



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE **FILED**

STATE OF CALIFORNIA

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Application Of Southern California Edison)
Company (U 338-E) For Approval Of Its Forecast) Application No. A.11-08-002
2012 ERRRA Proceeding Revenue Requirement.)

OPENING BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)

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Dated: **January 13, 2012**

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OPENING BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U-338E)

I.

INTRODUCTION

Pursuant to the briefing schedule set forth in the December 2, 2011 Assigned Commissioner Scoping Memo and Ruling, SCE hereby files its opening brief in this Energy Resource Recovery Account (ERRA) Forecast proceeding, along with its proposed findings of fact, conclusions of law, and ordering paragraphs attached hereto as Appendix A.

II.

SCE'S ORIGINAL FORECAST

SCE filed this ERRA Forecast Application on August 1, 2011 (the August Application). In its August Application, SCE requested the Commission to authorize SCE's 2012 ERRA proceeding revenue requirement in the amount of \$4.081 billion beginning January 1, 2012.

SCE's original August 2011 ERRA proceeding revenue requirement of \$4.081 billion represented an increase of \$806.8 million from the ERRA revenue requirement included in SCE's 2011 rate levels. This increase was the sum of a \$791.2 million increase in SCE's generation service revenue requirement and a \$15.6 million increase in SCE's delivery service revenue requirement. In Chapter II of its direct testimony, Exhibit SCE-1, SCE itemized all of

the components of its requested ERRA proceeding revenue requirement for calendar year 2012.¹ As explained therein, fuel and purchased power expenses comprised most of the ERRA proceeding revenue requirement. However, also included were: (1) the estimated December 31, 2011 balances in various balancing accounts that SCE will recover from or return to customers and (2) other miscellaneous expenses, such as spent nuclear fuel expense and Department of Energy decontamination and decommissioning fees.

III.

SCE'S UPDATED FORECAST

On November 10, 2011, SCE served its update testimony in this proceeding, Exhibit SCE-3. The main purpose of this testimony was to: (1) update SCE's 2012 ERRA proceeding revenue requirement and (2) provide an estimate of the 2012 Cost Responsibility Surcharge (CRS) components for Direct Access (DA), Departing Load (DL), and Community Choice Aggregation (CCA) customers.²

A. SCE's Updated 2012 ERRA Proceeding Revenue Requirement

SCE's updated 2012 ERRA proceeding revenue requirement is \$3.878 billion, which represents an increase of \$604.0 million from the current ERRA proceeding revenue requirement, and a decrease of \$202.8 million from the estimated 2012 ERRA proceeding revenue requirement set forth in SCE's August Application. As SCE explained in its update testimony, the reduction in the estimated 2012 ERRA proceeding revenue requirement is primarily due to a reduction of \$0.56/MMBtu³ in the 2012 average natural gas price forecast and associated decrease in the power price forecast, and the inclusion of bundled renewable energy

¹ See Exhibit SCE-1, Table II-1, p. 4.

² SCE's supplemental testimony also included a discussion of its natural gas price forecast and gas price sensitivity analysis, as well as an update of its projected fuel inventories and collateral carrying costs.

³ "MMBtu" stands for one million British thermal units.

sales to San Diego Gas and Electric Company.⁴ SCE's updated 2012 forecast assumes an average natural gas price of \$4.11/MMBtu that is based on the October 17, 2011 New York Mercantile Exchange (NYMEX) gas price forward curve. This is a \$0.56/MMBtu reduction from the forecast gas price used to support SCE's August Application. SCE included all documents and updated tables supporting its updated 2012 ERRR proceeding revenue requirement in Appendix A to Exhibit SCE-3.

B. SCE's Updated 2012 CRS

In its update testimony, SCE provided an estimate of the CRS components applicable to verified DA, DL, and CCA customers. Because the Commission had not yet issued a final decision in the 2012 DWR revenue requirement proceeding, SCE's updated information utilized SCE's 2012 negative DWR Power Charge included in the Proposed Decision (PD) of Administrative Law Judge Wilson, issued on October 31, 2011 in the 2012 DWR revenue requirement proceeding (R.11-03-006). SCE used the negative DWR Power Charge included in the PD to determine the total portfolio indifference rate. SCE explained in its update testimony that it will update its CRS calculation again with the power charge adopted in a final Commission decision in the 2012 DWR revenue requirement proceeding in its advice letter to be filed in compliance with the final Commission decision in this proceeding.⁵ All documents and tables supporting SCE's updated 2012 CRS components are included in Appendix B to Exhibit SCE-3.

In addition, as SCE indicated in its update testimony, at that point the Commission had not yet adopted changes in the methodology for calculating the indifference amount and resulting Power Charge Indifference Amount (PCIA) pending in R.07-05-025. On December 1, 2011, the Commission approved D.11-12-018, which adopted modifications to the methodology used to

⁴ See Exhibit SCE-3, p. 2.

⁵ Exhibit SCE-3, p. 16.

calculate the market price benchmark and indiffence amount. The new methodology requires that SCE and the other IOUs provide data to the Commission's Energy Division, which then performs calculations and returns the results to SCE. As such, SCE cannot revise its calculation of the 2012 PCIA and Ongoing Competition Transition Charge (CTC) until the Energy Division provides SCE with information as required by D.11-12-018. Therefore, if SCE has the information required from the Energy Division prior to filing its advice letter filed in compliance with a final decision in this proceeding, SCE will include in such compliance advice letter the revised 2012 CRS, including all supporting workpapers showing the underlying calculations. If SCE does not have the information required from the Energy Division in order to finalize the 2012 CRS prior to filing the compliance advice letter in this proceeding, SCE will keep its current 2011 PCIA rates in place until updated PCIA rates based on D.11-12-018 can be implemented. Consistent with D.11-12-018, SCE will track the difference between the 2011 PCIA and the updated 2012 PCIA that would result based on D.11-12-018. Upon the implementation of the update 2012 PCIA, these amounts shall be refunded to DA and CCA customers.

IV.

CONCLUSION

For all the reasons stated herein, SCE respectfully requests that the Commission grant its request to implement 2012 rates based on the updated forecast information contained in SCE's

update testimony, Exhibit SCE-3, and to adopt the proposed findings of fact, conclusions of law, and ordering paragraphs set forth below in Appendix A.

Respectfully submitted,

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Appendix A

APPENDIX A

FINDINGS OF FACT

1. On August 1, 2011, SCE filed its annual Energy Resource Recovery Account (ERRA) Forecast Application (August Application) and served supporting testimony on the Commission staff and interested parties.
2. In its August Application, SCE requested the Commission to authorize SCE's 2012 ERRA proceeding revenue requirement in the amount of \$4.081 billion.
3. SCE's original 2012 ERRA proceeding revenue requirement represented an increase of \$806.8 million from the ERRA revenue requirement included in its 2011 rate levels.
4. SCE set forth in its testimony a forecast of its 2012 load and sales, and its methodology for determining its forecast.
5. SCE set forth in its testimony its forecast of 2012 energy production and costs for its portfolio of resources, and its methodology for developing its forecast of energy production.
6. SCE set forth in its testimony a discussion of its financing costs that relate to: (1) its forecast power production and procurement during 2012 that should be recovered through the ERRA and (2) the operation of the ERRA itself.
7. SCE set forth in its testimony its estimated 2012 (1) fuel inventory carrying costs for nuclear and diesel fuel inventories and (2) collateral carrying costs for inclusion in its 2012 ERRA revenue requirement.
8. On November 10, 2011, SCE served supplemental testimony to update its 2012 ERRA revenue requirement proposal in this proceeding. The main purpose of SCE's supplemental testimony was to update SCE's 2012 ERRA proceeding revenue requirement and to provide an estimate of the 2012 Cost Responsibility Surcharge (CRS) components for Direct Access (DA), Departing Load (DL), and Community Choice Aggregation (CCA) customers. In addition, SCE's supplemental testimony also

included a discussion of its natural gas price forecast and gas price sensitivity analysis, as well as an update of its projected fuel inventories and collateral carrying costs.

9. SCE's updated ERRA proceeding revenue requirement is \$3.878 billion, which represents an increase of \$604.0 million from the current ERRA proceeding revenue requirement, and is \$202.8 million less than the estimated 2012 ERRA proceeding revenue requirement originally forecast in SCE's August Application.

10. The decrease in SCE's updated ERRA proceeding request is primarily due to a reduction in the 2012 average natural gas price forecast.

11. The November 10 updated ERRA revenue requirement for 2012 is based on a gas price forward curve of \$4.11/MMBtu. This is a \$0.56/MMBtu reduction from the gas price used to support SCE's August Application.

12. In the compliance advice letter that SCE will file to implement this decision, SCE will incorporate the modifications required by D.11-12-018 needed to calculate the CRS components applicable to DA, DL, and CCA customers, assuming all information needed to perform these calculations has been received by SCE from Energy Division.

13. If SCE does not have the information required from Energy Division in order to finalize the 2012 CRS prior to filing the compliance advice letter in this proceeding, then SCE will keep its current 2011 PCIA rates in place until updated PCIA rates based on D.11-12-018 can be implemented.

14. Consistent with D.11-12-018, SCE will track the difference between the 2011 PCIA and the updated 2012 PCIA that would result based on D.11-12-018. Upon the implementation of the update 2012 PCIA, these amounts shall be refunded to DA and CCA customers.

CONCLUSIONS OF LAW

1. It is reasonable to adopt SCE's updated forecast 2012 ERRA proceeding revenue requirement changes and revenues as set forth herein.

2. SCE's updated 2012 ERRA proceeding revenue requirement of \$3.878 billion is adopted.

3. SCE's forecast estimates for its 2012 load and sales, energy production and costs, power procurement and ERRA balancing account financing costs, and fuel inventory and collateral carrying costs, are reasonable and are adopted.

4. SCE's proposal regarding updating the DA CRS is reasonable and is adopted.

ORDERING PARAGRAPHS

1. SCE is ordered to make an advice filing within ten days of the effective date of this decision to implement new rates as authorized in this and other decisions, to be effective beginning March 1, 2012, or as soon as possible thereafter.

2. SCE's public (redacted) Exhibits SCE-1 through SCE-3 and confidential (unredacted) Exhibits SCE-1 through SCE-3 shall be entered into the record of this proceeding.

3. SCE's confidential Exhibits SCE-1 through SCE-3 are filed under seal pursuant to D.06-06-066 and shall remain sealed for a period of three years from the effective date of this decision.

4. Application 11-08-002 is closed.