

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Authorization to Recover Costs Incurred in 2007 and 2008 and Recorded in the Bark Beetle Catastrophic Event Memorandum Account.

Application 09-11-011
(Filed November 16, 2009)

**DECISION GRANTING SOUTHERN CALIFORNIA EDISON COMPANY
RECOVERY OF 2007 AND 2008 BARK BEETLE COSTS****1. Summary**

This decision grants Southern California Edison Company (SCE):

- (1) Recovery of \$16.004 million in Operational and Maintenance expenses recorded in SCE's Bark Beetle Catastrophic Event Memorandum Account for the period January 1, 2007 through December 31, 2008; and
- (2) Authorizes the transfer of \$16.428 million, including interest, on the effective date of today's decision,¹ to the Distribution Subaccount of the Base Revenue Requirement Balancing Account for recovery in rates.

This proceeding is closed.

¹ At the time SCE includes this amount in rates, SCE will also include in rates approximately \$0.190 million of Franchise Fees and Uncollectibles (FF & U) for a total of \$16.618 million. The current FF & U factor was authorized in Decision 09-03-025.

2. Background

The mountainous communities served by Southern California Edison Company (SCE) experienced years of prolonged drought, overstocked forests, and an infestation of destructive bark beetles. In April 2004, the Mountain Area Safety Taskforce, which includes the California Department of Forestry and Fire Protection and the U.S. Forest Service, estimated that there were 13 to 15 million dead, dying and diseased trees in the San Bernardino National Forest, which includes many communities served by SCE. These millions of dead and dying trees created a potential hazard to these communities, and a significant hazard to SCE's electrical facilities that serve these communities. On March 7, 2003, Governor Davis issued a State of Emergency Proclamation (Emergency Proclamation) for the counties of Riverside, San Bernardino, and San Diego. Subsequently, on January 6, 2005, Governor Schwarzenegger issued a Proclamation which extended the directions, order, and authorities of the March 7, 2003 Emergency Proclamation to include affected areas of Los Angeles County.² Among other things, the Emergency Proclamations requested that the Commission direct utility companies with transmission lines in Riverside, San Bernardino, San Diego and Los Angeles Counties "to ensure that all dead, dying and diseased trees and vegetation are completely cleared from their utility right-of-ways to mitigate the potential of fire danger."

Under the Commission's existing practices, these proclamations allowed SCE to invoke the Catastrophic Event Memorandum Account (CEMA) in

² The affected areas of Los Angeles County are currently in the San Bernardino National Forest on the eastern edge of the county near the towns of Wrightwood and Mt. Baldy.

accordance with Pub. Util. Code³ Section 454.9 and Resolution (Res.) E-3238 that allows a regulated utility an opportunity to recover reasonable costs to address the catastrophic event provided that the costs are incremental to existing allowances in rates.⁴ In addition, the utilities were authorized to make annual advice letter (AL) filings requesting recovery of the costs of removal and incremental support costs recorded during a specified period in their CEMAs to allow rate recovery of the amounts determined to have been reasonably incurred.⁵

More specifically, Res. E-3238 ordered that a CEMA could record costs for: “(a) restoring utility services to customers; (b) repairing, replacing, or restoring damaged utility facilities, and (c) complying with governmental orders in connection with events declared disasters by competent state or federal authority.” (Res. E-3238 at 5.) The March 7, 2003 Emergency Declaration included a request: “...that the Public Utilities Commission direct utility companies with transmission lines in Riverside, San Bernardino, and San Diego Counties to ensure that all dead, dying and diseased trees and vegetation are completely cleared from their utility right-of-ways to mitigate the potential of fire danger.”⁶ Thus, the Bark Beetle CEMA falls within (c) above, complying with a governmental order, to remove dead, dying and diseased trees and vegetation from the utility right-of-ways.

³ All references are to the Public Utilities Code unless otherwise noted.

⁴ The CEMA was authorized in Res. E-3238, effective September 6, 1991.

⁵ Res. E-3824, Ordering Paragraph 3, effective April 3, 2003. Res. E-3880 modified Res. E-3824 to require Bark Beetle CEMA filings to be applications instead of ALs.

⁶ <http://www.gov.ca.gov/index.php?/archive/proclamations>.

On June 3, 2004, SCE submitted its first annual bark beetle related filing, AL 1801-E, requesting recovery of \$18.08 million of bark beetle related costs recorded in the Bark Beetle CEMA for the period April 3, 2003 through December 31, 2003. On September 23, 2004, the Commission issued Res. E-3880, which approved AL 1801-E with modifications.⁷

On December 16, 2005, SCE submitted its second annual filing, Application (A.) 05-12-018, requesting recovery of \$129.5 million of bark beetle recorded costs in the Bark Beetle CEMA for the period January 1, 2004 through December 31, 2004. On October 19, 2006, the Commission issued Decision (D.) 06-10-038 which adopted a settlement agreement between SCE and the Division of Ratepayer Advocates (DRA) which determined that the requested \$129.5 million for bark beetle costs was reasonable.

On June 5, 2007, SCE submitted its third Bark Beetle CEMA filing, A.07-06-008, requesting recovery of \$42.160 million of bark beetle recorded costs in the Bark Beetle CEMA for the period January 1, 2005 through December 31, 2006. DRA conducted an audit of the bark beetle project costs for 2005 through 2006. On February 28, 2008, the Commission issued D.08-02-014, which noted that DRA had completed its audit and found no issues on which to file a report or testimony, and (1) granted the recovery of \$42.160 million of operations and maintenance (O&M) expenses recorded for the period January 1, 2005 through December 31, 2006; (2) authorized the transfer of \$44.306 million plus interest on the date of the decision, to the Distribution Subaccount of the Base Revenue

⁷ SCE's \$18.08 million request was reduced by approximately \$0.457 million, an expense which SCE had been compensated for in its 2003 GRC for tree side trimming costs.

Requirement Balancing Account (BRRBA) for recovery in rates; and (3) authorized the termination of the Bark Beetle Owner Tree Removal Reimbursement Program.

3. Procedural History

On November 16, 2009, SCE filed A.09-11-011⁸ (Application) which requests that (1) the Commission find reasonable \$16.004 million of incremental O&M expenses recorded in SCE's Bark Beetle CEMA for the period January 1, 2007 through December 31, 2008; (2) authorize SCE to transfer its December 31, 2008 balance in the Bark Beetle CEMA O&M cost Subaccount of \$16.428 million, plus interest through the effective date of a final Commission decision in this proceeding, to the Distribution Subaccount of the BRRBA for recovery in rates; and (3) authorize SCE to seek Commission review of future recorded Bark Beetle CEMA costs in SCE's annual April 1st Energy Resource Recovery Account (ERRA) Reasonableness of Operations proceeding.

DRA protested the application on December 18, 2009.

A prehearing conference (PHC) was held on January 28, 2010. At the PHC, DRA indicated it was in the process of evaluating the Application and that DRA would determine by May 10, 2010 whether they would withdraw their protest or serve testimony. On March 10, 2010, DRA sent an electronic note⁹ to the assigned Administrative Law Judge (ALJ) stating that DRA would withdraw its protest if SCE agrees to withdraw its request to seek Commission review of future Bark Beetle CEMA costs through its annual ERRA filing. Later, on

⁸ Accompanying A.09-11-011 is CEMA Testimony - 2007-2008. This exhibit is identified and received as Exhibit 1.

⁹ DRA's electronic note is included in the correspondence file.

March 10, 2010, SCE replied that it would withdraw its request to seek review of future Bark Beetle CEMA costs through its annual ERRA filing. SCE indicated that although it was withdrawing this matter from its Application, it reserved the right to raise this issue in the future or in another proceeding.¹⁰ As no other protests were received no hearings were held.

4. Discussion

As discussed above, the Commission has previously authorized recovery of Bark Beetle CEMA costs including SCE's most recent request for recovery of Bark Beetle CEMA costs in A.07-06-008. D.08-02-014 (at 6) concludes that the requested Bark Beetle CEMA costs were reasonable and incremental to the normal line clearing costs authorized in SCE's 2005 and 2006 general rate case (GRC) decisions.

In Res. E-3824, the Commission authorized SCE to record costs of tree removal and incremental support costs related to the bark beetle infestation in its CEMA. SCE's Exhibit 1 in A.09-11-011 provides a detailed explanation of the incremental 2007-2008 Bark Beetle CEMA O&M costs including expenses for project management, bark beetle communications and tree removal costs. Exhibit 1 (at 32-33) also explains why the requested 2007-2008 CEMA costs are incremental to and outside of the normal line clearing (vegetation management) costs SCE was authorized in its 2006 GRC decision. In addition, DRA's electronic note to the assigned ALJ confirms our review of SCE's 2007-2008 Bark Beetle CEMA costs by stating that "DRA completed its audit of SCE's Bark Beetle CEMA...and was withdrawing its protest."

¹⁰ SCE's response to DRA is included in the correspondence file.

We have reviewed Exhibit 1 and the explanations provided and conclude that the requested 2007-2008 CEMA bark beetle costs shown below are reasonable and incremental to the normal line clearing costs we authorized in SCE's 2006 GRC.

**SOUTHERN CALIFORNIA EDISON COMPANY
CEMA 2007 AND 2008 Bark Beetle (\$ millions)**

Line	O&M Cost Subaccount	2007	2008	Combined Total
1	O&M Incremental Costs			
2	Project Management	0.720	0.695	1.415
3	Stakeholder Communications	0.001	0.052	0.053
4	Tree Removals	6.317	6.790	13.107
5	Other Operational	0.142	0.138	0.280
6	Property Owner Reimbursement	0.639	0.510	1.149
Related Costs				
7	O&M Incremental Cost	7.819	8.185	16.004
8	<u>Interest</u>	<u>0.163</u>	<u>0.261</u>	<u>0.424</u>
Ending Balance				
9	<u>O&M Cost Subaccount</u>	<u>7.982</u>	<u>8.446</u>	<u>16.428</u>

In order that SCE recover these reasonable Bark Beetle CEMA costs in rates, including FF & U,¹¹ we authorize SCE to transfer the December 31, 2008 balance in the Bark Beetle CEMA O&M Cost Subaccount of \$16.428 million, plus interest through the effective date of today's decision in this proceeding to the Distribution Subaccount of the BRRBA.

5. Categorization and Need for Hearings

In Res. ALJ 176-3244 dated November 20, 2009 the Commission preliminarily categorized this Application as Ratesetting, and preliminarily determined that hearings were necessary. Although DRA initially protested the Application, DRA withdrew its protest. Given the status, public hearings are not necessary and the preliminary determinations made in Res. 176-3244 with regard to categorization and hearings should not be changed. Furthermore, pursuant to Rule 7.3(b) as this is an uncontested matter and no hearing is necessary, no scoping memo was issued.

6. Waiver of Comment Period

This is an uncontested matter, in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

7. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Bruce DeBerry is the assigned ALJ in this proceeding.

Findings of Fact

1. SCE incurred the Bark Beetle costs in response to a declared state of emergency, and in compliance with a governmental order, to remove dead, dying and diseased trees and vegetation from the utility right-of-ways.

¹¹ An increase of \$16.618 million equates to an increase of approximately 0.14% in overall revenues.

2. SCE incurred Bark Beetle costs of \$16.004 million from January 1, 2007 through December 31, 2008.

3. SCE's Bark Beetle costs of \$16.004 million incurred from January 1, 2007 through December 31, 2008, are incremental to normal line clearing costs we authorized in SCE's 2006 GRC decision.

Conclusions of Law

1. The disaster declarations issued by Governors Davis and Schwarzenegger constitute events declared to be a disaster by competent state or federal authorities for purposes of Section 454.9.

2. SCE's use of the CEMA for recording and recovering costs incurred between January 1, 2007 through December 31, 2008, and taking the necessary steps directed by the Emergency Proclamation is appropriate under Section 454.9 and Res. E-3238.

3. Bark Beetle Costs of \$16.004 million incurred by SCE between January 1, 2007 and December 31, 2008 are reasonable.

4. SCE withdrew from its Application its request to seek Commission review of Bark Beetle costs in its annual ERRA proceedings.

5. There are no disputed issues of fact and therefore no hearings are necessary in this proceeding.

6. Application 09-11-011 should be closed.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company is authorized to transfer the December 31, 2008 balance in the Bark Beetle Catastrophic Memorandum

Account Operational and Maintenance Cost Subaccount of \$16.428 million, plus interest through the effective date of this decision, and to apply its adopted Franchise Fees and Uncollectibles Factor to this amount to the Distribution Subaccount of the Base Revenue Requirement Balancing Account for recovery in rates.

2. A hearing is not needed in this proceeding.
3. Application 09-11-011 is closed.

This order is effective today.

Dated _____, at San Francisco, California.