Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Authorization to Recover Costs Incurred in 2005 and Recorded in the Rainstorm Catastrophic Event Memorandum Account.	Application 06-06-020 (Filed June 26, 2006)

FINAL OPINION
GRANTING SOUTHERN CALIFORNIA EDISON COMPANY RECOVERY OF 2005 RAINSTORM COSTS

Summary

This decision grants Southern California Edison Company (Edison) the authority it requests to recover the incremental costs incurred in 2005 for a catastrophic rainstorm (Rainstorm).

Background

Beginning on December 27, 2004, Southern California experienced a series of severe rainstorms such that during the 15-day period from December 27, 2004 through January 10, 2005, 16.97 inches of rain fell in downtown Los Angeles, the wettest 15-day period recorded. The most powerful of the storms occurred between January 7, 2005 and January 11, 2005, bringing an average of 4-8 inches to coastal and valley areas of Southern California and 10-20 inches to mountain areas, which resulted in widespread flooding throughout Southern California. In addition, numerous landslides resulted from this storm, one of which led to ten deaths in La Conchita, California, on January 10, 2005. The storms caused significant damage to Edison's infrastructure, which led the company to declare

two Category 2 storm events, the first from December 28, 2004 to January 7, 2005 (Storm ID 8751), and the second from January 7, 2005 to January 13, 2005 (Storm ID 8752).

The rains returned on February 17, 2005 and continued through February 24, 2005. These storms dropped 8.71 inches of rain on downtown Los Angeles, an average of 5-10 inches across coastal and valley areas of Southern California, and again an average of 10-20 inches in the mountain areas. The storms also caused widespread flooding, which led to numerous mudslides and landslides that caused significant property damage across the region. Edison declared a third Category 2 storm event on February 19, 2005 (Storm ID 8755). This storm event lasted until February 24, 2005.

The unprecedented magnitude of the rainstorms led Governor Schwarzenegger and President Bush to issue a series of disaster proclamations for various counties within Southern California. The rainstorms caused major damage to Edison's infrastructure. The three Category 2 storm events affected electric service to approximately 1.1 million customers: They experienced 337 area outs and 588 momentary interruptions caused by the rainstorms. Distribution lines were down in over 338 locations. To repair the damage, Edison replaced 430 poles, 1,526 services, 753 transformers, 236 lightning arrestors, 25 switches, 246,335 feet of overhead wire, and 72,055 feet of underground cable, in addition to a wide array of component parts.

Under the Commission's existing practices, these proclamations allowed Edison to invoke the Catastrophic Event Memorandum Account (CEMA) in accordance with Pub. Util. Code § 454.9, and Resolution E-3238 that allows a

regulated utility an opportunity to recover reasonable costs to address the event provided that the costs are incremental to existing allowances in rates.[1]

More specifically, Resolution 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." (*Mimeo.*, p. 5.) Governor Schwarzenegger declared emergencies on January 12, 2005 for Ventura County and on January15, 2005 for seven counties: Riverside, Santa Barbara, Los Angeles, Kern, San Bernardino, Orange, and San Diego. The Rainstorm costs were the result of restoring utility services to customers and repairing, replacing, or restoring damaged utility facilities, as envisioned in Resolution E-3238.

Edison requests that the Commission find as reasonable the $10.939 million of incremental Operations and Maintenance (O&M) and $14.690 million of capital expenditures recorded in it's Rainstorm CEMA for the period January 1, 2005 through December 31, 2005; and authorize the transfer of the December 31, 2005 O&M balance in the Rainstorm CEMA O&M Cost Subaccount of $14.939 million, including interest, to the Distribution Subaccount of the Base Revenue Requirement Balancing Account (BRRBA) for recovery in rates. Edison proposes to continue to hold the capital costs in the Rainstorm CEMA Capital Cost Subaccount until the final decision in its 2009 general rate case when the costs will then be transferred to the Distribution Subaccount of the BRRBA.

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[1] In Advice Letter 912-E, the Commission authorized Edison's CEMA in accordance with Resolution E-3238, effective September 6, 1991.

Procedural History

Notice of this application appeared in the Commission's Daily Calendar on July 3, 2006. The Division of Ratepayer Advocates (DRA) filed a timely protest on August 2, 2006. The Commission preliminarily categorized the application as ratesetting and the need for hearings in Resolution ALJ 176-3175, dated June 29, 2006. At the August 17, 2006 prehearing conference, it was determined that no hearings were required. Also, on August 17, 2006, DRA served a letter in lieu of testimony detailing the nature of its examination and conclusions. We affirm the ratesetting determination made in Resolution ALJ 176-3175 and we determine now that hearings are not necessary.

The record in this proceeding is composed of all documents filed and served on parties. It also includes all testimony and exhibits received into evidence.[2]

Scope and Issues

The purpose of this proceeding is to determine whether the costs expended in 2005 responding to the rainstorm were incremental to existing allowances and were reasonable and prudent.

Standard of Review

The applicant alone bears the burden of proof to show that the rates it requests are just and reasonable and the related ratemaking mechanisms are fair.

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[2] There were two exhibits received into evidence on the Administrative Law Judge's (ALJ) own motion—Edison's June 26, 2006 prepared testimony, served with the application, and DRA's August 17, 2006 letter.

Discussion

We have reviewed the evidence in the record, considered the scope and thoroughness of the review by the only other active party, DRA, and find that the outcome is reasonable based on the record before us.

The August 17, 2006 letter informs us of DRA's review and conclusions for this proceeding:

> [DRA found that the] incremental costs recorded were incurred to restore, repair, replace damaged utility facilities and were in compliance with governmental agency orders in connection with declared disasters. …
>
> DRA resolved its concerns [contained in its protest] by verifying that recorded costs were properly incurred for restoring, replacing, and repairing damaged facilities. DRA reviewed and traced expenses to supporting documentation for a sample of expenditures. The supporting documentation included invoices from vendors for costs incurred to journal entries and actual check payments. In addition, DRA reviewed and traced capital costs incurred to supporting documentations for a sample of the costs. The supporting documentation included invoices from vendors for costs incurred, journal entries and actual check payments. (DRA Letter Exhibit, p. 1.)

This statement, whereby DRA determined that it believes Edison's incremental operating and maintenance costs are reasonable, in conjunction with our own review of Edison's application, allow us to find that Edison met its burden of proof and therefore, its incremental costs for the 2005 Rainstorm CEMA are reasonable and prudent.

The rainstorm was a highly destructive event and was a public nuisance. Therefore, any reasonable actions by Edison to safely and promptly restore service benefit the ratepayers. DRA's examination found Edison's actions to be acceptable and therefore did not propose any ratemaking adjustments. We also

find that DRA had the necessary sound and thorough understanding of the application. Therefore, we find recovery of the incremental 2005 Rainstorm costs is reasonable.

DRA did not object to the proposed recovery of the 2005 Rainstorm CEMA costs in the BRRBA. We find that this is an efficient proposal avoiding a minor change in rates and therefore we adopt it.

Assignment of the Proceeding

John A. Bohn is the Assigned Commissioner and Douglas M. Long is the assigned ALJ.

Comment on Proposed Decision

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

Findings of Fact

1. The Edison application is uncontested because DRA has stipulated that Edison's CEMA practices and its 2005 Rainstorm activities were reasonable and incremental to existing allowances in rates. There was no other active party.

2. Edison incurred the Rainstorm costs in response to a declared state of emergency to restore utility services to customers and repair, replace, or restore damaged utility facilities.

3. DRA performed a sufficient review to have an informed basis for its opinion.

4. Edison's costs for the 2005 Rainstorm were reasonable and incremental to existing allowances in rates.

Conclusions of Law

1. The disaster declarations issued by Governor Schwarzenegger and President Bush constitute events declared to be a disaster by competent state or federal authorities for purposes of § 454.9 and Resolution E-3238.

2. Use of the CEMA for recording and recovering the costs incurred by Edison to address the 2005 Rainstorm costs is appropriate under § 454.9 and Resolution E-3238.

3. The incremental costs incurred by Edison in response to the 2005 Rainstorm were reasonable.

4. Recovery of the CEMA costs provides a benefit to ratepayers.

5. This proceeding should be closed.

FINAL ORDER

IT IS ORDERED that:

1. The relief sought in Application (A.) 06-06-020 is granted. Southern California Edison Company (Edison) shall modify Edison's tariffs as necessary to implement the result adopted in this decision to transfer the Operating and Maintenance Expense subaccount balance in the 2005 Rainstorm Catastrophic Event Memorandum Account (CEMA) to the Distribution Subaccount of the Base Revenue Requirement Balancing Account (BRRBA) for recovery in rates.

2. Edison may defer recovery of the costs included in the Capital Cost Subaccount of the 2005 Rainstorm CEMA until the final decision in its 2009 general rate case when the costs will then be transferred to the Distribution Subaccount of the BRRBA.

3. No hearings are required for this proceeding.
4. A.06-06-020 is closed.

This order is effective today.

Dated _____, at Fresno, California.