

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



**FILED**

09-02-11  
01:17 PM

Application of Southern California Edison  
Company (U338E) for Approval of Its  
Forecast 2012 ERRR Proceeding Revenue  
Requirement.

Application 11-08-002  
(Filed August 1, 2011)

**PROTEST OF THE  
DIVISION OF RATEPAYER ADVOCATES  
TO THE 2012 ERRR FORECAST APPLICATION OF  
SOUTHERN CALIFORNIA EDISON COMPANY**

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September 2, 2011

## **I. INTRODUCTION AND SUMMARY**

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") hereby protests Southern California Edison ("SCE")'s Application (A.11-08-002) for its 2012 Energy Resource Recovery Account (ERRA) Forecast filed on August 1, 2011.

In this Application, SCE requests the Commission to authorize a 2012 ERRA electric revenue requirement of \$4.081 billion, to be effective in rates on January 1, 2012. SCE states that if adopted, this Revenue Requirement would be \$806.8 million higher than its 2011 Revenue Requirement. Among the reasons cited for this increase is the expiration of several contracts – originally entered into by the Department of Water Resources (DWR) – where it will cease to procure on behalf of SCE's bundled customers.<sup>1</sup> Accordingly, and consistent with SCE's obligation to serve load in its service territory, the IOU states that it must increase its procurement to meet this increased load requirement. SCE is requesting that the Commission issue a Final Decision to this Application before January 1, 2012.

## **II. STATUTORY AUTHORITY FOR ERRA FORECAST**

Decision (D.)02-10-062 established a framework to implement the provisions of AB 57. The Commission adopted a regulatory framework that "contains requirements for updating utility procurement plans, expedited review procedures, and timely cost recovery mechanisms that conform to AB 57 statutory requirements." (D.02-10-062, p. 4).

In this present Application, SCE seeks Commission approval of projected costs associated with ERRA-related procurement. DRA identifies salient issues that may impact the basis for the 2012 ERRA Revenue Requirement in this Protest.

## **III. BASIS OF DRA PROTEST**

DRA's Protest is focused on, but not limited to the need to review the following policy issues:

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<sup>1</sup> DWR originally executed these contracts during California's 2000-01 energy crisis.

- a. **Projection of Fuel Costs.** Natural gas prices are a major cost driver to the 2012 ERRA Forecast. DRA review of market data indicates a (slight) price differential between the benchmark price that SCE uses and the forward market quotes that staff have observed. While DRA recognizes the inherent volatility of natural gas prices, we nonetheless reserve the right to further review SCE's price benchmark, to be provided in the November 2011 update to the forecast.
  
- b. **Impact of the expiration of the SCE allocated DWR contracts.** Quantity of load to be served is another cost driver to the 2012 ERRA forecast. SCE reported that the increase in the 2012 ERRA forecast proceeding generation revenue requirement is primarily due to the expiration of the SCE allocated DWR contracts by the end of 2011. SCE plans to increase its purchased power to meet the shift in procurement responsibility. DRA intends to review SCE's projected need for additional purchased power to determine whether existing excess capacity may reduce or eliminate the need for additional power purchases to offset the loss of power supply due to the expiring DWR contracts.
  
- c. **Other Issues.** DRA is still reviewing the Application and conducting discovery to evaluate the potential issues raised above. Although DRA cites certain specific issues above in this Protest, we reserve the right to raise additional concerns that may arise during the course of analysis.

#### **IV. STATUTORY AND PROCEDURAL REQUIREMENTS**

##### **A. Categorization, Hearings and Issues to be Considered**

DRA concurs with SCE that its application be categorized as a "ratesetting" proceeding.

**B. Proposed Schedule:**

	<u>SCE</u>	<u>DRA</u>
Application filed:	August 1, 2011	
Protests (if any) due:	September 2, 2011	September 2, 2011
Pre-hearing Conference:	September 26, 2011	September 27, 2011
DRA/Intervenor Testimony due:	September 28, 2011	November 7, 2011
SCE Rebuttal Testimony due:	October 14, 2011	November 23, 2011
Hearings (if needed):	October 20-21, 2011	early December
Concurrent Briefs:	TBD	TBD
Proposed Decision:	November 9, 2011	late-December
Comments on Proposed Decision:	December 9, 2011	TBD
Final Commission Decision:	December 15, 2011	January, 2011

**V. CONCLUSION**

DRA asks that a pre-hearing conference be set in this matter to determine the parties, issues raised by this application, scheduling, and other procedural matters.

Respectfully submitted,

/s/ ROBERT HAGA

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