner/operator of Four Corners and the plant will either be sold or retired in the near future, SCE is either unable to require plant improvements on its own or should not, given its short remaining in-service time.

SCE stated that because there is currently no authoritative literature from Generally Accepted Accounting Principles, Financial Accounting Standards Board, or the International Accounting Standards Board, there are no requirements from these entities to comply with regarding how to record SCE's 2012 GHG compliance instruments (also referred to as emission allowances). Instead, SCE finds guidance in the Federal Energy Regulatory Commission (FERC) uniform system of accounts, which requires that regulated utilities apply a historical cost model for purposes of FERC reporting. SCE therefore accounts for GHG emission allowances under an inventory model following accrual accounting principles. As a result, SCE recorded a GHG allowance equal to the purchase price of \$40.872 million. As discussed in Section 7 below, SCE and ORA reached an agreement subsequent to the service of each party's testimony. SCE agrees with ORA's recommendations regarding its ERRA Preliminary Statement.

ORA does not object to SCE's 2012 GHG instrument procurement activities, but does object to SCE's inclusion of these dollars and the associated interest being recorded in the ERRA balancing account. ORA posits that this resulted in the ERRA balancing accounts under-collected balance being overstated ORA recommends that the Commission: 1) disallow recovery of these amounts; 2) require these GHG costs be tracked and reported separately;

and 3) require SCE to revise its accounting procedures for GHG transactions, including those which occurred in 2012. As discussed in Section 7 below, ORA and SCE jointly propose an alternative to resolve this issue.

ORA believes that SCE did not comply with its ERRA preliminary statement, because SCE does not maintain its ERRA accounting records or report such by preliminary statement item. ORA recommends that SCE be required to revise its account procedures to maintain ERRA accounting records and reports by preliminary statement item, in its compliance application, testimony, and workpapers.

ORA noted no exceptions or required adjustments after its review of SCE's non-ERRA Transition Cost Balancing Account, Independent Evaluator Memorandum Account, and MRTUMA.

## **7. Joint Exhibit**

In a Joint Exhibit served by SCE and ORA combined, these two parties propose an alternative to resolve their dispute regarding how GHG costs are recorded. Specifically:

- a. SCE will apply the requirements of D.12-12-033, Ordering Paragraph 20 effective 12/31/2012, by making the following pro forma revisions to its regulatory filings:
  - i) Remove the recorded 2012 GHG allowance procurement cost from the 2012 ERRA ending balance;
  - ii) Post the cost to the GHG Cost Subaccount; and
  - iii) Formally report the revisions/corrections in the current ERRA compliance proceeding for 2012.
- b. SCE will remove 2012 GHG allowance procurement costs (and associated interest) originally recorded in its 2012 ERRA ending balance and 2013 opening ERRA balance for ratemaking purposes;

- c. SCE shall submit a restatement (on a pro forma basis) of the Record Year 2012 ERRA Balancing Account and GHG Cost Subaccount into the record of this proceeding, for regulatory reporting purposes only;
- d. Any disputes between SCE and ORA regarding SCE's restated GHG Cost Subaccount balance as of December 31, 2012, shall be resolved in a future ERRA Compliance or Forecast proceeding or in a GHG proceeding;
- e. Because ORA has not yet verified SCE's recorded 2013 ERRA and GHG Cost Subaccount, ORA reserves the right to audit both accounts in the future ERRA compliance proceeding for Record Year 2013; and
- f. SCE and ORA agree that the GHG Cost and Revenue Allocation proceeding, A.13-08-002, should address GHG accounting issues.

## **8. Discussion and Conclusion**

No party took exception to SCE's requested recovery from its non-ERRA tracking, memorandum, and balancing accounts. The Commission therefore finds SCE's request for a net increase of \$4.998 million (including franchise fees and uncollectables) associated with its LCTA, MRTUMA, PDDMA, and PAACBA, to be reasonable and allow recovery of such in rates.

In a Joint Exhibit served by SCE and ORA, these parties proposed an alternative to resolve their dispute regarding how GHG costs are recorded. The Commission finds this method reasonable and adopts its terms as detailed in Section 7 above.

In D.13-11-005, the Commission clearly orders that any resulting LCD compliance requirements apply to the 2014 Record Period and future years after that, not the 2012 Record Period. Therefore, we do not adopt ORA's recommendation that results of workshops ordered in D.13-11-005 regarding LCD compliance criteria be applied to the 2012 Record Year addressed herein.

Based on our review of SCE's testimony, and in the absence of a showing to the contrary, the Commission finds that SCE prudently managed Four Corners. Our finding is informed by the following factors: 1) Four Corners is operated by APS and co-owned with five other utilities, so SCE is unable to unilaterally require plant improvements; and 2) Four Corners will either be sold or retired in approximately two years. Pursuant to D.12-03-034, the SCE-APS sale was approved by the Commission. As a result, "during its last few years of operation, the plant would be operating beyond its normal six-year overhaul interval. It is therefore recognized that plant reliability might degrade during the last few years of plant operation ... ." <sup>4</sup> This degradation would be an appropriate trade off to minimize further capital investment in the plant during its last few years of operation, consistent with the Commission's GHG EPS objectives. This finding is obviously limited to the unique facts here.

ORA identifies a number of forced outages related to a variety of equipment failures. Most of these include boiler tube leaks and rotating equipment failures. ORA testifies that "it appears that SCE is not implementing significant corrective actions on Four Corners because of its pending sale to APS." Based on its review of the outages ORA simply states that it "determined that SCE's management of Four Corners was inconsistent with the reasonable manager standard ... ." We do not need to reach SCE's response to these conclusions because ORA's single statement that it determined a course of management is imprudent is not a sufficient showing to support a finding of imprudence. A party proposing a disallowance based on imprudent

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<sup>4</sup> SCE Rebuttal Testimony, pg. 22, lines 6-8; and see, A.10-11-015, Exhibit SCE-02, Vol. 06, Part 2, Chapter X, at 7-8.

maintenance must make a showing that the IOU did not act as a reasonable manager when the IOU makes a showing that its conduct was prudent. Briefly, by the “reasonable manager standard, utilities are held to a standard of reasonableness based upon the facts that are known or should have been known at the time. The act of the utility should comport with what a reasonable manager of sufficient education, training, experience, and skills using the tools and knowledge at his or her disposal would do when faced with a need to make a decision and act.’ (See D. 90-09-088, 37 CPUC 2d 488, 499.)” D. 10-07-049, at 13, ft. 6 (D.10-07-049 erroneously identifies D.90-090088 as D.09-09-088). Here, ORA does not indicate how the reasonable manager standard was not met and thus its disallowance recommendation is not adopted.

The Commission also finds that even though ORA has clarified and thereby limited its request for the inclusion of further information regarding URG compliance in SCE’s future ERRAs compliance applications,<sup>5</sup> and the Commission sees benefit in the provision of more information at the outset of a proceeding in order to aid parties’ review, it is not clear what specific information ORA would like included for the specified outages. In an effort to ensure that interested parties have sufficient information to complete their review, while not burdening SCE with onerous requirements, the Commission orders: 1) the assigned ALJ in the current proceeding to hold a workshop in this proceeding or in conjunction with A.11-04-001, the proceeding in which modifications to SCE’s LCD showing are also being considered to determine the

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<sup>5</sup> ORA limited its request to: 1) forced outages lasting longer than 24 hours for units producing more than 25 MW; and 2) planned outages only be provided if such outages lasted more than one week after the planned period.



specific type of information that should be included by SCE in its 2014 Record Period compliance application; and 2) limits the provision of new information to: a) forced outages lasting longer than 24 hours for units producing more than 25 MW; and b) planned outages only if such outages lasted more than one week after the planned period. This proceeding shall remain open in order to hold this workshop.

In order for SCE's compliance application and associated documents to be in compliance with its Preliminary Statement, the Commission requires SCE to revise its account procedures to maintain its ERRRA accounting records and reports by preliminary statement item.

## **9. Other Procedural Matters**

### **9.1. Motions for Confidential Treatment**

#### **9.1.1. SCE**

Pursuant to D.06-06-066 and D.08-04-023, SCE requests leave to treat as confidential its Exhibits SCE-1C, -2C, -6C, and -7C. SCE states that these documents contain information that is market sensitive, comply with the requirements of the above listed decisions, and should therefore be treated confidentially. No party commented on SCE's request.

SCE has been granted similar requests in previous ERRRA recovery decisions. We agree that the information contained in these exhibits is market sensitive electric procurement-related information. Therefore, pursuant to D.06-06-066 and D.08-04-023, we grant SCE's request to treat as confidential its Exhibits SCE-1C, -2C, -6C, and -7C as detailed in the ordering paragraphs of this decision. The confidential version of each of these exhibits will be denoted by a "C" after the number of the exhibit.

### **9.1.2. ORA**

ORA served a confidential version of its Exhibit ORA-1, which was received into the record of this proceeding on December 12, 2013 as Exhibit ORA-1C. No party commented on ORA's request. Since ORA's request addresses information that we have deemed confidential in Section 9.1.1 above, and in compliance with applicable rules, general orders, and decisions, we grant ORA's request to file the confidential version of its Exhibit ORA-1C.

### **9.2. Compliance with the Authority Granted Herein**

In order to implement the authority granted herein, SCE must file a Tier 1 Advice Letter within 30 days of the date of this decision. The tariff sheets filed in these Advice Letters shall be effective on or after the date filed subject to Energy Division determining they are in compliance with this decision.

## **10. Comments on Proposed Decision**

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Opening comments were filed on April 29, 2014 by PG&E and on April 30, 2014 by SCE. Reply comments were filed on May 5, 2014 by ORA. The comments have been considered herein.

## **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 April 2, 2013, SCE filed A.13-04-001, its 2012 ERRA compliance filing.
2. In Res. ALJ 176-3313, dated April 18, 2013, the Commission preliminarily categorized A.13-04-001 as ratesetting, and preliminarily determined that hearings were necessary.
3. On May 2, 2013, WEM filed a protest; on May 6, 2013, ORA filed a protest; and on May 16, 2013, SCE filed its reply to WEM and ORA's protests.
4. On May 20, 2013, a prehearing conference was held to establish the service list, discuss the scope of this proceeding, and develop a procedural timetable for the management of this proceeding.
5. On June 7, 2013, Commissioner Michel Peter Florio, the assigned Commissioner, issued his Scoping Memo, in which evidentiary hearings were set for November 18 and 19, 2013. Evidentiary hearings were subsequently changed to December 11 and 12, 2013 and January 13, 2014.
6. On November 5, 2013, the assigned ALJ granted PG&E's request for party status.
7. On February 3, 2014, SCE filed a Motion to Correct Transcript Errors, to which no party commented. The Commission adopts all corrections requested by SCE in Attachment A to its motion.
8. D.02-10-062 requires that SCE provide the entries recorded in its ERRA balancing account and other regulatory accounts for review.
9. Pursuant to D.02-10-062, SOC 4 details the criteria used to determine the compliance of utilities regarding contract administration, prudent maintenance of URG, and economic dispatch of generation resources.
10. Pursuant to D.05-01-054, D.05-04-036, and Pub. Util. Code § 454.5(d)(2), regulated energy utilities are subject to an ERRA compliance review that looks at

whether a utility has complied with all applicable rules, regulations, opinions, and laws that govern energy resource contract administration prudent maintenance of URG, and LCD conducted during a prior year.

11. During the Record Period, two Commission authorized accounts were under-collected: 1) the LCTA by \$3.474 million; and 2) the MRTUMA by \$7.027 million.

12. During the Record Period, two Commission authorized accounts were over-collected: 1) the PDDMA by \$3.363 million; and 2) the PAACBA by \$2.196 million. With the over-collections partially offsetting the under-collections, and consideration for franchise fees and uncollectables of \$56 thousand, SCE's requested increase in revenues totals \$4.998 million.

13. Four Corners is co-owned by six utilities, the APS operates Four Corners, and in the near future SCE will either complete the sale of its plant share to APS or the plant will be permanently retired by July 2016.

14. Since Four Corners is operated by APS and co-owned with five other utilities, SCE is unable to unilaterally require plant improvements.

15. The regulated energy utility is responsible for scheduling and bidding its generation to the CAISO, but once that is done, it is the CAISO's responsibility to dispatch the generation.

16. Pursuant to NERC, planned outage hours is the sum of all hours experienced during Planned Outages + Planned Outage Extensions of any Planned Outages.

17. Pursuant to NERC, unplanned outage hours is the sum of all hours experienced during Forced Outages + Startup Failures + Maintenance Outages + Maintenance Outage Extensions of any Maintenance Outages. NERC also

considers Scheduled Outages to include both Planned Outages and Maintenance Outages.

18. Ordering Paragraph 3 of D.13-11-005 states that any new LCD compliance requirements resulting from the workshops ordered in that decision shall be applied for the Record Period 2014 and forward, not the 2012 Record Period.

19. D.06-06-066 addresses our practices regarding confidential information, such as electric procurement data (that may be market sensitive) submitted to the Commission.

### **Conclusions of Law**

1. SCE should be authorized to recover a net increase of \$4.998 million (including franchise fees and uncollectables of \$56 thousand) associated with its LCTA (under-collection of \$3.474 million), MRTUMA (under-collection of \$7.027 million), PDDMA (over-collection of \$3.363 million), and PAACBA (over-collection of \$2.196 million).

2. SCE prudently managed Four Corners.

3. The alternative proposal by SCE and ORA in their Joint exhibit regarding how GHG costs are recorded is in compliance with D.12-12-033 OP 20, is reasonable, and should be adopted. The terms of the compromise include the following:

- a. SCE will apply the requirements of D.12-12-033, OP 20 effective 12/31/2012, by making the following pro forma revisions to SCE's regulatory filings,;
  - i) Remove the recorded 2012 GHG allowance procurement cost from the 2012 ERRAs ending balance;
  - ii) Post the cost to the GHG Cost Subaccount; and
  - iii) Formally report the revisions/corrections in the current ERRAs compliance proceeding for 2012.

- b. SCE will remove 2012 GHG allowance procurement costs (and associated interest) originally recorded in its 2012 ERRA ending balance and 2013 opening ERRA balance for ratemaking purposes;
- c. SCE shall submit a restatement (on a pro forma basis) of the Record Year 2012 ERRA Balancing Account and GHG Cost Subaccount into the record of this proceeding, for regulatory reporting purposes only;
- d. Any disputes between SCE and ORA regarding SCE's restated GHG Cost Subaccount balance as of December 31, 2012, shall be resolved in a future ERRA Compliance or Forecast proceeding or in a GHG proceeding;
- e. Because ORA has not yet verified SCE's recorded 2013 ERRA and GHG Cost Subaccount, ORA reserves the right to audit both accounts in the future ERRA compliance proceeding for Record Year 2013; and
- f. SCE and ORA agree that the GHG Cost and Revenue Allocation proceeding, A.13-08-002, should address GHG accounting issues.

4. Because the results of workshops ordered in D.13-11-005 (regarding LCD compliance criteria) will apply to the 2014 Record Period only, ORA's recommendation that the results of such workshops be applied to the 2012 Record Year should be denied.

5. In an effort to ensure that interested parties have sufficient information to complete their review, while not burdening SCE with onerous requirements, the Commission should require that the assigned ALJ to: 1) hold a workshop to in this proceeding or in conjunction with A.11-04-001, the proceeding in which modifications to SCE's LCD showing are also being considered determine the specific type of information that should be included by SCE in its 2014 Record Period compliance application; and 2) limit the provision of new information to:

- a) forced outages lasting longer than 24 hours for units producing more than

25 MW; and b) planned outages only if such outages lasted more than one week after the planned period.

6. In order for SCE's compliance application and associated documents to be in compliance with its Preliminary Statement, the Commission should require SCE to revise its account procedures to maintain its ERRA accounting records and reports by preliminary statement item.

7. Except as detailed in Conclusions of Law 2 through 5 herein, and resolved in Ordering Paragraphs 2 through 5 below, the Commission concludes that during the record period of January 1, 2012 through December 31, 2012, SCE's: 1) fuel and purchased power expenses complied with its Commission approved procurement plan and were recorded accurately; 2) contract administration, management of URG, dispatch of generation resources, and related spot market transactions complied with SOC 4 in its procurement plan; and 3) other activities subject to Commission review in this ERRA Review proceeding, complied with applicable Commission decisions and resolutions.

8. SCE should file a Tier 1 Advice Letter within 30 days of the issuance of this decision.

9. SCE's request to treat selected versions of its testimony as confidential should be granted, as detailed herein.

10. ORA's request to seal the confidential version of its protest and testimony should be granted, as detailed herein.

11. This proceeding should remain open in order to hold the workshop discussed in Conclusion of Law 5.

## O R D E R

**IT IS ORDERED** that:

1. Southern California Edison Company is authorized to recover a net increase of \$4.998 million (including franchise fees and uncollectables of \$56 thousand) associated with its Litigation Costs Tracking Account (under-collection of \$3.474 million), Market Redesign and Technology Upgrade Memorandum Account (under-collection of \$7.027 million), Project Development Division Memorandum Account (over-collection of \$3.363 million), and Purchase Agreement Administration Costs Balancing Account (over-collection of \$2.196 million).

2. Southern California Edison Company (SCE) shall adhere to its Joint Exhibit with the Office of Ratepayer Advocates (ORA) regarding how Greenhouse Gas (GHG) costs are recorded, by doing the following:

- a. SCE will apply the requirements of Decision 12-12-033, Ordering Paragraph 20 effective 12/31/2012, by making the following pro forma revisions to SCE's regulatory filings:
  - i) Remove the recorded 2012 GHG allowance procurement cost from the 2012 Energy Resource Recovery Account (ERRA) ending balance;
  - ii) Post the cost to the GHG cost sub-account; and
  - iii) Formally report the revisions/corrections in the current ERRA compliance proceeding for 2012.
- b. SCE will remove 2012 GHG allowance procurement costs (and associated interest) originally recorded in its 2012 ERRA ending balance and 2013 opening ERRA balance for ratemaking purposes;
- c. SCE shall submit a restatement (on a pro forma basis) of the Record Year 2012 ERRA Balancing Account and GHG Cost



Subaccount into the record of this proceeding, for regulatory reporting purposes only;

- d. Any disputes between SCE and ORA regarding SCE's restated GHG Cost Subaccount balance as of December 31, 2012, shall be resolved in a future ERRA Compliance or Forecast proceeding or in a GHG proceeding;
- e. Because ORA has not yet verified SCE's recorded 2013 ERRA and GHG Cost Subaccount, ORA reserves the right to audit both accounts in the future ERRA compliance proceeding for Record Year 2013; and
- f. SCE and ORA agree that the GHG Cost and Revenue Allocation proceeding, Application 13-08-002, should address GHG accounting issues.

3. The assigned Administrative Law Judge is directed to: 1) hold a workshop in this proceeding or in conjunction with Application 11-04-001, the proceeding in which modifications to SCE's LCD showing are also being considered to determine the specific type of information regarding Utility-Retained Generation compliance that should be included by Southern California Edison Company in its 2014 Record Period compliance application; and 2) limit such new information to the following types of outages: a) forced outages lasting longer than 24 hours for units producing more than 25 megawatts; and b) planned outages only if such outages lasted more than one week after the planned period.

4. Southern California Edison Company shall revise its account procedures to maintain its Energy Resource Recovery Account accounting records and reports by preliminary statement item.

5. Southern California Edison Company shall file a Tier 1 Advice Letter within 30 days of the issuance of this decision in order to implement the authority granted herein.

6. Southern California Edison Company's (SCE) motion to treat Exhibits SCE-1C, -2C, -6C, and -7C 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.

7. The Office of Ratepayer Advocates' (ORA) motion to treat Exhibit ORA-1C 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 Southern California Edison Company believes that it is necessary for this information to remain under seal for longer than three years, ORA 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.

8. Application 13-04-001 shall remain open in order to hold the workshop ordered in Ordering Paragraph 3.

This order is effective today.

Dated May 15, 2014, at San Francisco, California.

MICHAEL R. PEEVEY

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

MICHAEL PICKER

Commissioners