Decision 17-12-018 December 14, 2017

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) For Approval of Its Forecast 2018 ERRA Proceeding Revenue Requirement.	Application 17-05-006

DECISION ADOPTING SOUTHERN CALIFORNIA EDISON COMPANY'S 2018 ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) PROCEEDING REVENUE REQUIREMENT FORECAST

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DECISION ADOPTING SOUTHERN CALIFORNIA EDISON COMPANY'S 2018 ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) PROCEEDING REVENUE REQUIREMENT FORECAST

Summary

This decision adopts Southern California Edison Company's 2018 Energy Resource Recovery Account electric procurement cost revenue requirement forecast of $4.556 billion. The forecast of $4.556 billion is approximately $71 million higher than the $4.485 billion 2017 revenue requirement that is currently reflected in present rates.[1]

This decision adopts the forecast of $376.087 million in net greenhouse gas allowance proceeds and authorizes a semi-annual residential climate credit of $36.00 per household in 2018.[2]

1. Application for Approval of 2018 ERRA Forecast Revenue Requirement

Southern California Edison Company (SCE) annually files an application to receive Commission approval of its Energy Resource Recovery Account (ERRA) forecast for the following year. The ERRA application provides the basis to implement reasonable rate changes. The purpose of this year's proceeding is to determine whether the Commission should adopt SCE's May 1, 2017, Application for Approval of its 2018 ERRA Forecast Revenue Requirement (2018 Forecast Application).

SCE's 2018 Forecast Application requests approval of a total ERRA proceeding revenue requirement of $4.556 billion. The request is comprised of

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[1] The rates in effect today are based on the $4.485 billion revenue requirement in SCE's 2017 ERRA Forecast, approved by Decision (D.) 16-12-054.

[2] *See* Exhibit SCE-5 Updated Testimony ERRA 2018 Forecast of Operations dated November 9, 2017 (November Update) at 1.

proposed fuel and purchased power costs of $4.412 billion, an over-collected balance in the New System Generation Balancing Account (NSGBA) of $151.822 million, forecast refunds from the Energy Settlements Memorandum Account (ESMA) of $7.060 million and costs of $360.872 million in the ERRA Balancing Account.[3] SCE also forecasts greenhouse gas (GHG) Cap-and-Trade costs of $317.232 million, to be offset by GHG allowance proceeds of $376.087 million.

The Commission scrutinizes the forecast to determine whether SCE's request, and the forecast and methods used to determine it, are reasonable and in compliance with all applicable rules, regulations, resolutions and prior Commission decisions. The 2018 Forecast Application will be approved if SCE's electric sales forecast, rate increase proposals and other inputs and calculations are reasonable.

In addition to this annual ERRA forecast proceeding, SCE undergoes an annual compliance proceeding to review the utility's compliance regarding energy resource contract administration, least cost dispatch, maintenance of utility owned generation, fuel procurement and entries made to the ERRA balancing account in the prior year.

1.1. Procedural Background

On May 1, 2017, SCE filed its *Application of Southern California Edison Company in its Forecast 2018 Energy Resource Recovery Account (ERRA) Proceeding* (Application).

On June 6, 2017, a protest was filed by the Office of Ratepayers Advocates (ORA). The Alliance for Retail Energy Markets and the Direct Access Customer

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[3] *See* at 5, Table II-2 of November Update, which is reproduced at 12 of this decision.

Coalition (AReM-DACC)[4] filed a joint response on June 7, 2017. The Public Agency Coalition (PAC)[5] and California Choice Energy Authority (Cal Choice)[6] also filed responses and requested party status. The County of Los Angeles (Los Angeles) and the City of Lancaster (Lancaster) filed Motions for Party Status on June 9, 2017.

A prehearing conference (PHC) was held on June 9, 2017 in order to establish the parties and service list, to discuss the scope of the proceeding and to address whether there is need for evidentiary hearings, as well as to develop a procedural timetable for the management of this proceeding. The California Large Energy Consumers Association (CLECA),[7] the Energy Producers and Users Coalition (EPUC),[8] AReM-DACC, PAC, Cal Choice, Lancaster and Los Angeles were granted party status.

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[4] AReM is a California mutual benefit corporation formed by electric service providers (ESPs) that are active in California's Direct Access (DA) retail electric supply market. DACC is a regulatory advocacy group comprised of educational, governmental, commercial and industrial customers that utilize direct access for all or a portion of their electrical energy requirements.

[5] PAC is a regulatory coalition comprised of the cities of Cerritos and Corona, and the Eastside Power Authority. PAC's members are public agencies that operate as community aggregators, i.e., which provide direct access service to customers located within their respective jurisdictions. The agencies principally serve public buildings, schools and facilities such as street lights.

[6] Cal Choice is a California joint powers authority comprised of the cities of Lancaster, San Jacinto and Pico Rivera. The individual cities maintain the role of the community choice aggregator (CCA) in the implementation of CCA programs. Cal Choice provides support services, including rate analysis, billing assistance, power procurement, utility relations and regulatory affairs.

[7] CLECA members are high load factor industrial customers in a variety of industries such as steel, cement and mining. They receive bundled service, DA service and, in some cases, on-site generation.

[8] EPUC is a group representing electric end-use and customer generation interests of large industrial ratepayers of Southern California Edison.

The parties held a workshop on June 19, 2017. Thereafter, they filed a June 26, 2017 joint statement of their positions.

On July 24, 2017, the assigned Commissioner issued the Scoping Memo and Ruling, which included an evidentiary hearing (EH) on August 29, 30 and 31, 2017, as part of the proceeding schedule.

On August 22, 2017, SCE filed its motion to seal portions of the evidentiary records. On August 24, 2017, SCE, Cal Choice and PAC filed a joint stipulation to amend the testimony filed by Cal Choice and PAC, and to move prepared testimony and discovery responses into evidence. In their stipulation, the parties indicated that there were no remaining factual disputes requiring EH. Accordingly, on August 28, 2017 the Administrative Law Judge (ALJ) issued a ruling cancelling them.

On September 22, 2017, the parties served their respective opening briefs.[9] On October 13, 2017, SCE filed its reply brief. Cal Choice and PAC also filed a joint reply brief. On October 18, 2017, the ALJ directed SCE to file an updated calculation of the amount attributable to Senate Bill (SB) 92[10] for allocation to the Multifamily Affordable Housing Solar Roofs Program. On November 9, 2017,

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[9] SCE filed an opening brief and Cal Choice and PAC filed a joint opening brief. No other parties filed opening briefs or responses to the briefs filed by these three parties.

[10] SB 92 (Stats. 2017, Ch. 26) added section 2870(c) to the Pub. Util. Code as follows:

Cal. Pub. Util. Code 2870(c):

> The commission shall annually authorize the allocation of one hundred million dollars ($100,000,000) or 66.67 percent of available funds, whichever is less, from the revenues described in subdivision (c) of Section 748.5 for the Multifamily Affordable Housing Solar Roofs Program, beginning with the fiscal year commencing July 1, 2016, and ending with the fiscal year ending June 30, 2020. The commission shall continue authorizing the allocation of these funds through June 30, 2026, if the commission determines that revenues are available after 2020 and that there is adequate interest and participation in the program.

SCE filed its Updated Testimony and Forecast of Operations (November Update), which addressed these issues. Cal Choice and PAC filed comments on the November Update on November 16, 2017.

2. Party Positions

2.1. AReM/DACC

In its response to the 2018 Forecast Application, AReM[11] and DACC[12] state that their primary interest is the calculation and rate treatment of costs for the Power Charge Indifference Adjustment (PCIA), Competition Transition Charge (CTC) and Cost Allocation Mechanism (CAM) charged to DA customers. AReM and DACC want to ensure that SCE's method of calculating the PCIA and CTC complies with D.11-12-018 and Resolution E-4475.[13] They also want to ensure that SCE's manner of calculating the non-bypassable CAM charge[14] is consistent with D.10-12-035.

2.2. ORA

In its protest to the 2018 Forecast Application, ORA indicates that it is concerned with the reasonableness of SCE's total 2018 revenue requirement, and will be investigating and analyzing the underlying natural gas prices, load and other cost inputs to the model SCE uses in determining the forecasted revenue requirement. ORA expresses the opinion that the scope of review of the 2018

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[11] AReM is a California mutual benefit corporation formed by ESPs that are active in California's DA retail electric supply market.

[12] DACC is a regulatory advocacy group comprised of educational, governmental, commercial and industrial customers that utilize direct access for all or a portion of their electrical energy requirements.

[13] June 7, 2017 Response of AReM/DACC at 1-2.

[14] The CAM charge exists for the purpose of recovering the net capacity costs of qualifying facilities and combined heat and power resources.

Forecast Application should include consideration of the reasonableness of SCE's proposed revenue requirement, electric sales forecast and GHG allowance proceeds forecast requirements.[15]

2.3. Cal Choice

Cal Choice does not object to SCE's application but filed a response to the 2018 Forecast Application to express concern that SCE has not estimated reasonable levels of expected CCA departing load in its application. Because SCE states that it anticipates that additional CCAs may begin operation in SCE's service territory in 2017 and 2018,[16] Cal Choice believes that it would be appropriate for SCE to provide a departing load estimate inclusive of this expectation, as directed in D.14-02-040. Cal Choice notes that, in meetings held in connection with development of methodologies to replace the PCIA in another proceeding, SCE has estimated that the potential load departure related to CCAs could be as high as 80 percent of its total retail load.[17] Thus, Cal Choice contends that SCE should be required to clearly describe departing load estimates and show the resulting impact on power procurement and rates. Cal Choice reiterates these concerns in its joint opening comments with PAC and in its individual comments on the November Update,[18] noting that SCE failed to clearly designate which CCA programs are included in its CCA departing load forecast, although at least three cities – Lancaster, Apple Valley and Pico Rivera were operational CCA programs as of September 1, 2017. Cal Choice opines that

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15 June 6, 2017 Protest of ORA at 3-4.

16 June 7, 2017 Response of Cal Choice at 4, citing Exhibit SCE-1 at 17.

17 *Id.* at 5, *see* footnote 12 citing an *ex parte* notice filed in proceeding A.16-05-001.

18 *See* November 16, 2017, Comments of Cal Choice on the November Update (Cal Choice November Comments) at 2.

departing load associated with Los Angeles Community Choice Energy Authority (LACCE) should be delineated in the November Update.[19]

In its joint opening comments with PAC,[20] and in November comments, Cal Choice also expresses concern about the Renewable Market Price Benchmark (MPB),[21] which is an element of the PCIA. Cal Choice and PAC assert that the Department of Energy Green Adder (DOE Adder) calculation is not supported by credible renewable contract data. Instead, they request the Commission to direct the Investor-Owned Utilities (IOUs) to use the IOU Green Benchmark exclusively to determine the MPB until errors associated with DOE Adder can be reviewed, confirmed and corrected.[22] In its response to the November Update, Cal Choice also asks the Commission to ensure consistent outcome between SCE and PG&E with respect to the DOE Adder.[23]

2.4. PAC

PAC and Cal Choice also discuss, at length, SCE's calculation of the PCIA for pre-2009 vintage departing load customers in their joint opening comments. They acknowledge that the Commission opened a Phase II consolidated

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[19] *Id.* at 2. Cal Choice notes that LACCE is anticipated to begin providing electric service in February 2018, San Jacinto is anticipated to begin in April 2018, and Rancho Mirage is anticipated to begin in May 2018.

[20] Joint Opening Brief of Cal Choice and PAC dated September 22, 2017 at 4.

[21] *Id.* at 10-11, citing SCE-1 at 95. "Pursuant to Resolution E-4475, the Renewable MPB is determined using two sets of inputs: (1) the IOU Green Benchmark (based on the weighted average price of newly-delivering contracts for all three California IOUs and weighted at 62%, and (2) the Department of Energy Green Adder (DOE Adder), which is based on the average price of voluntary renewable programs throughout the Western Electric Coordinating Council (WECC), added to the energy MPB and weighted at 38 percent."

[22] *Id.* at 10-12. Cal Choice and PAC cite D.11-12-018, in which the Commission expressed concern about whether DOE Adder data sources were representative of the California market.

[23] Cal Choice November Comments at 4, footnote 13 citing November Update at 56-57.

proceeding to address issues of PCIA cost obligations of pre-2009 departing load customers,[24] and that there is an active rulemaking proceeding before the Commission concerning possible replacements of the current PCIA methodology.[25] They jointly request that the Commission, in this 2018 Forecast Application proceeding: 1) require an adjustment to the PCIA following the final decision in the consolidated proceeding, and, 2) set an effective date for the adjustment.[26]

Finally, in their joint opening brief, PAC and Cal Choice express concern about certain errors made in the PCIA calculation, which they say warrant additional oversight and review of SCE's PCIA calculation by the Commission's Energy Division.[27]

2.5. SCE Reply Brief

In its Reply Brief dated June 8, 2017, SCE notes that it has made proposals about methodology of calculation of the PCIA in both the consolidated 2017 ERRA Forecast Phase II[28] and in an open rulemaking proceeding to consider alternatives to the PCIA adjustment.[29] Accordingly, SCE requests that the

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[24] D.16-12-054 indicated that the PCIA issues would be deferred to a phase II proceeding. An Administrative Law Judge's Ruling Consolidating proceedings A.16-05-001, A.16-04-018 and A.16-06-003 was issued May 22, 2017.

[25] Rulemaking (R.)17-06-026.

[26] Joint Opening Brief of Cal Choice and PAC at 9 "*the Commission should expressly state that the PCIA flowing from the Final Consolidated Decision should be effective as of January 1, 2017 (at the latest).*"

[27] *Id.* at 14. Cal Choice and PAC propose that the Energy Division be required to review SCE's PCIA forecast calculations and issue a report during July which would allow the parties an opportunity to scrutinize the PCIA calculation, and raise questions which SCE could address in November with its updated testimony.

[28] A.16-05-001.

[29] R.17-06-026.

Commission decline to address issues concerning pre-2009 departing load and calculation of the PCIA generally, instead maintaining the "status quo" until there is determination in one or both of those proceedings.

2.6. Parties' August 24 Joint Stipulation

SCE, Cal Choice and PAC filed and served a joint stipulation on August 24, 2017 in which they agreed that there were no remaining factual disputes between them requiring EH. Cal Choice and PAC jointly express the opinion that the DOE Adder is based on outdated and erroneous data and should not be used for calculation of the PCIA for 2016 to 2018 vintage customers, but should be replaced with the IOU Green Benchmark. SCE does not agree with this position, but does stipulate to allow amendment of the joint testimony filed by Cal Choice and PAC, to reflect their revised position. All three parties stipulate to move revisions to the joint prepared testimony and discovery responses into evidence.[30] As a result of amending the joint testimony submitted by Cal Choice and PAC, all three now agree and stipulate to SCE's proposal that the PCIA for 2016 to 2018 vintage customers be decreased by 11 percent.[31]

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[30] As part of the stipulation, Cal Choice and PAC agree to revise and amend testimony of Richard McCann, by withdrawing Sections 2 and 2.1 amending Section 1.3 and renumbering Section 4 to Section 3 and making certain revisions to SCE's PCIA calculation for 2016 to 2018 vintage customers.

[31] *Id.* at 14. The joint parties propose that the Energy Division be required to review SCE's PCIA forecast calculations and issue a report during July which would allow the parties an opportunity to scrutinize the PCIA calculation, and raise questions which SCE could address in November with its updated testimony.

3. SCE's Opening Brief and November Update to its 2018 Forecast Application

3.1. SCE Opening Brief

In its September 22, 2017 Opening Brief, SCE expresses disagreement with the proposal by Cal Choice and PAC to calculate the PCIA by substituting the IOU Green benchmark for the DOE Adder in the MPB. SCE asserts that any change to the methodology of calculating the PCIA, must be addressed in R.17-06-026. Besides the issues concerning the PCIA, SCE points out that no party has challenged its main inputs into the revenue requirement forecast.[32] Accordingly, SCE requests that the Commission find its forecast reasonable and adopt its 2018 ERRA revenue requirement.

3.2. SCE November Update

SCE's November Update[33] revises the 2018 ERRA forecast revenue requirement of $4.485 billion in SCE's 2017 Forecast Application[34] to $4.556 billion, a total increase of $70.6 million, as a result of: (1) a decrease of $171.8 million in estimated fuel and purchased power costs, (2) an increase of $454.9 million from the year end 2017 ERRA balancing account, (3) net refunds of $7.06 million from the Energy Settlement Memorandum Account (ESMA), (4) a decrease of $160.7 million in the NSGBA, and (5) a net decrease of $44.7 million in updated GHG Cap-and-Trade Costs and GHG allowance proceeds. SCE's November Update includes a Table II-2 (reproduced below) that compares the

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[32] In its response to the application, AReM and DACC expressed interest in ensuring that SCE's method of calculating the CTC complies with D.11-12-018 and Resolution E-4475, and that SCE's manner of calculating the non-bypassable CAM charge is consistent with D.10-12-035. SCE notes that AReM and DACC do not challenge the reasonableness of these inputs

[33] *See* SCE-5 at 3-5.

[34] *See* D.16-12-054 approving SCE's 2017 Forecast at 1.

updated 2018 revenue requirements to the 2017 revenue requirement that was used to set rates presently in effect.

Table II-2
2018 Updated Revenue Requirement vs Current Rates (October 2017)
($000)

Description	2018 Revenue Requirement	In Current Rates	Change
Fuel and Purchased Power	$4,412,513	$4,584,334	(171,821)
ERRA Balancing Acct	360,872	(94,007)	454,879
ES MA	(7,060)	-	(7,060)
NSGBA	(151,822)	8,896	(160,718)
Subtotal ERRA-Related	**$4,614,503**	**$4,499,222**	**$115,281**
GHG Cap-and-Trade Costs	317,232	313,776	3,456
GHG Allowance Revenues	(376,087)	(327,941)	(48,146)
Subtotal GHG-Related	**(58,855)**	**(14,165)**	**(44,690)**
Total	**$4,555,648**	**$4,485,057**	**$70,591**

3.3. Calculation of the MPB

SCE submitted an Advice Letter 3667-E (AL 3667-E) to the Commission's Energy Division on the issue of calculation of the MPB, shortly before its November Update,[35] which Cal Choice protested.[36] SCE notes that the

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[35] November Update at 56-57.

[36] *Id.* Three parties (Sonoma Clean Power Authority, Peninsula Clean Energy Authority and Silicon Valley Clear Energy Authority) not involved in this ERRA proceeding, filed a joint protest to SCE's advice letter, presumably because of similarities to their concerns in the PG&E ERRA proceeding.

Commission's Energy Division rejected the protest to AL 3667-E and issued a disposition letter directing SCE to use the most recently published DOE Adder of $16.64/megawatts, which was last updated on May 29, 2015.[37]

3.4. Green Tariff Shared Renewables Program and Enhanced Community Renewables Program

In D.15-01-051, the Commission approved SCE's Green Tariff Shared Renewables (GTSR) program which was enacted to comply with SB 43.[38] This program has two features administered by the utilities: (1) a Green Tariff component, which allows customers to allocate either 50% or 100% of their electricity bill to renewable energy; and (2) an Enhanced Community Renewables (ECR) component, which allows customers to support renewable energy in their local communities via agreements with third-party renewable energy developers. SCE indicates that it does not anticipate that new Green Tariff-specific projects or ECR projects will reach commercial operation by 2018, therefore, SCE indicates that it will file a Tier 2 advice letter to update the GTSR program rate components for 2018.[39]

3.5. Assembly Bill 693 Multifamily Affordable Housing Solar Roofs Program

Assembly Bill (AB) 693 directed the Commission to authorize allocation of available GHG allowance proceeds, in the amount of $100 million or 10% of available funds, whichever is less, for the Multifamily Affordable Housing Solar Roofs Program (now called the Solar on Multifamily Affordable Housing

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[37] *Id.* at 57. In the disposition letter dated November 1, 2017, the Commission notes that the most recent DOE Adder, published May 29, 2015 on the National Renewable Energy Laboratory website (2015 DOE Adder) was used in calculation of the 2017 PCIA MPB.

[38] SB 43 is codified in Calif. Pub. Util. Code section 2871 *et seq*.

[39] SCE-1 at 37 and footnote 34.

Program or SOMAH Program), commencing July 1, 2016 and ending June 30, 2020.[40] SB 92 amended AB 693.[41]

On October 18, 2017, the ALJ issued a ruling directing SCE to file an updated calculation of the amount attributable to the SOMAH Program with its November Update after conferring with the other IOUs to arrive at a consistent methodology. In its November Update, SCE explains that the IOUs concluded that the "lesser amount" required under SB 92 is $100 million. Table VII-24, "Updated Annual Allowance Revenue Receipts and Customer Returns (Template D-1)" at Line 14 lists the funding amount as $46 million for 2018,[42] which is 46 percent of the annually authorized allocation of $100 million.[43]

The ALJ's October 18 ruling also required SCE to provide a before-and-after comparison of the effect of the updated calculation on the semi-annual Climate Credit for residential customers. Appendix C to SCE-5 reflects the calculation of the climate credit prior to inclusion of the SB 92 methodology described above.[44] A comparison of lines 14 through 25 of Table VII-24 and lines 14 through 25 of the template in Appendix C to SCE-5 on page D-1[45] reflects that, before setting aside funding for the SOMAH Program,

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[40] On March 18, 2016, by ruling in R.14-07-002, IOUs were required to estimate in the 2017 ERRA Forecast application the funds to be allocated to the AB 693 Solar Roofs Program and to set-aside these amounts in 2017 GHG revenue returns as authorized in D.16-12-054.

[41] *See* footnote 10 above.

[42] *See* SCE-5 at 43.

[43] *Id.* at 42. SCE uses the funding percentage determined as its cost responsibility in the California Solar Initiative proceeding. (*See* footnote 42, citing D.15-01-027 at 27.)

[44] *See* SCE-5 at C-1.

[45] "Annual Allowance Revenue Receipts and Customer Returns w/o SB 92 Set Aside in 2018."

the semi-annual Climate Credit in the November Update would have increased to $41.00. However, after taking into account a set-aside of $46,000,000 the semi-annual Climate Credit is $36.00.

3.6. Forecast GHG Allowance Costs and Proceeds

Since 2014 and the Commission's D.12-12-033, IOUs have been required to include a detailed accounting of the prior year's GHG costs (including customer outreach and administrative costs) and proceeds. Any disparity between the forecast of GHG costs incorporated into rates and the actual GHG cost is captured as part of the ERRA balancing account true-up process. Any over- or under-collection of actual costs is then applied to the total ERRA revenue requirement for the following year. In D.14-10-033, the Commission set out detailed requirements for this process, including the requirement for utilities to include the accounting of GHG revenue and reconciliation within the annual ERRA Forecast application. SCE describes, in detail, its methodology for calculation of its GHG forecasts.[46]

SCE's initial testimony to its 2018 Forecast Application states that SCE expects to return a total of $373.300 million in GHG allowance proceeds to eligible customers in 2018. However, as discussed in Section 4.1 above, after taking into account the offset of $46 million for the SOMAH Program and the GHG proceeds (line 16 on Table VII-24) returned to EITE and small business customers, the total proceeds returned to residential customers is $330.196 million. The per-household semi-annual California Climate Credit is $36.00 for residential customers in SCE's service territory, as summarized below:

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[46] *See* SCE-1, Section VII at 57-81 and SCE-5, Section VII at 35-46.

SUMMARY OF SCE'S 2018 FORECAST GHG PROCEEDS	
Allowance Revenue Balance from Prior Years	($15,816,954)
Allowance Revenue Forecast for 2018	($401,808,000)
Interest, Franchise Fees and Uncollectibles (lines 7 + 11 on Table VII-24)	($ 4,661,947)
Outreach and Administrative Expenses	$ 200,000
AB 693 Solar Roofs Program	46,000,000
Net GHG Proceeds Available for Customers in Forecast Year	**($376,086,902)**
EITE revenue returns	$ 25,948,227
Small Business Volumetric Return	$ 19,941,970
Proceeds to be Distributed for Climate Credit	($330,196,705)
Number of Households Eligible for California Climate Credit	**4,566,483**
Per Household Semi-Annual Climate Credit	**$36**

4. Discussion

4.1 Calculation of Pre-2009 Departing Load

As the parties have noted, the treatment of pre-2009 departing load was an issue in 2017 ERRA forecast proceedings for PG&E, SDG&E and SCE. The Commission consolidated the 2017 ERRA proceedings for the three IOUs to address the PCIA vintaging issues in a phase II proceeding.[47] That proceeding remains open. Accordingly, issues related to revision of the pre-2009 vintage PCIA should not be addressed in this proceeding.

4.2. Calculation of the Renewable MPB and 2018 PCIA

The Renewable Market Price Benchmark, which is an element of the PCIA, is determined using two sets of inputs: (1) the IOU Green Benchmark, and (2) the DOE Adder.[48] As discussed previously in their joint opening brief,

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[47] A.16-05-001.

[48] *See* fn. 21 at 8.

Cal Choice and PAC requested the Commission to direct SCE to use the IOU Green Benchmark exclusively to determine the Renewable MPB, a proposition that SCE disagrees with and addressed in its joint stipulation with Cal Choice and PAC, and in its MPB Advice Letter filing. On November 1, in the disposition letter on AL 3667-E, the Energy Division determined that the Commission would use the May 29, 2015 DOE Adder for the calculation of the 2018 MPB. We agree that this is appropriate for purposes of this 2018 ERRA forecast proceeding, especially because the Commission is also considering possible revisions or replacements to the PCIA methodology in proceeding R.17-06-026.

With the exception of the revision to the PCIA for 2016 to 2018 vintage customers that Cal Choice, PAC and SCE have stipulated to, revisions to the PCIA are expressly excluded from consideration in this proceeding.

4.3. Adopted Forecast

The PCIA issues were the only objection to SCE's proposed 2018 forecast ERRA, as other contested issues were satisfactorily resolved between the parties in their stipulations. The Commission finds that SCE's forecast is reasonable, its forecasts of GHG costs and proceeds are reasonable, and that the Commission should adopt SCE's 2018 ERRA forecast revenue requirement of $4.556 billion.

5. Admittance of Testimony and Exhibits into the Evidentiary Record

Rule 13.8(d) of the Commission's Rules of Practice and Procedure allows testimony to be offered into evidence when evidentiary hearings are not held. Evidentiary hearings were not held in this proceeding, therefore, testimony and exhibits are being admitted into the record pursuant to rulings issued by the assigned Commissioner within the Scoping Memo following the PHC, and by the assigned ALJ in the proposed decision.

We therefore receive both the public and confidential versions of SCE's 2018 Forecast Application and testimony into evidence.[49]

6. SCE Motion to Treat as Confidential and Seal a Portion of the Evidentiary Record

SCE filed declarations in support of its request to treat as confidential and seal portions of the evidentiary record in this proceeding pursuant to Rule 11.5. SCE states that certain of its Exhibits contain confidential, market sensitive information.[50] We have granted similar requests for confidential treatment in the past and do so again here. Pursuant to Rule 11.5, we seal the confidential portions of the evidentiary record, and pursuant to D.06-06-066, authorize the confidential treatment of those exhibits as set forth in the ordering paragraphs of this decision.

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[49] SCE, Cal Choice and PAC filed an August 24 Stipulation to admit the following exhibits and testimony into the record, subject to SCE's motion for confidentiality of certain portions: Exhibit SCE-1 - ERRA 2018 Forecast of Operations Testimony (public and confidential versions); Exhibit SCE-2 – ERRA 2018 Forecast of Operations Witness Qualifications and Declarations re: Confidentiality; Exhibit SCE-3 - ERRA 2018 Forecast of Operations Rebuttal Testimony (public and confidential versions); Exhibit SCE-04 - ERRA 2018 Forecast of Operations, additional Declaration re: Confidentiality; Exhibit Joint Parties 1 – Revised and Amended Testimony of Richard McCann on Behalf of Cal Choice and PAC (Joint Parties); Exhibit Joint Parties 2 – SCE Data Request Set A1705006 City of Lancaster-SCE-01; Exhibit Joint Parties 3 – SCE Data Request Set A1705006 CCEA -SCE-01; Exhibit Joint Parties 4 – SCE Data Request Set A1705006 CCEA-SCE-02; Exhibit Joint Parties 5 – SCE Data Request Set A1705006 CCEA-SCE-03; Exhibit Joint Parties 5 – SCE Data Request Set A1705006 CCEA-SCE-03; Exhibit Joint Parties 6 – SCE Data Request Set A1705006 CCEA-SCE-04; Exhibit Joint Parties 7 – SCE Data Request Set A1705006 CCEA-SCE-06, and Exhibit Joint Parties 8 – ORA discovery responses.

[50] In its Motion to Seal, SCE requests confidential treatment of shaded information in confidential versions of its Exhibits.

7. Compliance with the Authority Granted Herein

Within 30 days of the effective date of this decision, SCE shall submit a Tier 1 Advice Letter with the Commission's Energy Division to implement the rate changes authorized by this decision.

8. Safety Considerations

The health and safety impacts of GHGs are among the many reasons that the Legislature enacted AB 32. Specifically, the Legislature found and declared that global warming caused by GHGs "poses a serious threat to the economic well-being, public health, natural resources, and the environment of California." This decision approves SCE's forecast of GHG costs and allocation of GHG allowance proceeds to maintain a key aspect of the GHG reduction program envisioned by AB 32 and Pub. Util. Code § 748.5 and, as a result, will improve the health and safety of California residents.

9. Categorization and Need for Hearings

In Resolution ALJ-176-3397 dated May 11, 2017, the Commission preliminarily categorized this application as ratesetting as defined in Rule 1.3(e) and anticipated that this proceeding would require hearings. A PHC was held on June 9, 2017, and a scoping memorandum indicating that hearings were necessary was issued. However, the parties thereafter agreed that evidentiary hearings were not necessary. Therefore, the determination of the Commission as to the categorization of this proceeding is affirmed, despite the fact that EH was ultimately taken off calendar upon stipulation by the parties.

10. Reduction of Comment Period

The proposed decision of ALJ Miles in this matter was mailed to the parties on December 4, 2017 in accordance with Section 311 of the Public Utilities Code. Pursuant to Rule 14.6(b) of the Commission's Rules of Practice and Procedure, all parties stipulated to reduce the 30-day public review and comment period required by Section 311 of the Public Utilities Code. Comments on the Proposed Decision are due by close of business December 8, 2017.

11. Comments

Comments were filed by SCE, Cal Choice, PAC, AReM and DACC.

Cal Choice

Cal Choice reiterates its concerns about SCE's forecast of CCA departing load. It contends that SCE's forecast is not reasonable and does not comply with D.14-02-040 which requires IOUs to use information from the California Energy Commission to estimate reasonable levels of expected CCA departing load. Cal Choice also argues that the PD is inconsistent with the approach adopted in D.16-12-038 which approved a meet and confer process to collaboratively establish reasonable CCA departing load forecasts. Cal Choice urges the Commission to require SCE (as part of its 2019 ERRA forecast application) to employ the CCA departing load methodology that is employed by PG&E in its ERRA forecast.[51] Cal Choice's concerns should not be addressed in this proceeding since Cal Choice stipulated to waiver of EH in this proceeding and these issues potentially require review of material facts. Cal Choice's concerns may be addressed within the scope of SCE's forecast 2019 ERRA proceeding, and should be raised there.

Cal Choice also comments that the DOE Adder is unreliable and requests the Commission to conclude that it should not be used to determine the MPB for purposes of future ERRA forecast applications. Section 3.3 of this decision acknowledges concerns about the DOE Adder and addresses how it will be used

[51] Cal Choice attaches excerpts from PG&E's ERRA testimony to its comments.

in this proceeding. However, placing limitations on use of the DOE Adder in future forecasts is outside of the scope of this proceeding.

PAC, AReM and DACC

Three parties file comments to point out that the PD incorrectly states (in section 4.1) that it is "SCE's contention that issues related to revision of the pre-2009 vintage PCIA should not be addressed in this proceeding." They note that SCE included a proposed PCIA calculation for pre-2009 vintaged departing load customers in its November Update,[52]which they support.

SCE

SCE comments confirm that "after consulting and coordinating with PAC, AReM and DACC," SCE proposed changes in its November Update to reflect a consensus between them on the appropriate PCIA calculation for pre-2009 vintaged departing load customers. SCE notes that, embedded within its November Update, is a one-time negative adjustment of $250 million to the pre-2009 vintage departing load customers' indifference calculation to effectuate a January 1, 2017 retroactive implementation of the proposal. There have been no protests or objections to SCE's proposed adjustment to the PCIA for pre-2009 vintage departing load customers.

The parties are to be commended for their efforts to achieve resolution of the pre-2009 vintaging issues. In view of the fact that the parties are in agreement with SCE's proposal and especially because there have been no protests or objections, the proposed adjustment to the PCIA calculation reflected

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[52] In its November Update, SCE proposes (1) that pre-2009 vintage departing load customers pay PCIA rates that only recover their equitable share of legacy SONGS costs. SCE will implement this proposal retroactive to January 1, 2017 and will refund pre-2009 vintage departing load customers any amounts over-collected in 2017.

within SCE's Forecast 2018 Proceeding Revenue Requirement is likely reasonable. However, this proceeding is not the appropriate forum for this resolution, as issues related to PCIA calculations for pre-2009 vintage customers are within the scope of the 2017 ERRA Forecast Phase II consolidated proceeding.

SCE is directed to file a motion for approval of its proposed settlement of these issues in proceeding A.16-05-001. Doing so will result in the desired outcome in this proceeding.

12. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Patricia B. Miles is the assigned ALJ in this proceeding.

Findings of Fact

1. On May 1, 2017, SCE filed A.17-05-006, in which SCE requested that the Commission adopt a forecasted 2017 ERRA revenue requirement of $4.183 billion.
2. By Resolution ALJ 176-3397, dated May 11, 2017, A.17-05-006 was categorized as ratesetting with hearings needed.
3. Protests or responses to the application were filed by ORA, AReM-DACC, PAC and Cal Choice concerning PCIA issues.
4. A PHC was held on June 9, 2017 and the Scoping Memo and Ruling of the Assigned Commissioner dated July 24, 2017 set EH on August 29-31, 2017.
5. SCE, Cal Choice and PAC filed a joint stipulation on August 22, 2017 which included agreement that the only issues between them involved questions of calculation related to the PCIA, and that there were no factual disputes requiring EH.
6. On November 9, 2017, SCE served its November Update, in which it requested that the Commission adopt an updated 2018 revenue requirement

forecast of $4.556 billion, reflecting an increase of $28.3 million in estimated fuel and purchased power costs, an increase of $293.9 million in ERRA and NSGBA balancing account balances, a net increase in the ESMA of $0.056 million and a net increase of $49.9 million in GHG Cap-and-Trade costs and GHG allowance proceeds.

7. SCE's updated forecast includes net GHG allowance revenues of $376.086 million.

8. SCE's forecast includes allocation of $46 million of GHG proceeds to the solar for multifamily affordable housing program (SOMAH Program), as required by Pub. Util. Code § 2870(c).

9. There are net GHG revenues of $330.196 million available to be returned to eligible customers in 2018 in the form of a semi-annual per household residential California Climate Credit of $36.00.

10. Energy Division has directed SCE to use the May 29, 2015 DOE Adder in the 2018 MPB formula for the purpose of calculating the 2018 PCIA.

11. Issues related to resolution of the pre-2009 vintage PCIA are appropriately addressed in proceeding A.16-05-001.

12. Challenges to facts supporting SCE's proposed 2018 forecast of fuel and purchased power prices; natural gas prices; electricity prices; GHG costs and proceeds; demand response costs; bundled customer electric sales and year-end balancing account balances are waived by parties in this proceeding by virtue of stipulation to waive evidentiary hearing.

13. Motions have been filed by SCE, PAC and Cal Choice to have exhibits received into evidence and to seal a portion of the evidentiary record.

14. Rule 11.4 addresses a request to seal documents that have been filed.

15. Rule 11.5 addresses sealing all or part of an evidentiary record.

16. GO 66-C provides definitions and guidance regarding public and confidential records provided to and requested from the Commission.

17. By D.06-06-066, we implemented SB 1488, which required that we examine our practices regarding confidential information, as it applies to the confidentiality of electric procurement data (that may be market sensitive) submitted to the Commission.

18. SCE requests that selected exhibits be given confidential treatment pursuant to GO 66-C and D.06-06-066.

19. We have granted similar requests for confidential treatment in the past.

20. SCE requests that the confidential Testimony and certain Exhibits included with its 2017 Forecast Application and November Update, be filed under seal pursuant to Rule 11.4.

Conclusions of Law

1. The Commission should find reasonable and adopt SCE's updated 2018 ERRA forecast revenue requirement of $4.556 billion.

2. SCE's forecast of fuel and purchased power prices; natural gas prices; electricity prices; GHG costs and proceeds; demand response costs; bundled customer electric sales or year-end balancing account balances are reasonable and in compliance with applicable Commission decisions and requirements.

3. SCE's request, that the public and confidential versions of its Testimony and Exhibits included with its Application and November Update be received into evidence, should be granted.

4. SCE's request for confidential treatment of redacted versions of SCE's Testimony and Exhibits included with its Application and November Update, should be granted pursuant to Rule 11.5, GO 66-C and D.16-08-024.

5. SCE should be authorized to modify its tariffs to reflect its forecast 2018 ERRA and GHG allowance revenues as specified in its November Updated Testimony.

6. SCE must file a motion for approval of its proposed settlement of PCIA calculations for pre-2009 vintage customers in proceeding A.16-05-001, to reflect agreements it reached with PAC, AReM and DACC, about the how the calculations will impact this forecast 2018 ERRA proceeding revenue requirement.

7. Advice Letters to implement changed tariff sheets in accordance with this Decision should be filed as Tier 1 Advice Letters.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company is authorized to recover a total 2018 Energy Resource Recovery Account electric procurement cost revenue requirement forecast of $4.556 billion.

2. Southern California Edison Company's Greenhouse Gas forecasts are approved.

3. Southern California Edison Company's (SCE's) request to treat as confidential its Exhibits SCE-1C, SCE-3C, and, SCE-5C, as well as pertinent testimony thereunder, is granted for a period of three years from the date of this order. During this three-year period, this information shall not be publicly disclosed except on further Commission order or Administrative Law Judge ruling. If SCE believes that it is necessary for this information to remain under seal for longer than three years, it may file a new motion showing good cause for extending this order by no later than 30 days before the expiration of this order.

4. Southern California Edison Company must file a motion for approval of its proposed settlement of PCIA calculations for pre-2009 vintage customers in proceeding A.16-05-001.

5. Southern California Edison Company shall file a Tier 1 Advice Letter and revised tariff sheets within 30 days of the issuance of this decision to implement the rate changes authorized by this decision.

6. Application 17-05-006 is closed.

This order is effective today.

Dated December 14, 2017, at San Francisco, California.

MICHAEL PICKER
President
CARLA J. PETERMAN
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
Commissioners