Decision **PROPOSED DECISION OF ALJ KLINE (Mailed 1/14/2019)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Expedited Application Of Southern California Edison Company (U338E) Regarding Energy Resource Recovery Account Trigger Mechanism.	Application 18-11-009

DECISION GRANTING THE TRIGGER APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY

Summary

Southern California Edison Company's (SCE) Energy Resource Recovery Account (ERRA) balance is currently projected to be undercollected by $972.5 million ($983.8 million including franchise fees and uncollectibles) as of December 31, 2018 (based on actual numbers through November and projected numbers for December). This decision authorizes an increase in rates to collect the $983.8 million undercollection from SCE's bundled as well as its 2018 and 2019 vintage departing load customers, to be amortized over a 12-month period beginning no later than 60 days from the date of this Decision. A second phase of this proceeding will consider any penalties for SCE's failure to comply with the Commission's ERRA trigger mechanism requirements. This proceeding remains open.

1. Background

On November 13, 2018, Southern California Edison Company (SCE or Applicant) filed an expedited application seeking authorization to collect a projected $972.5 million[1] ($983.8 million including franchise fees and uncollectibles (FF&U)) Energy Resource Recovery Account (ERRA) balancing account undercollection (as of December 31, 2018) from its customers (Application). On November 26, 2018, Chief Administrative Law Judge (ALJ) Simon issued a ruling setting a prehearing conference (PHC).

On December 3, 2018, California Choice Clean Energy (CCEA) and the Clean Power Alliance of Southern California (CPA) (jointly "the SoCalCCAs"), and Energy Producers and Users Coalition (EPUC) filed protests to the Application. On December 6, 2018, the assigned ALJ held a PHC to discuss parties, scope of issues, need for hearings and other procedural matters. The assigned ALJ also granted party status to the Public Advocates Office of the Public Utilities Commission (Public Advocates Office), the Direct Access Customer Coalition (DACC) and the California Large Energy Consumers Association. (CLECA) at the PHC.

The assigned Commissioner issued a scoping memo on December 12, 2018. SCE served supplemental testimony on December 12, 2018. Parties filed opening briefs on December 21, 2018 and reply briefs on January 4, 2019.

The Commission has jurisdiction to review an investor owned utility's ERRA trigger application pursuant to Public Utilities (Pub. Util.) Code § 454.5(d)(3).

[1] SCE updated its request for recovery of the ERRA Balance undercollection from $743.429 million to $972.482 million. Exhibit SCE-02 at 8.

2. Issues Before the Commission

The issues before the commission are:

- Whether SCE should be authorized to recover a $972.5 million (($983.8 million including FF&U) undercollected ERRA balance projected as of December 31, 2018;
- Whether SCE complied with the requirements of Decision (D.) 02-10-062 and D.06-06-051 in addressing the undercollection;
- Whether the ERRA balance exceeded the trigger point, and whether it was likely that the balance would self-correct within 120 days of the trigger point balance exceedance;
- The causes of the undercollection (excluding reasonableness review or compliance with SCE's bundled procurement plan);
- The appropriate amortization period for the ERRA balance undercollection (e.g., 6, 12, 18, or 24 months);
- The impact on rates of the undercollection recovery; and
- Whether the proposed allocation of the undercollection among customers for the rate adjustment is reasonable.

No safety concerns are identified or proposed by parties in this Application.

3. SCE Failed to Comply with ERRA Trigger Mechanism Reporting Requirements

Pursuant to Assembly Bill (AB) 57 (Stas. 2002, Ch. 835), the Commission established the ERRA balancing account in 2002 to record the investor-owned utilities' fuel and purchased power revenues against actual recorded costs, excluding revenues collected for the California Department of Water Resources (CDWR).[2] AB 57 also mandated a trigger threshold for the balance in the ERRA

[2] Pub. Util. Code § 454.5(d)(3), enacted by AB 57.

balancing account of five percent of the electric utility's actual recorded generation revenues for the prior calendar year.[3]

D.02-10-062, which implemented AB 57, requires an electrical utility to file an expedited application when its balance exceeds four percent of the prior year's recorded revenue requirement (the trigger point) in order to promote the timely recovery of an investor-owned utility's procurement costs for undercollections or facilitate reimbursement to ratepayers for overcollections.[4]

In D.06-06-051, the Commission modified SCE's ERRA trigger mechanism to allow SCE to file an advice letter when the ERRA Balancing Account balance exceeded the four percent trigger point, if SCE did not propose to change rates and if it expected the ERRA balance exceedance to go below the trigger point within 120 days.[5] SCE was still required to file an expedited application when its ERRA balance exceeded the trigger point and rate changes were necessary to amortize the balance.[6] SCE was required to monitor its ERRA balances on a frequent basis and timely file expedited ERRA applications.[7]

First, the Commission briefly reviews the chain of events that led SCE to seek relief and then discusses whether SCE's actions conform to the Commission's aforementioned trigger mechanism reporting requirements. SCE states that its recorded ERRA balance exceeded the four percent trigger point as of May 31, 2018, but that SCE was not aware that its ERRA balance exceedance

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[3] *Id.*

[4] D.02-10-062 at 64-66.

[5] D.06-06-051 at 10 (Ordering Paragraph (OP) # 3).

[6] *Id.* (OP #5).

[7] *Id.* at 9 (OP #2).

would not self-correct within 120 days at that time.[8] On August 6, 2018, SCE asserts it became aware the exceedance would not self-correct after SCE's controllers finalized the July 31, 2018 ending ERRA balance.[9] At this point, the ERRA Balance surpassed the AB 57 five percent threshold.[10] SCE made no filings notifying the Commission of the ERRA Balance exceedance in May, June or July 2018.

On August 31, 2018, SCE filed Advice Letter (AL) 3856-E to report that its ERRA balance exceeded the four percent trigger point as of May 31, 2018 and surpassed the AB 57 five percent threshold as of July 31, 2018. In AL 3856-E, SCE proposed to address the undercollected balance in the ERRA forecast through its 2019 rates rather than through an expedited application, for Commission consideration as part of its November Update in SCE's ERRA forecast proceeding.[11] SCE also proposed to collect the ERRA balance undercollection through a pro-rata apportionment in 2019 to bundled service customers as well as 2018 and 2019 vintage departing load customers.

On October 30, 2018, the Commission's Energy Division rejected AL 3856-E for failure to comply with the Commission's trigger application procedural requirements.[12] On November 7, 2018, SCE filed its November Update in the 2019 ERRA Forecast Proceeding, requesting recovery of the ERRA Balancing Account forecast undercollection of $743.5 million. On November 13,

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[8] Exhibit SCE-02 at 10.

[9] *Id.* at 4.

[10] For 2018, SCE's five percent threshold is $246.473 million. (*Id.*)

[11] AL 3856-E at 3.

[12] Energy Division Disposition Letter on AL 3856-E, October 19, 2018.

2018, SCE filed an expedited application (Application (A.) 18-11-009) notifying the Commission of the four percent trigger point exceedance, as previously disclosed in AL 3856-E.

Parties to this proceeding objected to SCE's delayed filing of this trigger application. EPUC stated that SCE's delayed reporting caused a "truncated and jumpy procedural process in which discovery has spanned two cases and parties are unclear as to the final timeline and in which case the undercollection will be adjudicated."[13] The SoCalCCAs stated that SCE's delayed filing of the trigger application resulted in insufficient notice for CPA to set rates for its planned service expansion in 2019.[14] SCE maintains that it complied with Commission trigger mechanism requirements because it was allowed to file an advice letter in August 2018 if it did not seek a rate change through the advice letter.[15]

The Commission finds that SCE did not comply with the ERRA trigger mechanism requirements. First, SCE did not timely report the four percent trigger point exceedance on two occasions. SCE was aware that its ERRA Balance twice exceeded the trigger point as of May 31, 2018 and June 30, 2018, but did not notify the Commission either by advice letter or expedited application until August 31, 2018, three months after it first exceeded the trigger point. Even if SCE thought the ERRA Balance would self-correct within 120 days and did not wish to request a change in its rates, it was still required to notify the Commission of the trigger point exceedance by advice letter pursuant to D.06-06-051 in timely manner.

[13] EPUC Protest at 2.

[14] SoCalCCA's Protest at 3.

[15] SCE Opening Brief at 4-6.

SCE also failed to report the trigger point exceedance in the manner prescribed by the Commission. SCE's notification of the trigger point exceedance through AL 3856-E was inappropriate because the Commission only allows notification through an advice letter when the utility expects the ERRA balance to self-correct within 120 days of the exceedance. By the time SCE filed AL 3856-E, it was aware that the ERRA balance would not self-correct by the end of the year.

As a result, interested persons were required to participate as parties in up to three different proceedings; AL 3856-E, the 2019 ERRA forecast (A.18-05-003) and this proceeding. This is contrary to the Commission's intent in D.02-10-062 to amortize or refund ERRA balances in excess of the four percent trigger point balance in a timely manner. SCE's delayed reporting of its significant ERRA Balance undercollection in its November Update also precluded timely consideration of the undercollected balance in the 2019 ERRA forecast proceeding, and was inconsistent with the testimony SCE filed in May 1, 2018 and June 1, 2018 in A.18-05-003.

The Commission opens a second phase of this proceeding to consider the impact of SCE's failure to comply with the Commission's requirements on 2018 and 2019 vintage departing load customers. SCE will also be required to show why it should not be fined, or otherwise penalized, for failure to comply with the Commission's requirements.

4. Components of SCE's Trigger Application

The Commission's latitude and range of review of ERRA trigger applications is set by Pub. Util. Code § 454.5(d)(3). This is reflected in the review process the Commission established in D.02-10-062, which details the components of an ERRA trigger application, including :

> a projected account balance in 60 days or more from the date of filing depending on when the balance will reach the five percent threshold. The application will also propose an amortization period for the five percent of not less than 90 days to ensure timely recovery of the projected ERRA balance. It should also include allocation of the over-and-under collection among customers for rate adjustment based on existing allocation methodology recognized by the Commission.[16]

When reviewing a trigger application, the Commission must confirm the accuracy of SCE's estimates and confirm that those estimates meet the trigger thresholds within the timeframes established by law in order to approve the application.[17] Where a rate increase is required to recover an undercollected revenue requirement, the Commission conducts a step-by-step review of the request in order to benefit SCE, its ratepayers and the protestants. The step-by-step review of SCE's trigger application includes the following: 1) the accuracy of the ERRA Balance request and requirement to meet the trigger threshold, 2) causes of the undercollection, 3) the rate impact of including the ERRA balance into SCE's rates, 4) allocation of the undercollection amongst SCE's customers; and 5) the amortization period of the undercollection.

4.1. Accuracy of the ERRA Trigger Application and Requirement to Meet the Trigger Threshold

As noted above, the Commission's first responsibility in ERRA trigger proceedings is to confirm the accuracy of the Applicant's estimated balances and then confirm those balances meet the trigger thresholds within the timeframes established by law.

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[16] D.02-10-062 at 65-66.

[17] This is a similar review to the Commission's review for accuracy of SCE's ERRA Balancing Account in SCE's 2019 ERRA forecast proceeding.

SCE provided a table that itemized the components of the projected undercollection for the estimated $972.5 million undercollection.

2018 Month[18]	ERRA Balance (million)	Amortized Balance (million)	Trigger Balance (million)	Trigger as a % of Generation Revenue[19]
January	$413.611	$388.520	$25.091	0.51%
February	$449.406	$356.143	$93.263	1.89%
March	$502.011	$323.767	$178.244	3.62%
April	$456.771	$291.390	$165.381	3.35%
May	$488.598	$259.013	$229.585	**4.46%**
June	$451.864	$226.637	$225.227	**4.57%**
July	$560.130	$194.260	$365.870	**7.42%**
August	$529.698	$161.883	$367.815	**7.46%**
September	$690.374	$129.507	$560.867	**11.38%**
October	$696.136	$97.130	$599.006	**12.15%**
November	$845.153	$64.753	$780.400	**15.83%**
December	$972.482	$32.377	$940.105	**19.07%**

The Commission is satisfied that parties were provided sufficient time to review the ERRA Balancing Account undercollection for inaccuracies. While the shortened timeframes imposed by statutes (combined with the uncertainties generally inherent in energy forecasting) create challenges for all parties in the ERRA process, parties have had the opportunity to review the undercollection in this expedited application since August 31, 2018 in two preceding Commission venues. SCE first informed the Commission of the ERRA undercollection in

[18] Months where SCE reported recorded ERRA Balance Account costs are in standard font, months projecting forecast ERRA Balance Account changes are in italic font. Exhibit SCE-02 at 8 (Table III-1).

[19] Generation revenue exceeding the four percent trigger point in bold font. Generation revenue exceeding the five percent trigger point is bold and underline font.

August 31, 2018, and again through the ERRA November Update. Parties protesting AL 3856-E include CCEA and CPA, who were also parties to the 2019 ERRA Forecast proceeding prior to the November Update. DACC, CLECA, EPUC and the Public Advocates Office were also parties to the 2019 ERRA Forecast proceeding prior to SCE's filing of the November Update testimony on November 7, 2018. There are no new parties to this proceeding who were not included in either the ERRA forecast proceeding or AL 3856-E, or both. As such, parties have had more than the usual time provided under the ERRA trigger mechanism to review and conduct discovery on SCE's ERRA Balance undercollection for accuracy, and no parties sought to provide testimony or conduct evidentiary hearings to assert otherwise in this expedited application. Therefore, the Commission finds that SCE's ERRA balance is sufficiently accurate to show that the ERRA balance first exceeded the four percent trigger point as of May 31, 2018 and the five percent trigger point as of July 31, 2018, as detailed in the table above.

4.2. Causes of the Undercollection

The monthly change in SCE's ERRA Trigger Balance over 2018 is summarized in the table below.

2018 Month[20]	ERRA Trigger Balance Change per month (million)
January	--
February	$68.172
March	$84.981
April	-$12.863

[20] Months where SCE reported recorded ERRA Balance Account costs are in standard font, months projecting forecast ERRA Balance Account changes are in italic font.

May	$64.204
June	-$4.358
July	$140.643
August	$1.945
September	$193.052
October	$38.139
November	$181.394
December	$159.705

SCE states that the cause of its ERRA balance undercollection is due to various factors, mostly related to the limited availability and increased cost of natural gas, especially over the summer.[21] CPA argues increases in natural gas costs do not adequately account for the large undercollections incurred by SCE in 2018, considering that San Diego Gas and Electric Company did not incur a similar undercollection.[22] CPA suggests that SCE's large undercollection may be unreasonable.

The Commission does not review the reasonableness of SCE's procurement activities or compliance with the its bundled procurement plan in this trigger application. For the Commission's purpose of reviewing this trigger application, SCE met its burden of providing an explanation of the causes of the undercollected balance.

4.3. Rate Impact and Allocation of Undercollection

In its supplemental testimony, SCE proposes to recover the $972.5 million ($983.8 million including FF&U) undercollection over a 12-month period from bundled customers, as well as 2018 and 2019 vintage departing load customers.[23]

[21] Exhibit SCE-02 at 11-12.

[22] CPA Opening Brief at 12-13.

[23] Exhibit SCE-02 at 2.

SCE proposes to begin collection of the ERRA balance undercollection starting in the first or second quarter of 2019, or soon after a Commission decision in this proceeding.[24] If the requested relief were granted, SCE projects the following bill impacts for both bundled and 2018 and 2019 vintage departing load customers as shown in the table below.[25]

Rate Class	**SCE Projected Rate Impact for Bundled Customer as well as 2018 and 2019 Vintage Departing Load Customers Due to ERRA Balance Undercollection (cents (¢)/kilowatt-hour (KWh))**
Residential	**1.6**
GS-1	1.5
TC-1	1.2
GS-2	1.4
TOU-GS-3	1.4
Total LSMP	**1.4**
TOU-8-Sec	1.3
TOU-8-Pri	1.3
TOU-8-Sub	1.2
Total Large Power	**1.3**
TOU-PA-2	1.2
TOU-PA-3	1.2
Total Ag. And Pumping	**1.3**
Street Lighting	**0.7**
TOU-8-Sec	1.3
TOU-8-Pri	1.1
TOU-8-Sub	1.1
Total Standby	**1.1**
Total	**1.4**

[24] *Id.* at 16.

[25] *Id.* at 17 (Table VI-3).

4.4. Amortization Period for Undercollection

The Commission requires an ERRA trigger mechanism application to propose an amortization period for the ERRA Balance over- or undercollection of not less than 90 days to ensure timely recovery of the projected ERRA balance. There is no requirement to collect the ERRA balance within the same year as the undercollection amount.

SCE, DACC and CPA stated a preference for a 12-month amortization period for the ERRA balance undercollection in comments on the proposed decision, while CLECA stated a 24-month amortization period preference. The Commission has discretion to determine the amortization period for the ERRA Balance undercollection, and this decision authorizes SCE to amortize the ERRA balance undercollection over a 12-month period as reasonable because 1) it covers one full 4-month winter cycle and one full 8-month summer cycle as approved in SCE's General Rate Case (GRC) Phase 2 proceeding and 2) it promotes timely recovery of the ERRA balance undercollection.

4.5. Allocation of Undercollection Among SCE's Customers

4.5.1. Parties' Positions

SCE proposes to collect the ERRA Balance undercollection through a pro-rata apportionment of the costs to SCE bundled service customers as well as to 2018 and 2019 vintage departing load customers, utilizing bundled service generation revenue allocation factors established in SCE's GRC Phase 2 (D.18-11-027), which are divided by the forecast sales of all responsible customers.[26] As such, SCE proposes that the final PCIA rate charged to 2018 and

[26] Exhibit SCE-02 at 14.

2019 vintage customers will be a single charge collecting two rate components: core PCIA-related costs that will be credited to the new Portfolio Allocation Balancing Account, and the 2018 undercollection-related costs that will be credited to the ERRA balancing account.[27] The sum of these two components will comprise the final PCIA rate for 2018 and 2019 vintage customers. SCE also requests that the 2019 PCIA rates used to calculate the 2020 PCIA rate cap exclude the undercollection amount.[28]

SCE argues that it is authorized to collect the ERRA balance undercollection from its bundled customers as well as 2018 and 2019 departing load customers pursuant to Pub. Util. Code § 366.2(f)(1).[29] CLECA similarly argues that state law requires bundled service customers to remain indifferent to customers departing load to Community Choice Aggregators (CCA).[30]

SCE expects approximately one million of its existing 2018 bundled service customers, located in approximately 30 communities, to depart from bundled service in 2019 as a result of CCA formation.[31] If the undercollection is not prorated to 2018 and 2019 vintage departing load customers, SCE states that its remaining bundled service customers would incur $224 million ($226 million

[27] SCE Opening Brief at 13; Pub. Util. Code §366.2(f)(1) ("A retail end-use customer purchasing electricity from a community choice aggregator pursuant to this section shall reimburse the electrical corporation that previously served the customer for all of the following: (1) the electrical corporation's unrecovered past undercollections for electricity purchases, including any financing costs, attributable to that customer, that the commission lawfully determines may be recovered in rates.")

[28] Exhibit SCE-02 at 14, fn. 24.

[29] SCE Opening Brief at 9-10.

[30] CLECA Opening Brief at 2.

[31] SCE Opening Brief at 9.

including FF&U) of additional costs.[32] SCE also argues that it historically amortized the ERRA balance only to bundled service customers through generation rates because the number of departing load customers each year was minimal.[33] CLECA supports SCE's undercollection proposal.[34]

CPA strongly opposes allocation of the undercollection to 2018 and 2019 departing load customers. Though CPA acknowledges the Commission has statutory authority to require allocation of the undercollection to departing load customers, CPA points out that the electric utilities have not previously allocated the ERRA Balance to departing load customers.[35] CPA also argues the Commission should address the issue of ERRA Balancing Account allocation generically through the PCIA proceeding prior to making any determinations in an individual proceeding, along with other "true-up" mechanisms such as the brown power true-up.[36]

4.5.2. Discussion

The Commission must ensure that bundled retail customers do not experience a cost increase as a result of departing load, and must ensure that departing load does not experience cost increases not incurred on their behalf.[37]

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[32] Exhibit SCE-02 at 13-14.

[33] SCE Opening Brief at 8-9.

[34] CLECA Reply Brief.

[35] CPA Opening Brief at 2.

[36] *Id.*

[37] Pub. Util. Code § 365.2 ("The commission shall ensure that bundled retail customers of an electrical corporation do not experience any cost increases as a result of retail customers of an electrical corporation electing to receive service from other providers. The commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load."); Pub. Util. Code §

Footnote continued on next page

Allocation of the ERRA balance undercollection to 2018 and 2019 departing load customers ensures that bundled service customers do not experience a cost increase as a result of approximately one million customers expected to depart from bundled service in SCE's service territory as a result of CCA formation in 2019. The costs of the ERRA balance undercollection are properly allocated to 2018 and 2019 departing load customers on a pro-rata basis because SCE incurred the ERRA Balance undercollection on their behalf while they were still SCE bundled service customers.

D.02-10-062 requires the Commission to allocate the rate adjustment of the over-or-under collection in the expedited trigger application "based on existing allocation methodology recognized by the Commission."[38] The Commission's current rate allocation methodology for SCE's bundled generation revenue requirement was established in SCE's GRC Phase 2 proceeding (D.18-11-027), and is adopted here to allocate the rate adjustment for the current ERRA balance.

Since 2018 and 2019 departing load customers were bundled service customers at the time the 2018 ERRA undercollection accrued, this decision adopts SCE's proposal to apply the bundled service allocation factors established in D.18-11-027 to allocate a pro rata share of the ERRA balance undercollection to bundled service and 2018 and 2019 departing load customers. A pro-rata share of the ERRA undercollection will be collected as a one-time, 12-month charge added to the PCIA rate of 2018 and 2019 vintage departing load customers and

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366.3 ("Bundled retail customers of an electrical corporation shall not experience any cost increase as a result of the implementation of a community choice aggregator program. The commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.")

[38] D.02-10-062 at 66.

credited to the ERRA balancing account. The 2019 PCIA rates used to calculate the 2020 PCIA rate cap shall exclude the undercollection amount.

To the extent a true-up for 2018 brown power may be applicable in this proceeding, a Commission determination regarding the inclusion of a 2018 brown power true-up in the 2019 PCIA forecast rates will be determined in the SCE 2019 ERRA Forecast proceeding (A.18-05-003).

5. Admittance of Testimony and Exhibits into Record

Since evidentiary hearings were not held in A.18-11-009, there was no opportunity to enter prepared testimony and exhibits into the record. In order to fairly assess the record, it is necessary to include all testimony and exhibits served by SCE. In its motion, dated December 21, 2018, SCE requested, pursuant to Rule 11.1 of the Commission's Rules of Practice and Procedure,[39] that the Commission receive its two Exhibits into the record of A.18-11-009. Therefore, we identify SCE's supporting testimony as Exhibits SCE-01 and SCE-02.[40] Given the necessity of SCE's testimony to our assessment of the trigger application, the Commission admits SCE's exhibits into evidence.

6. Categorization and Need for Hearing

In Resolution ALJ 176-3427, dated November 29, 2018, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary. At the PHC held on July 9, 2018,

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[39] All future references to "Rule" or "Rules" hereinafter shall refer to the Commission's Rules of Practice and Procedure.

[40] Exhibit SCE-01 – Testimony in Support of Expedited Application of SCE (U 338-E) Regarding ERRA Trigger Mechanism, dated November 13, 2018.Exhibit SCE-02 – Supplemental Testimony in Support of Expedited Application of SCE (U338E) Regarding ERRA Trigger Mechanism, dated December 12, 2018.

parties indicated that hearings were not necessary. Subsequently, the assigned Commission issued a scoping memo and ruling indicating that hearings were not necessary.

7. Reduction of Comment Period

Pursuant to Rule 14.6(b), all parties stipulated to reduce the 30-day public review and comment period required by Section 311 of the Pub. Util. Code to seven days for comments and four days for reply comments.

8. Comments on Proposed Decision

The proposed decision of ALJ Kline in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.6(b) of the Commission's Rules of Practice and Procedure. Comments were filed on January 22, 2019 by CLECA, CPA, DACC and SCE. Reply comments were filed by CLECA, CPA, DACC and SCE on January 25, 2019.

This decision reflects revisions in response to comments as noted throughout. Where the comments were merely repeated contentions made earlier in the proceeding, those comments on the proposed decision were not addressed further in this decision.

SCE and CLECA generally supported apportioning costs from the 2018 ERRA Balance undercollection to 2018 and 2019 departing load customers in addition to bundled service customers. However, both SCE and CLECA state that the PD errs in citing to the PCIA as the allocation methodology for the ERRA undercollection, arguing that the bundled allocation methodology in D.18-11-027 was appropriate for collecting revenue from bundled service as well as 2018 and 2019 departing load customers, and the amount should be added as a one-time adjustment to the PCIA for 2018 and 2019 departing load customers.[41] The PD adopts SCE and CLECA's requested clarification.

CPA and DACC generally opposed apportioning costs from the 2018 ERRA undercollection to 2018 and 2019 departing load customers. According to CPA, the PD errs in not discussing the 2018 brown power true-up since it will lead to a cost shift from bundled to departing load customers.[42] The PD is revised to reflect that a determination on the applicability of the 2018 brown power true-up on 2019 forecast PCIA rates shall be considered in the SCE 2019 ERRA forecast decision (A.18-05-003).

DACC argues that the Commission's reliance on D.02-10-062's direction to allocate over-and-under collections based on existing allocation methodology recognized by the Commission provides insufficient foundation to justify apportioning a share of the ERRA balance undercollection onto 2018 and 2019 vintage departing load customers though the PCIA.[43] The decision is revised to reflect the Commission's statutory authority to prevent cost shifting onto bundled service customers due to departing load, as well as the Commission's authority to ensure departing load does not experience cost increases as a result of costs not incurred on their behalf in order to allocate a pro-rata share of the ERRA Balance undercollection to 2018 and 2019 departing load customers.

In opening and reply comments on the PD, the majority of parties express a preference for a 12-month amortization period. SCE maintains the Commission should order a 12-month amortization period because it covers one full four-

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[41] SCE Opening Comments on PD at 10-11.

[42] CPA Opening Comments on PD at 4-6.

[43] DACC Opening Comments on PD at 2-4.

month winter cycle (June 1 to September 30) and one eight-month summer cycle (October 1 to May 31), as approved in the 2018 GRC Phase 2 proceeding, rather than distributing the allocation over seven summer months and 11 winter months.[44] SCE also argues that a 12-month amortization period minimizes the adverse impacts of SCE's recent credit downgrade as a result of Pacific Gas and Electric Company's impending bankruptcy.[45] CPA prefers a 12-month amortization period because it recovers the ERRA balance undercollection at "a pace that allows customers to get past this burden as quickly as possible," though CPA also supports a longer amortization period which ends by December 31, 2020 if the Commission concludes a longer amortization period is necessary.[46] DACC supports a 12-month amortization period.[47] CLECA, on the other hand, requests a 24-month amortization period to reduce customer rate impacts.[48] This decision adopts SCE, CPA and DACC's recommendation to reduce the amortization period from 18 to 12 months.

Parties disagree about the need for a second phase of this proceeding to address SCE's failure to comply with the ERRA trigger mechanism requirements. SCE argues a second phase of this proceeding is unnecessary and this decision should order SCE to strictly comply with the Commission's ERRA trigger mechanism requirements in the future.[49] DACC and CPA generally support a

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[44] SCE Opening Comments on PD at 9-10.

[45] *Id*. at 10.

[46] CPA Opening Comments on PD at 6-7.

[47] DACC Reply Comments on PD at 2.

[48] CLECA Opening Comments on PD at 4-5.

[49] Opening Comments of SCE on PD at 2-9; Reply Comments of SCE on PD at 3-4.

second phase of this proceeding to address any need for penalties for SCE's failure to comply with the Commission's ERRA trigger mechanism requirements.[50] This decision is not modified as a result of comments on this issue.

9. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Zita Kline is the assigned ALJ in this proceeding.

Findings of Fact

1. SCE's ERRA balance is currently projected to be $972.5 million ($983.8 million including FF&U) undercollected as of December 31, 2018 (based on actual numbers from January through November 2018 and projected numbers for December).

2. SCE's projected undercollected ERRA balance at the end of December 2018 exceeded its 4% trigger point of $197.179 million as of May 31, 2018 and June 31, 2018.

3. SCE's projected undercollected ERRA balance exceeded the AB 57 5% threshold point of $246.473 million as of July 31, 2018.

4. SCE states that its recorded ERRA balance exceeded the four percent trigger point as of May 31, 2018, but that SCE was not aware that its ERRA balance exceedance would not self-correct within 120 days at that time.

5. On August 6, 2018, SCE became aware that the ERRA Balance undercollection would not self-correct within 120 days.

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[50] Reply Comments of DACC on the PD at 1-2; Reply Comments of CPA on PD at 2-4.

6. On August 31, 2018, SCE filed AL 3856-E notifying the Commission that its ERRA balance exceeded the four percent trigger point as of May 31, 2018 and surpassed the AB 57 five percent threshold as of July 31, 2018.

7. In AL 3856-E, SCE proposed to address the undercollected balance in the ERRA forecast through its 2019 rates rather than through an expedited application, for Commission consideration as part of its November Update in SCE's ERRA forecast proceeding.

8. On October 30, 2018, the Commission's Energy Division rejected AL 3856-E for failure to comply with the Commission's trigger application procedural requirements.

9. On November 7, 2018, SCE filed its November Update in the 2019 ERRA Forecast Proceeding, requesting recovery of the ERRA Balancing Account forecast undercollection of $743.5 million.

10. On November 13, 2018, SCE filed an expedited application (A.18-11-009) notifying the Commission of the four percent trigger point exceedance, as previously disclosed in AL 3856-E.

11. SCE's delayed reporting of its significant ERRA Balance undercollection in its November Update precluded timely consideration of the undercollected balance in the 2019 ERRA forecast proceeding, and was inconsistent with the testimony SCE filed in May 1, 2018 and June 1, 2018 in A.18-05-003.

12. SCE has not apportioned a pro rata of ERRA Balance undercollections to departing load customers in previous ERRA forecast proceedings.

13. SCE's departing load customers in prior years represented a small number of customers.

14. With the expected formation of CCAs in 2019, SCE projects 1 million customers in 30 communities to depart from bundled service.

15. SCE estimates its remaining bundled service customers would incur $224 million ($226 million including FF&U) of additional costs if 2018 and 2019 departing load customers did not pay a pro rate share of the undercollection incurred by SCE in 2018.

Conclusions of Law

1. SCE must notify the Commission when its ERRA Balance exceeds the 4% trigger point in a timely manner by either filing an expedited application or filing an advice letter in the event SCE does not propose to change its rates and if it expects the ERRA balance exceedance to go below the trigger point within 120 days.

2. SCE is required to file an expedited application when its ERRA balance exceeded the trigger point and rate changes are necessary to amortize the balance.

3. SCE did not comply with the ERRA trigger mechanism requirement to notify the Commission when it exceeded the 4% trigger by advice letter or expedited application in a timely manner.

4. SCE's notification of the 4% trigger point exceedance by advice letter did not comply with SCE's modified trigger mechanism, which required SCE to file and expedited application when it did not expect the ERRA balance to self-correct within 120 days of the trigger point exceedance.

5. Pub. Util. Code § 454.5(d)(3) provides for the timely recovery of procurement costs incurred by electric utilities that are under an approved procurement plan.

6. The balance in an ERRA balancing account is not to exceed or fall below five percent of the electric utility's actual recorded generation revenues or the prior calendar year excluding revenues collected for CDWR.

7. SCE's proposal to recover a projected $972.482 million ($983.8 million including FF&U) undercollection from ratepayers should be approved.

8. SCE's proposal to recover the projected $972.482 million ($983.8 million including FF&U) undercollection from ratepayers over 12 months is reasonable.

9. SCE should file an advice letter within 30 days of this decision to show the final amount of undercollection to be collected from ratepayers, based on the recorded December 2018 balance in the ERRA Balancing Account.

10. The reasonableness of the ERRA Balancing Account for 2018 should be reviewed in the 2018 ERRA compliance proceeding.

11. D.02-10-062 requires the Commission to allocate the rate adjustment of the over-or-undercollection in the expedited trigger application "based on existing allocation methodology recognized by the Commission."

12. SCE's existing rate allocation methodology for bundled generation revenues is established in its most recent General Rate Case Phase 2 proceeding, D.18-11-027; while the Commission's existing rate allocation methodology for departed load customers is the PCIA, as set by D.06-07-030 (as modified by D.07-01-030 and subsequently refined in D.11-12-018, D.14-10-045 and D.18-10-019).

13. SCE's proposal to use the existing rate methodology for bundled generation revenues established in D.18-11-027 to recover undercollected ERRA revenues from bundled service and 2018 and 2019 departing load customers is reasonable.

14. SCE 2018 and 2019 departing load customers should pay a pro rata share of the 2018 ERRA Balance undercollection to avoid shifting substantial costs onto remaining bundled service customers.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company shall file a tier 1 advice letter within 30 days from the date of this decision to show the final amount of the rate increase approved herein based on the recorded December 31, 2018 balance in the Energy Resource Recovery Account balancing account. The advice letter shall be effective on or after the date filed subject to Energy Division determining that it is in compliance with this decision.
2. Southern California Edison Company shall collect the Energy Resource Recovery Account undercollection through a pro-rata apportionment of the costs to 2018 SCE bundled service customers, including 2018 and 2019 vintage departing load customers, utilizing bundled service allocation factors established in D.18-11-027, and using the Power Charge Indifference Adjustment as the rate-recovery vehicle for the undercollection amount.
3. The Energy Resource Recovery Account undercollection shall be recovered over a 12-month amortization period.
4. Evidentiary hearings are not necessary.
5. The Commission shall open a second phase of this proceeding to consider any penalties for Southern California Edison Company's failure to comply with the Energy Resource Recovery Account trigger mechanism requirements.
6. Application 18-11-009 remains open.

This order is effective today.

Dated _____________________________, at Sacramento, California.