

ALJ/SCL/SPT/ilz

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Decision 19-08-022 August 15, 2019

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U902E) for Approval of its 2017 Electric Procurement Revenue Requirement Forecasts and GHG-Related Forecasts.

Application 16-04-018

And Related Matters.

Application 16-05-001

Application 16-06-003

DECISION RESOLVING THE ISSUES OF POWER CHARGE INDIFFERNECE ADJUSTMENT FOR PRE-2009 VINTAGE DIRECT ACCESS CUSTOMERS IN SOUTHERN CALIFORNIA EDISON COMPANY'S AND SAN DIEGO GAS & ELECTRIC COMPANY'S TERRITORIES

Summary

This decision approves the proposed Settlement Agreement between Southern California Edison Company (SCE),¹ the Alliance for Retail Energy Markets/Direct Access Customer Coalition, the Public Agency Coalition, and the California Large Energy Consumers Association (SCE Settlement).² The SCE Settlement resolves the treatment of SCE's Power Charge Indifference Adjustment for its pre-2009 vintage Direct Access customers. This decision also adopts San Diego Gas & Electric Company's (SDG&E's) proposed treatment of SDG&E's Power Charge Indifferent Adjustment for its pre-2009 vintage Direct Access customers.

This proceeding remains open to address the Phase 2 issue related to Pacific Gas and Electric Company's negative indifference amount balance for its pre-2009 vintage Direct Access customers.

1. Background

The Power Charge Indifference Adjustment (PCIA) is a non-bypassable generation charge for Departing Load (DL) customers. It is updated annually as part of the Energy Resource Recovery Account (ERRA) Forecast proceedings.

Between April 2016 and June 2016, Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Pacific Gas and Electric Company (PG&E) (utilities) filed their respective applications for approval of 2017 ERRA Forecast revenue requirements (2017 ERRA Forecast

¹ Appendix A lists all acronyms for this decision.

² SCE's Motion for Approval of Settlement Agreement filed on February 1, 2018, Attachment A, titled "Settlement Agreement Resolving Departing Load Ratemaking Charges for Pre-2009 Vintage Departing Load Customers Between Southern California Edison Company (U338E), The Alliance for Retail Energy Markets/Direct Access Customer Coalition, the Public Agency Coalition and the California Large Energy Consumer Associations" (SCE Settlement) is attached in Appendix B of this decision.

proceedings). One shared issue in the scope of these three proceedings is the treatment of the PCIA for pre-2009 vintage Direct Access (DA) customers. In Phase 1 of all three proceedings, parties submitted testimony and briefs on pre-2009 PCIA vintage issues separately contesting the utilities' proposals.

The Commission issued Phase 1 decisions allowing for consolidated rate changes on January 1, 2017 for each utility and reserved the limited issue related to the PCIA for pre-2009 vintage DA customers to be resolved at a later time.

On May 22, 2017, Administrative Law Judge (ALJ) Tsen issued a ruling consolidating the 2017 ERRA Forecast proceedings and establishing Phase 2 to consider the treatment of the PCIA for pre-2009 vintage DA customers in the utilities' respective 2017 ERRA Forecast proceedings and going forward.

On August 11, 2017 and September 25, 2017, prehearing conferences were held to consider party status, proceeding schedule, scope, and other proceeding related issues.

On August 21, 2017, SCE submitted a prepared testimony in Phase 2 revising its Phase 1 proposal regarding the pre-2009 vintage PCIA issue (SCE's Phase 2 prepared testimony).

On September 21, 2017, the utilities, the Alliance for Retail Energy Markets/Direct Access Customer Coalition (AREM/DACC), the Public Agency Coalition (PAC), California Choice Energy Authority (CCEA), the Regents of the University of California (U.C.), the California Large Energy Consumers Association (CLECA), and Marin Clean Energy filed a joint case management statement in response to the August 17, 2017 ALJ Ruling.

On January 17, 2018, PAC, CCEA, and U.C. (together referenced as Joint Agencies) and the utilities submitted a stipulation pursuant to the January 10, 2018 ALJ E-mail Ruling. The Joint Agencies and the utilities

stipulated that there is not a need for the entry of additional evidence into the record or for evidentiary hearings.

On February 1, 2018, SCE noticed and held an all-party settlement conference. Subsequent to the settlement conference, SCE on its behalf and AReM/DACC, PAC, and CLECA (together referred as Settling Parties) filed a motion for adoption of the SCE Settlement pursuant Commission's direction in Decision (D.) 17-12-018. SCE also separately filed a motion to move SCE's Phase 2 prepared testimony regarding the pre-2009 vintage PCIA issue into the record. No objections or responses were filed in response to either motions.

On February 2, 2018, the assigned Commissioner issued a Scoping Memo and Ruling (Scoping Memo) setting forth the category, issues to be addressed, and schedule for the consolidated proceedings pursuant to Public Utilities Code Section 1701.1³ and Article 7 of the Commission's Rules of Practice and Procedure.⁴ The Scoping Memo provides a guiding principle that pre-2009 vintage DA customers and their associated PCIA should be treated consistently, while taking into consideration the unique circumstances of each utility's territory.⁵

On March 22, 2018, the assigned Commissioner issued a ruling amending the Scoping Memo and granting SCE's February 7, 2018 motion to remove the obligation to file briefs on SCE's specific issue. The Scoping Memo was amended to state that SCE's issue will be addressed by the Commission's decision on the SCE Settlement.

³ All further references to section are to the Public Utilities Code, unless otherwise specified.

⁴ All further references to rules are to the Commission's Rules of Practice and Procedure.

⁵ The Scoping Memo at 3.

On April 3, 2018, SDG&E filed an opening brief recommending no changes to its proposed treatment of the PCIA for pre-2009 DA customers in Phase 1 of this proceeding. No opening briefs or reply briefs were filed by other parties on SDG&E's proposal.

On May 22, 2019, ALJ Liang-Uejio issued a ruling setting aside submission, reopening the record, and directing all-party meet and confer to address the Phase 2 issue related to PG&E.

2. Issues Before the Commission

In the Scoping Memo, the Commission determined that pre-2009 DA customers and their associated PCIA should be treated consistently, while taking into consideration the unique circumstances in each utility's territory. The main issue is whether any modifications to the proposed treatment of the PCIA for pre-2009 vintage DA customers are warranted for any of the utilities.

- a. For PG&E, how should the negative indifference amount balance for pre-2009 DA customers be treated? Should the balance be eliminated as proposed by PG&E or returned in the form of a bill credit in order to ensure bundled customer indifference?
- b. Since SCE and SDG&E propose removal of Utility Owned Generation (UOG) costs from the PCIA calculation for pre-2009 vintage DA customers, what should be the effective date for implementation of PCIA adjustments associated with only retaining San Onofre Nuclear Generating Station (SONGS) related costs in the PCIA for pre-2009 vintages?

PG&E's issue will be addressed in a separate decision. This decision resolves the issue of the PCIA for pre-2009 vintage DA customers in SCE and SDG&E's territories.

3. Standard of Review

3.1. Settlement Agreements

Rule 12.1(d) requires that any stipulation or settlement, whether contested or uncontested, in order to be approved by the Commission, must be reasonable in light of the whole record, consistent with law, and in the public interest. This decision reviews the SCE Settlement with these three criteria along with the PCIA principles below.

3.2. The PCIA Principles

The PCIA is required by law.⁶ It was implemented over time in a series of Commission decisions⁷ consistent with the statutory requirement. This decision considers the SCE Settlement in light of the statutory requirement and the PCIA decisions. In addition, we also consider the guiding principle laid out in the Scoping Memo. The PCIA ensures that bundled customers are indifferent to customer departures⁸ and DL customers pay their fair share of generation costs incurred on their behalf. DL customers who opt for non-utility energy services such as Community Choice Aggregation (CCA) or DA, pay their assigned “Vintage PCIA” based on their departure date. “Vintage” refers to the year-specific generation portfolio a utility procured on behalf of its then-bundled service customers.⁹ By vintaging the PCIA based on departure date, DL

⁶ Sections 365.1, 365.2, 366.2, and 366.3. Sections 365.2 and 366.3 require the Commission to ensure that bundled service customers do not experience any cost increases as a result of retail customers electing to receive energy services from other providers and the implementation of CCA.

⁷ Key PCIA policy decisions include but are not limited to: D.02-11-022 (establishing DA Cost Responsibility Surcharge including DWR Power Charge and ongoing Competition Transition Charge or CTC components), D.06-07-030 (Replacing DWR Power Charge with the PCIA), D.08-09-012 (vintage PCIA), D.11-12-018 (adding the “green adder” for renewable resources), and D.18-10-019 (revised PCIA methodology).

⁸ D.14-12-053, Footnote 6.

⁹ SCE’s Opening Brief filed on October 3, 2016 (SCE’s Opening Brief) at 1.

customers are only responsible for generation resources procured on their behalf prior to their departure.¹⁰ For example, pre-2009 DA customers are subject to pre-2009 vintage PCIA and have no responsibility for costs incurred after their departure.¹¹

The current PCIA is calculated based on the difference between the total portfolio costs of the utility's generation resources and the Market Price Benchmark (MPB),¹² which is generally referred as the "indifference amount." The difference or indifference amount is then allocated to DL customers on a vintaged basis. As generation costs fluctuate over time, utility bundled customers pay a blended rate based on the utility's generation portfolio, which may include resources and costs that were incurred at different times.

4. The SCE Settlement

4.1. Parties' Positions

The portfolio costs of SCE's generation resources underlying the pre-2009 vintage PCIA include both SONGS-related and non-SONGS related pre-2002 legacy UOG costs. In Phase 1 of this proceeding, SCE originally proposed that pre-2009 vintage DA customers continue to remain responsible for the PCIA,¹³ which should continue to include both costs.¹⁴ SCE argued that the Commission decisions over the last 15 years support its proposal based on the indifference

¹⁰ D.08-09-012 at 59.

¹¹ The pre-2009 DL customers are only DA customers because the first CCA was formed in 2010.

¹² The MPB is a calculated proxy that represents the market value of the utility's total generation resource portfolio (D.11-12-018 at 8). The MPB consists of three components: 1) Brown Power Index, 2) Renewables Portfolio Standard Adder, and 3) Resource Adequacy Capacity Adder (D.18-10-019, Appendix 1). The current MPB methodology was adopted in the PCIA Rulemaking decision (D.18-10-019).

¹³ SCE's Opening Brief at 1.

¹⁴ The SCE Settlement at 3.

principle that all customers should continue to pay their fair share of the portfolio costs of the generation resources that SCE procured for them.¹⁵

AReM/DACC; however, disagreed.

AReM/DACC argued that pre-2009 vintage DA customers should not be subject to the PCIA. AReM/DACC asserted that the issue was resolved by D.07-05-005, which stated that the PCIA requirement for pre-2009 vintage DA customers should expire with the last Department of Water Resources (DWR) contract.¹⁶ The utilities' DWR contracts were entered into by the state agency during the California Energy Crisis of 2000-2001.¹⁷ SCE's assigned DWR contracts are no longer in effect and no longer in SCE's generation portfolio.¹⁸ PG&E's PCIA for pre-2009 vintage DA customers was eliminated in its 2015 ERRRA Forecast.¹⁹ AReM/DACC pointed out that the elimination of pre-2009

¹⁵ SCE's Opening Brief at 2.

¹⁶ AReM/DACC's Opening Brief filed on October 3, 2016 (AReM/DACC's Opening Brief) at 1 and 2. Also AReM/DACC's Reply Brief (AReM/DACC's Reply Brief) filed on October 14, 2016 at 9, citing, D.07-05-005, Finding of Facts, "[a]t the expiration of the DWR contract term, the applicability of the indifference requirement would also expire."

¹⁷ AReM/DACC Opening Brief, Footnote 4 at 2, "[t]hese DWR contracts were entered into by the state agency ... when the creditworthiness of the utilities was under serious stress."

DWR began buying electricity on behalf of the utilities' bundled customers: for PG&E and SCE on January 17, 2001, and for SDG&E on February 7, 2001. Assembly Bill 1X (Stats. 2001, 1st Ex. Sess., Ch. 4, Sec. 4 effective on February 1, 2001) codified at Section 80134(a)(2), provides the Commission the authority to establish charges for the recovery of costs incurred by DWR pursuant to AB 1X (D.02-11-022 at 12).

¹⁸ Joint Stipulation between SCE, AReM/DACC, and City of Lancaster Regarding Undisputed Facts Supporting Power Charge Indifference Amount Vintaging Briefing (Joint Stipulation) at 2.

¹⁹ D.14-12-053 in A.14-05-024.

There was no explicit discussion in D.14-12-053 to address PG&E's proposed elimination of the PCIA for pre-2009 vintage DA customers. D.14-12-053 approved PG&E's proposal by adopting its proposed PCIA revenue requirement of \$61.1 million in its 2014 November Update (Exhibit PG&E-3-C in A.14-05-024), in which the pre-2009 vintage PCIA was eliminated (*see* Exhibit PG&E 3-C, Table 11-4).

vintage PCIA was consistent with the directive in D.07-05-005 and neither the Commission nor parties opposed PG&E's proposal.²⁰ AReM/DACC asserted that D.07-05-005 was the only Commission decision that addressed this issue.²¹ AReM/DACC urged the Commission to act consistently with the prior decision and provide statewide uniformity on this issue.²²

In its Phase 2 prepared testimony, SCE revised its Phase 1 proposal to exclude the legacy UOG costs from the PCIA for pre-2009 vintage DA customers. SCE proposes that pre-2009 vintage PCIA should only include SONGS-related UOG costs ending December 31, 2022 consistent with the SONGS Direct Access Ratemaking Consensus Protocol (Consensus Protocol).²³ SCE explains that the revised treatment is consistent with the position the utilities put forth in their Portfolio Allocation Methodology (PAM) proposal in A.17-04-018. In A.17-04-018, the utilities proposed replacing PCIA with PAM.²⁴ Under PAM, the net costs for non-renewable generation resources (including legacy non-SONGS

²⁰ AReM/DACC's Opening Brief at 6 to 7.

²¹ AReM/DACC's Reply Brief at 9.

²² *Id.* We note that AReM/DACC referenced to D.15-12-022 for PG&E's 2016 ERRR Forecast in this argument. As noted above, the elimination of PG&E's pre-2009 vintage PCIA was approved in D.14-12-053, PG&E's 2015 ERRR Forecast.

²³ Testimony of Southern California Edison Regarding Pre-2009 Vintage PCIA Issue (SCE's Phase 2 prepared testimony) at 1 to 2. Also the SCE Settlement, Footnote 7 at 4, "[i]n D.14-05-003, the Commission approved what is known as the 'Direct Access Customer Ratemaking Consensus Protocol for the San Onofre Nuclear Generating Station (SONGS) Outages and Retirement,' commonly referred to as the 'Consensus Protocol.' The Consensus Protocol, which was reached between certain parties in SCE's Forecast 2014 ERRR Proceeding Revenue Requirement Application (A.13-08-004), relates to the appropriate sharing and timing of refunds and surcharges resulting from the SONGS OII between bundled service and Direct Access (DA) customers relating to the extended outages and eventual retirement of SONGS." The "Consensus Protocol" can be found in SCE's Opening Brief filed on January 27, 2014 in A.13-08-004, Exhibit A.

²⁴ SCE's Phase 2 prepared testimony, Footnotes 3 and 4 at 2.

UOG costs) would be assigned pro rata to all benefiting customers.²⁵ SCE notes that A.17-04-018 was dismissed without prejudice, but that the Commission indicated its willingness to consider the utilities' proposal if it is re-submitted in the PCIA Rulemaking (R.) 17-06-026.²⁶ The utilities re-submitted their PAM proposal in R.17-06-026.²⁷

Concurrent with the PCIA Rulemaking, SCE's 2018 ERRRA Forecast proceeding (A.17-05-006) was also pending before the Commission. The Settling Parties reached a consensus resolving parties' disagreement over the pre-2009 vintage PCIA and requested Commission approval of their agreement in A.17-05-006.²⁸ In D.17-12-018, the Commission found that the resolution of pre-2009 vintage PCIA should be addressed in this proceeding²⁹ and directed SCE to file a motion for approval of its proposed settlement.³⁰ Accordingly, SCE filed the joint motion for approval of the SCE Settlement. No responses were filed in response to the joint motion.

4.2. The Terms of the SCE Settlement

In summary, the Settling Parties agree to the following key terms under the SCE Settlement:³¹

- SCE's pre-2009 vintage DA customers should continue to pay the PCIA.

²⁵ D.18-10-019 at 17.

²⁶ SCE's Phase 2 prepared testimony, Footnote 1 at 1.

²⁷ The joint utilities' Prepared Testimony (Exhibit IOU-01, Chapter 4).

²⁸ A.17-05-006, SCE Comments on Proposed Decision filed on December 8, 2017 at 2 and 3.

²⁹ D.17-12-018 at 23.

³⁰ *Id.*, Conclusions of Law 6 at 25.

³¹ SCE Settlement at 4.

- Retroactive to January 1, 2017, the PCIA for pre-2009 vintage DA customers should consist of only SONGS-related net legacy UOG costs.
- SCE will refund the PCIA amount over-collected since January 1, 2017.³²
- SCE will meet and confer with other Settling Parties to determine the PCIA amount over-collected for the refund and file an advice letter.³³

4.3. Discussion

As stated in Section 3 of this decision, any settlements between parties shall comply with Article 12 of the Rules and be reasonable in light of the whole record, consistent with law, and in the public interest. The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission. The below sections evaluate the SCE Settlement using these standards.

4.3.1. Reasonableness in Light of the Whole Record

The SCE Settlement is reasonable in light of the whole record. The record on which we base our determination includes SCE's Phase 1 opening and updated testimony, SCE's Phase 2 prepared testimony, the opening and reply briefs filed by SCE and AReM/DACC in Phase 1 of this proceeding, and the Settling Parties' comments on the proposed decision.

The Settling Parties reached an agreement while the utilities' PAM proposal in the PCIA Rulemaking was litigated. The PCIA Rulemaking decision

³² Pending Commission resolution of SCE's Motion on the SCE Settlement.

³³ D.17-12-018 states that SCE proposed a one-time adjustment of \$250 million to the calculation of indifference amount for the pre-2009 Vintage to effectuate a January 1, 2017 retroactive implementation of the proposed settlement (at 21). Because the PCIA is calculated on a system basis and all customers are responsible for the indifference amount, the 2017 refund amount for the pre-2009 vintage DA customers would be a portion of the \$250 million.

(D.18-10-019) was issued in October 2018, eight months after the agreement. The SCE Settlement is a reasonable outcome resolving the differences between the Settling Parties prior to the PCIA Rulemaking decision with the following clarifications.

1) SONGS-Related Net Legacy UOG Costs

In their comments on the proposed decision, the Settling Parties note that SONGS-related net legacy UOG costs under the SCE Settlement have been resolved by the 2018 SONGS settlement agreement approved by the Commission in D.18-07-037.³⁴ The Settling Parties explain that the process for SONGS-related costs collection and SONGS-related PCIA refunds pursuant to D.18-07-037 is now complete. Accordingly, customers (including pre-2009 vintage DA customers) no longer owe any SONGS-related costs (nor are they owed any SONGS-related refunds).³⁵

2) Refund Proposal

Article 2.4 of the SCE Settlement states,

“the [o]vercollected PCIA amount will be returned to Pre-2009 Vintage Departing Load Customers as soon as practica[ble]. For the avoidance of doubt, an adjustment to Pre-2009 Vintage Departing Load Customers’ PCIA in 2018 (assuming timely Commission approval) will likely entail a ‘negative’ PCIA, which will operate to reduce other charges on the Pre-2009 Vintage Departing Load Customers’ bills.” [Emphasis added.]

The “other charges” were not defined Article 2.4. The Commission’s ratemaking policy prohibits cost shifting between the utility’s different

³⁴ D.18-07-037 was issued on August 2, 2018 after the SCE Settlement.

³⁵ The Settling Parties’ Comments filed on August 1, 2019 (Settling Parties’ Comments) at 2 and 3.

functional rate components such as transmission, distribution, and public purpose programs.

In their comments on the proposed decision, the Settling Parties confirm that the SCE Settlement will not result in a cost shift to any non-PCIA rate components.³⁶ The Settling Parties further discuss their refund proposal. They explain that the PCIA Rulemaking decision has established SCE's Portfolio Allocation Balancing Account (PABA), the purpose of which is to accurately true-up and recover PCIA costs³⁷ from responsible bundled and departing customers on a vintaged basis.³⁸ The Settling Parties propose that the refunds of the over-collected PCIA to the pre-2009 vintage DA customers should be through the use of SCE's PABA and paid by responsible bundled and departing customers on a vintaged basis. The Settling Parties assert that the use of PABA is the correct way to allocate the refund payments to responsible customers accurately and fairly.³⁹ Consistent with the PCIA Rulemaking decision, we agree with the Settling Parties that the refund should be through the use of SCE's PABA and paid by responsible bundled and departing customers on a vintaged basis.

This decision clarifies that consistent with the Commission's policy, the refunds of the over-collected PCIA to the pre-2009 vintage DA customers under

³⁶ *Id.* at 4 and 5.

³⁷ And the CTC costs.

³⁸ "Vintage" is defined in SCE's electric Preliminary Statement, Part WW at https://library.sce.com/content/dam/sce-doelib/public/regulatory/tariff/electric/preliminary-statements/ELECTRIC_PRELIM_WW.pdf.

³⁹ The Settling Parties' Comments at 3 and 4.

Articles 2.3 and 2.4 of the SCE Settlement should not result in a cost shift to any other non-PCIA rate components.

3) Implementation Process and Schedule

In their comments on the proposed decision, the Settling Parties also propose a settlement implementation process and schedule. The Settling Parties propose that SCE will cease billing the PCIA to pre-2009 vintage DA customers as of October 1, 2019 (i.e., SCE's next scheduled rate change). The Settling Parties request that SCE be afforded 60 days to file the required advice letter on the refund proposal.

No reply comments were filed in response to the Settling Parties' comments. The Settling Parties' proposals are granted. SCE should file a Tier 2 advice letter setting forth the refund proposal and the implementation of the modified treatment of the PCIA for pre-2009 vintage DA customers in accordance with the SCE Settlement. The implementation should recognize that SONGS-related legacy UOG costs under the SCE Settlement have been resolved by the 2018 SONGS settlement agreement approved by the Commission in D.18-07-037 . We note that the SCE Settlement refers to the PCIA as "Power Charge Indifference Amount." We direct SCE to use the correct terminology for the PCIA, "Power Charge Indifference Adjustment," in the required advice letter consistent with the PCIA decisions and tariffs.

4.3.2. Consistency with Law

The SCE Settlement is consistent with law.

The Commission addressed the PCIA policy and methodology in a series of decisions since 2002. While the Commission applied the statutory indifference requirement as the core PCIA principle in various decisions, it addressed specific PCIA related issues in different contexts. For example, D.07-05-005 stated that at

the expiration of the DWR contract term, the applicability of the indifference requirement would also expire. D.08-09-012 found that this outcome made sense in the context of D.07-05-005, since D.07-05-005 was the recovery of the DWR contracts.⁴⁰ D.08-09-012, however, determined that the pre-restructuring resources should continue to be included in the then-PCIA calculation after the expiration of the DWR contract term.⁴¹

The Commission approved PG&E's proposed elimination of the PCIA for pre-2009 vintage DA customers in D.14-12-053.⁴² The most recent PCIA Rulemaking decision (D.18-10-019) defers resolving the issue related to the modification of the PCIA treatment for pre-2009 vintage DA customers to this proceeding. We find that the SCE Settlement is consistent with the Commission decisions in the context of the SCE Settlement. The SCE Settlement aligns with the principle laid out in the Scoping Memo that pre-2009 DA customers and their associated PCIA should be treated consistently while taking in consideration unique circumstances in each utility's territory. The treatment of SONGS-related UOG costs under the SCE Settlement is consistent with D.14-05-003, which reflects the unique circumstance in SCE's service territory.

In addition, we note in SCE's Phase 1 testimony that pre-2009 average portfolio costs were significantly lower than the post-2009 average portfolio costs,⁴³ indicating that the generation resources being excluded from the PCIA

⁴⁰ D.08-09-012 at 51 and 52.

⁴¹ *Id.* at 4.

⁴² PG&E's 2015 ERRRA Forecast decision. PG&E's proposal was uncontested.

⁴³ SCE's Updated Testimony Energy Resource Recovery Account (ERRA) 2017 Forecast of Operations (Confidential Version, Exhibit SCE-6C), Appendix B at B-7 to B-9. We also note that SCE provided the portfolio unit costs for non-SONGS related UOG costs in the November updated testimony of its 2018 ERRRA Forecast (A.17-05-006).

for pre-2009 vintage DA customers under the SCE Settlement are less expensive and could have offset the costs of SCE's total portfolio resources. However, while this decision concludes that the SCE Settlement does not violate the PCIA indifference principle, we remind parties that the adoption of this settlement is non-precedential.⁴⁴

4.3.3. Public Interest

The SCE Settlement is in the public interest because it reflects a consensus position that appropriately balances rate reduction for certain customers with the continued obligation and right for all customers to pay for SONGS-related legacy UOG costs. The Settling Parties represent different customers perspectives: SCE (bundled service customers), AReM/DACC and PAC (DA customers), and CLECA (bundled, DA, and CCA large industrial customers). The SCE Settlement is a reasonable compromise of the Settling Parties' respective original litigation positions and the consensus position. If adopted, it will avoid further litigation costs.

5. SDG&E's Proposal to Resolve the Issue of the PCIA for Its Pre-2009 Direct Access Customers

This decision also adopts SDG&E's proposal to address the PCIA for its pre-2009 vintage DA customers.

In Phase 1 of this proceeding, SDG&E proposed a PCIA for pre-2009 vintage DA customers that included only SONGS-related costs, which is reflected in Attachment A to SDG&E's prepared testimony under the column "Old World Generation." In Phase 2, SDG&E submits that no modifications to SDG&E's proposed treatment of the PCIA for pre-2009 vintage DA customers are

⁴⁴ Rule 12.5, in relevant part "Commission adoption of a settlement is binding on all parties to the proceeding in which the settlement is proposed. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding."

necessary.⁴⁵ SDG&E states that the pre-2009 vintage DA customers will continue to pay SONGS-related costs, which are recoverable pursuant to the SONGS Order Investigation Settlement approved in D.14-11-040 and in accordance with the Consensus Protocol approved in D.14-05-022.⁴⁶ SDG&E argues that SDG&E and SCE now have a consistent approach to the PCIA for pre-2009 vintage DA customers.⁴⁷ No parties object to SDG&E's proposal.

We agree that under SDG&E's proposal, the treatment of the pre-2009 vintage PCIA in SDG&E's and SCE's service territories would be consistent, which aligns with the guiding principle of the consistent treatment of pre-2009 vintage PCIA among utilities laid out in the Scoping Memo. Therefore, SDG&E's proposal should be adopted. Because SDG&E requests no changes to its Phase 1 proposal, no further action is necessary to implement SDG&E's Phase 2 proposal.

6. SCE's Motion to Offer Prepared Testimony into Evidence

On February 1, 2018, SCE filed a motion to offer the following prepared testimony into evidence in this proceeding:⁴⁸

- Exhibit SCE-07, titled "Testimony of Southern California Edison Regarding Pre-2009 Vintage PCIA Issue"

No responses were filed in response to SCE's motion. SCE's motion is granted. SCE's Phase 2 prepared testimony is identified as Exhibit SCE-07 and received into evidence.

⁴⁵ SDG&E's Phase 2 Opening Brief filed on April 3, 2018 (SDG&E's Opening Brief) at 1 and 2.

⁴⁶ The Consensus Protocol for the recovery of SONGS-related costs was adopted in D.14-05-003 and D.14-05-022 for SCE and SDG&E, respectively.

⁴⁷ SDG&E's Opening Brief at 2, 5, and 6.

⁴⁸ SCE's Motion to Offer Prepared Testimony into Evidence.

7. Categorization and Need for Hearing

The Commission preliminarily categorized this proceeding as ratesetting as defined in Rule 1.3(e) and anticipated that it would require evidentiary hearings. The Scoping Memo confirms the category remains ratesetting for Phase 2. The Scoping Memo anticipates that hearings are not necessary as parties have stipulated that the issues are purely legal and require legal briefing only. This decision resolves issues related to SCE and SDG&E. Therefore, no hearings are needed on their respective issues. A further determination of whether evidentiary hearings are needed on PG&E's issue will be made in a separate decision.

8. Comments on Proposed Decision

The proposed decision of ALJs Tsen and Liang-Uejio in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Rules. Comments were filed on August 1, 2019 by the Settling Parties, and no reply comments were filed in response to the Settling Parties' comments.

The Settling Parties' comments are summarized as follows:

- 1) Clarify that SONGS-related net legacy UOG costs under the SCE Settlement have been resolved by the 2018 SONGS settlement agreement approved by the Commission in D.18-07-037.
- 2) Propose that the refund should be through the use of SCE's PABA and paid by responsible bundled and departing customers on a vintaged basis.
- 3) Propose a settlement implementation process and schedule.

As discussed in Section 4.3.1, this decision has been modified to reflect the Settling Parties' comments.

9. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner. S. Pat Tsen and Scarlett Liang-Uejio are the assigned ALJs and the presiding officers for the proceeding.

Findings of Fact

1. The Settling Parties request approval to modify the treatment of SCE's PCIA for pre-2009 vintage DA customers as set forth in the SCE Settlement.
2. Due to the 2018 SONGS settlement agreement approved by the Commission in D.18-07-037, SCE's current PCIA for pre-2009 vintage DA customers includes only non-SONGS-related legacy UOG costs.
3. In Phase 1, SCE's proposed that pre-2009 vintage PCIA customers continue to pay the PCIA, which includes both pre-2001 (legacy) SONGS-related and non-SONGS-related UOG costs.
4. AReM/DACC in Phase 1 asserted that D.07-05-005 clearly stated that the PCIA requirement for pre-2009 vintage DA customers should expire with the last DWR contract.
5. SCE's assigned DWR contracts are no longer in effect and no longer in SCE's generation portfolio.
6. SCE subsequently revised its Phase 1 proposal to exclude the legacy UOG costs from the PCIA calculation for the pre-2009 vintage DA customers in its Phase 2 prepared testimony (Exhibit SCE-07).
7. The Settling Parties reached a consensus resolving parties' disagreement over the key issues raised in Phase 1 of this proceeding and requested Commission approval in A.17-05-006, SCE's 2018 ERRRA Forecast.

8. SCE filed a joint motion for approval of the SCE Settlement in this proceeding as directed in the SCE's 2018 ERRRA Forecast decision (D.17-12-018).

9. Under the SCE Settlement, the Settling Parties agree to the following:

- SCE's pre-2009 vintage DA customers should continue to pay the PICA.
- Retroactive to January 1, 2017, the PCIA charge for pre-2009 vintage DA customers should consist of only SONGS-related net legacy UOG costs in accordance with the Consensus Protocol approved in D.14-05-003.
- SCE will refund the PCIA amount over-collected since January 1, 2017.
- SCE will meet and confer with other Settling Parties to determine the PCIA amount over-collected for the refund and file an advice letter.

10. SONGS-related net legacy UOG costs have been resolved by the 2018 SONGS settlement agreement approved by the Commission in D.18-07-037.

11. The SCE Settlement is uncontested. No responses were filed to SCE's joint motion for approval of the SCE Settlement.

12. The SCE Settlement was executed eight months prior to the PCIA Rulemaking decision (D.18-10-019). That decision established SCE's PABA to accurately true-up and recover PCIA costs from responsible bundled and departing customers on a vintaged basis.

13. D.14-12-053 approved PG&E's proposed elimination of the PCIA for pre-2009 vintage DA customers after the expiration of PG&E's DWR contracts.

14. D.18-10-019 deferred the issue resolving the modification of the PCIA treatment for pre-2009 vintage DA customers to this proceeding.

15. SCE's pre-2009 average portfolio costs were significantly lower than the post-2009 average portfolio costs.

16. SCE filed a Motion to Offer Prepared Testimony into Evidence on February 1, 2018. No responses were filed in response to SCE's Motion.

17. SDG&E's current PCIA for pre-2009 vintage DA customers includes only SONGS-related costs, which are recoverable pursuant to the SONGS Order Investigation Settlement approved in D.14-11-040 and in accordance with the Consensus Protocol approved in D.14-05-022.

18. SDG&E proposes no changes to the current PCIA treatment for pre-2009 vintage DA customers.

19. No parties object to SDG&E's proposal.

20. The pre-2009 vintage DA customers would continue to pay a PCIA until SONGS-related costs are recovered in accordance with the Consensus Protocol adopted in D.14-05-003 and D.14-05-022 under the SCE Settlement and SDG&E's proposal, respectively.

Conclusions of Law

1. The SCE Settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

2. The SCE Settlement is a reasonable outcome resolving the differences between the Settling Parties prior to the PCIA Rulemaking decision (D.18-10-019).

3. The SCE Settlement is consistent with the Commission's PCIA decisions and the guiding principle stated in the Scoping Memo.

4. The SCE Settlement is a reasonable compromise of the Settling Parties' respective original litigation positions.

5. It is reasonable to refund the over-collected PCIA amount paid by the pre-2009 vintage DA customers during the Commission review of the SCE

Settlement. However, the refund should not cause any cost shifts to other non-PCIA rate components. The refund should be paid by responsible bundled and departing customers on a vintaged basis through the use of SCE's PABA.

6. The implementation of the SCE Settlement should recognize that the SONGS-related net legacy UOG costs under the SCE Settlement have been resolved by the 2018 SONGS settlement agreement approved by the Commission in D.18-07-037.

7. SDG&E's proposed treatment of the PCIA for pre-2009 vintage DA customers is reasonable and should be adopted.

8. Pursuant to the guiding principle stated in the Scoping Memo, the pre-2009 vintage DA customers and their associated PCIA are treated consistently under the SCE Settlement and SDG&E's proposal.

9. SCE's Motion to Offer Prepared Testimony into Evidence filed on February 1, 2018 should be granted.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company's Motion for Approval of Settlement Agreement on its behalf and the Alliance for Retail Energy Markets/Direct Access Customer Coalition, the Public Agency Coalition, and the California Large Energy Consumers Association filed on February 1, 2018 is granted.

2. Within 60 days of the issuance of this decision, Southern California Edison Company (SCE) shall file a Tier 2 advice letter setting forth the following:

- a. The agreed-upon refund of the over-collected Power Charge Indifference Adjustment (PCIA) amount by the pre-2009 vintage Direct Access (DA) customers in accordance with Article 2.4 of Attachment A of SCE's Motion for Approval of Settlement Agreement (SCE Settlement) filed on February 1, 2018. SCE's refund

- proposal shall ensure that the use of negative PCIA (if any) as a result of the agreed-upon refund to reduce other charges on pre-2009 vintage DA customers' bills does not cause a cost shift to other non-PCIA rate components. SCE's refund proposal shall also ensure that the refund is paid by responsible bundled and departing customers on a vintaged basis.
- b. The implementation of the modified treatment of the PCIA for pre-2009 vintage Direct Access customers in accordance with the SCE Settlement. The implementation shall recognize that San Onofre Nuclear Generating Station (SONGS)-related net legacy Utility-Owned Generation costs under the SCE Settlement have been resolved by the 2018 SONGS settlement agreement approved by the Commission in Decision (D.)18-07-037. The implantation shall be through the use of Portfolio Allocation Balancing Account established in D.18-10-019.
3. San Diego Gas & Electric Company's proposed treatment of the Power Charge Indifferent Adjustment for pre-2009 vintage Direct Access customers is adopted.
 4. Southern California Edison Company's Motion to Offer Prepared Testimony into Evidence filed on February 1, 2018 is granted.
 5. This proceeding remains open.

This order is effective today.

Dated August 15, 2019, at San Francisco, California.

MICHAEL PICKER
President
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
Commissioners

APPENDIX A

List of Acronyms

A.	Application
ALJ	Administrative Law Judge
AReM	The Alliance for Retail Energy Markets
CCA	Community Choice Aggregation
CCEA	The California Choice Energy Authority
CLECA	The California Large Energy Consumers Association
CTC	Competition Transition Charge
D.	Decision
DA	Direct Access
DACC	Direct Access Customer Coalition
DL	Departing Load
DWR	Department of Water Resources
ERRA	Energy Resource Recovery Account
Joint Agencies	PAC, CCEA, and U.C.
MPB	Market Price Benchmark
PAC	The Public Agency Coalition
PABA	Portfolio Allocation Balancing Account
PCIA	Power Charge Indifference Adjustment
PG&E	Pacific Gas and Electric Company
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
Settling Parties	SCE, AReM/DACC, CLECA, and PAC
SONGS	San Onofre Nuclear Generating Station
The Utilities	PG&E, SCE, and SDG&E
U.C.	University of California
UOG	Utility-Owned Generation

(END OF APPENDIX A)