PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ITEM # 32
ID # 11184

ENERGY DIVISION **RESOLUTION E-4464**
April 19, 2012

R E S O L U T I O N

Resolution E- 4464. Review of California Pacific Electric Company, LLC (CalPeco) request for authorization to establish a new memorandum account, Vegetation Management Memorandum Account (VMMA), to record its vegetation management expenses.

PROPOSED OUTCOME: This resolution hereby grants CalPeco the authority to establish the VMMA to book costs.

ESTIMATED COST: No cost recovery is authorized in this resolution. The authorization is only to create a memorandum account to book costs to seek recovery at a later date.

By Advice Letter 11-E-A filed on November 1, 2011.

SUMMARY

By Advice Letter (AL) No.11-E, filed on October 20, 2011, as supplemented by AL 11-E-A filed on November 1, 2011, California Pacific Electric Company, LLC (CalPeco) requests authorization to establish a new memorandum account, the Vegetation Management Memorandum Account (VMMA), to track its incremental vegetation management expenses. CalPeco proposes to use the VMMA to record any expenses associated with all vegetation management activities required by General Orders 95 and 165, and any other current and future order or decision by the Commission, for which the Commission has not already authorized rate recovery.

This resolution hereby authorizes CalPeco to establish the VMMA with several modifications to CalPeco's proposed tariff. CalPeco's tariff should be clarified to state that it must request recovery of the balance in the account in a future *formal* Commission proceeding. The authority to establish the VMMA does not in

anyway imply the reasonableness of costs that CalPeco requests authority to record in the VMMA or that it will ultimately recover these costs. Ordering Paragraph 2 sets forth the specific showing that CalPeco must make in order to obtain recovery. Finally, CalPeco may only record in the VMMA those incremental costs incurred after the effective date of this tariff, which date shall be no earlier than the filing of the revised tariff sheet required by this resolution.

BACKGROUND

The Commission approved the transfer of Sierra Pacific Power Company's California distribution facilities to CalPeco effective January 1, 2011.

In Decision (D.) 10-10-017 the Commission approved, pursuant to Public Utilities Code Section 854 and subject to certain conditions, the transfer to California Pacific Electric Company, LLC (CalPeco) of the California electric distribution facilities and the Kings Beach Generating Station owned by Sierra Pacific Power Company (Sierra).

In approving the transfer the Commission stated that CalPeco and Sierra "have established that the transfer will not harm ratepayers; in fact, certain service improvements are likely in the near term, at no cost to ratepayers" (D.10-10-017, page 2). Related to service improvements that would increase costs and result in request for rate increases, the decision stated "CalPeco is on notice that we will carefully scrutinize its 2012 general rate case showing. As is standard in a general rate case, CalPeco will have the burden of proof to establish the reasonableness of its request" (D.10-10-017, mimeo, at page 49).

The transfer from Sierra to CalPeco was completed effective January 1, 2011. As of that date, CalPeco began operations as the utility with responsibility for serving the electric customers within Sierra's former California service territory.

CalPeco initially filed a Tier 2 advice letter requesting authority to establish the VMMA.

On October 20, 2011, CalPeco submitted a Tier 2 Advice Letter (AL) 11-E, seeking Commission approval and authorization to establish a new memorandum

account, the Vegetation Management Memorandum Account (VMMA), for its vegetation management program. In its advice letter CalPeco states that the expenses it is incurring for vegetation management are materially different from the vegetation management expenses and associated budget that the Commission approved in Sierra's last California general rate (GRC).[1] CalPeco provides two reasons why its vegetation management expenses are materially different from Sierra's.

First, the Commission granted Sierra rate recovery for implementing its vegetation management program based on historic allocation factors for California and Nevada. CalPeco argues that vegetation management expenses Sierra incurred in the two jurisdictions frequently deviated from the allocated amounts in revenue requirement for both jurisdictions. CalPeco states that though the majority of Sierra's combined vegetation management expenses occurred in California, the majority of these combined expenses were allocated to Nevada. CalPeco states that in its 2012 general rate case application, it will request rate recovery based on its projected expenses on vegetation management that will be derived from its actual costs of operating and maintaining a vegetation management program for its distribution utility.

Second, CalPeco contends that, based on lessons learned from the 2007 Angora fire in the South Lake Tahoe vicinity, it has upgraded the program for vegetation management to best ensure fire safety and to provide increased reliability for customers. The Angora fire burned over 3000 acres and caused damages in excess of $100 million to structures, property, and loss of tourism.

CalPeco filed AL 11-E-A to properly designate the advice letter as Tier 3.

CalPeco initially filed AL 11-E incorrectly as a Tier 2 AL. Pursuant to Energy Industry Rule 5 of General Order (G.O.) 96-B this advice letter should have been filed as a Tier 3 advice letter. Tier 3 advice letters are intended to become effective only after Commission action on a resolution (See Energy Industry Rule

[1] The Commission adopted D.09-10-047 in Sierra's 2009 GRC.

5.3.). This is consistent with General Rules 7.6.1 and 7.6.2 of G.O. 96-B, which provide that advice letters requesting actions which have not been authorized by statutes or Commission orders require a Commission resolution before they can become effective. Energy Division asked CalPeco to file a supplement filing to change the advice letter designation from Tier 2 to Tier 3 and to indicate that a resolution is required, which CalPeco did on November 1, 2011 (AL 11-E-A). AL 11-E-A replaced AL 11-E in its entirety, and included the same proposed VMMA tariff as that proposed in AL 11-E. This Advice Letter was suspended on November 21, 2011 for up to 120 days beginning December 1, 2011 because a Commission resolution is required to address it.

NOTICE

Notice of AL 11-E-A was made by publication in the Commission's Daily Calendar. CalPeco states that a copy of AL 11-E-A was distributed in accordance with Section 4.3 of G.O. 96-B.

PROTESTS

DRA opposes CalPeco's request to establish the VMMA.

On November 9, 2011 the Division of Ratepayer Advocates (DRA) filed a protest on AL 11-E-A. In its protest DRA states that CalPeco has not provided supplemental documentation to support its claim that it has developed and upgraded the current vegetation management program. DRA further argues that CalPeco has not provided supporting documentation showing that its current expenses are materially different than the vegetation management expenses and associated budget that this Commission approved in Sierra's last California general rate case per D.09-10-041. DRA points out that according to D.10-10-017 the transfer was supposed to generally maintain the quality of service and even for some customers, such as customers in the remote Loyalton/Portola area, to improve service. DRA argues that as part of the transfer from Sierra to CalPeco, CalPeco accepted the existing cost of service established for Sierra by this Commission, and therefore, CalPeco should not be allowed to establish a new VMMA merely because its actual vegetation management costs may be higher than the amounts covered by the established cost of service. DRA points out that

some aspects of the cost of service adopted in Sierra's last GRC may be higher and others lower. DRA contends that it is inappropriate to single out one specific program and request separate memorandum account treatment for that item, without, for example, reexamining CalPeco's return on equity. In sum, DRA argues that the Commission should reject CalPeco's request to authorize the VMMA and limit CalPEco to requesting a new forecast of vegetation management expenses in its next GRC.

CalPeco asserts that the grounds for DRA's protest lack merit.

On November 17, 2011, CalPeco replied to DRA's protest by calling DRA's complaint of deficiencies in AL.11-E-A premature. CalPeco argues that DRA's requests for further information with regard to the reasonableness of costs will only become relevant when CalPeco requests rate recovery for any amounts recorded in the VMMA. CalPeco argues that DRA's complaint of deficiencies provides no basis to deny CalPeco's request to establish and record costs in the VMMA, and that D.10-10-017 does not preclude the establishment of the VMMA.

On November 23, 2011, CalPeco provided additional documentation on the need to establish the VMMA.

On November 23, 2011, CalPeco submitted additional documentation per Energy Division's request, which provided several arguments for why CalPeco's Vegetation Management Plan (VMP) is different from Sierra's Transmission and Distribution Vegetation Management Program (TDVMP). On December 19, 2011 CalPeco served this documentation on DRA.

First CalPeco stated that since its service territory is located entirely within the State of California in both Local Responsibility and State Responsibility Areas for fire resource protection, its VMP is specifically designed to meet certain state requirements including those set forth in Public Resources Code (PRC) 4292. Under PRC 4292, CalFire requires certain clearances around poles and towers in State Responsibility Areas. According to CalPeco, Sierra's TDVMP does not address the requirement for pole clearing as mandated in State Responsibility Areas for fire resource protection. CalPeco, in contrast, has incorporated this aspect of vegetation management into its VMP to adhere to the State

requirement. CalPeco estimates that its system contains approximately 4,000 poles requiring vegetation control. CalPeco states Sierra routinely managed approximately 2,300 poles. CalPeco projects that the cost to extend vegetation management programs to these additional poles will be around $180,000 annually.

Second, CalPeco states that its VMP also includes a quality assurance program to ensure that work performed by third party consultants and contractors complies with the State requirements. CalPeco projects that to conduct the inspections and post-audit contractor work, it might be necessary to employ additional consultants.

Finally, CalPeco stated that it intends to participate in the PRC 4293 Utility Clearing Exemption. The objective of the exemption program is to preserve large, mature, or historical trees. CalPeco argued that participation in the exemption program will save future costs by preserving these types of trees. But to comply with the exemption requirement, CalPeco will need to maintain a database that it does not currently possess and hire additional staff qualified to assess whether the trees meet the criteria as detailed in the exemption.

DISCUSSION

CalPeco properly revised AL 11-E to a Tier 3 advice letter by filing supplemental AL 11-E-A.

As set forth in General Rule 7.6.1 of G.O. 96-B, an advice letter is subject to disposition by the Energy Division, if statutes or Commission orders have authorized or required the action proposed in the advice letter with sufficient specificity so that the Industry Division need only determine as a technical matter whether the proposed action is within the scope of what has already been authorized or required. CalPeco's request to establish the VMMA has not been required or previously authorized. Therefore staff could not approve the advice letter. Furthermore, pursuant to Energy Industry Rule 5 of General Order (G.O.) 96-B this advice letter should have been filed as a Tier 3 advice letter. Therefore it

was necessary for CalPeco to convert the advice letter into a Tier 3 filing, which it did by submitting AL 11-E-A.

As part of the transfer from Sierra to CalPeco, CalPeco accepted the existing cost of service established for Sierra by this Commission.

In D.10-10-017, CalPeco accepted the regulatory commitment 3(c) which stated that:

> For an initial period extending through the filing of the next general rate case for the California Utility, CalPeco will maintain and accept all tariffs of the California Utility existing at the Closing or approved by the Commission in response to filings made by Sierra prior to the Closing and as requested to be modified in this proceeding . . . In this . . . proceeding, CalPeco is requesting no increase in rates or in the total revenue requirement; on the day after Closing, rates for the customers of the California Utility shall remain at the same rate levels as the day prior to Closing and the total revenue requirement shall remain the same. . . . (Regulatory Commitment 3(c), Appendix 3 to D.10-10-017).

By this commitment, CalPeco clearly promised that until it filed its next GRC it would not change its tariffs in a way that could result in an increase in rates. If CalPeco had been authorized to start booking incremental costs to its VMMA before the filing of its GRC, it would have been allowed to seek later recovery of costs incurred prior to the filing of its GRC. That would have been inconsistent with the commitment quoted above. Therefore, while we do not agree with DRA that D.10-10-017 precludes *any* filing of this VMMA tariff, based on the language quoted above, we conclude that CalPeco could not have established its VMMA tariff, when it filed its advice letter, because the advice letter was filed prior to filing its GRC. However, CalPeco has now filed its initial GRC. Therefore, we conclude that CalPeco can now establish the VMMA.

GRC ratemaking is designed to have the utilities manage within their authorized budgets except for circumstances and exceptions specified in the GRC decision.

Under GRC ratemaking, the utilities are given an authorized revenue requirement to manage various parts of their utility business. Recognizing that the utilities may need to re-prioritize spending and spend more or less in a particular area of their business, the Commission affords them substantial flexibility to decide how much to spend in any particular area. As DRA points out, the actual expenses incurred by CalPeco since Sierra's last GRC may be higher in some areas, and lower in others, and it is inappropriate to single out one specific program and request additional funding for the items that cost more than what was included in the GRC.

CalPeco should have done due diligence in analyzing Sierra Pacific's actual historic vegetation management costs in California.

CalPeco should have done due diligence in analyzing and comparing Sierra Pacific's actual historic vegetation management costs in California against the allocation factors used for California and Nevada in Sierra Pacific's last GRC decision, when it was deciding to acquire Sierra Pacific's California assets. If Sierra Pacific's actual costs in California had been higher than the allocated amount, CalPeco should have used an allocation based on actual historical costs to estimate its operating costs going forward.

CalPeco is authorized to establish the VMMA but we put CalPeco on notice that by giving the mere authorization to establish the VMMA, the Commission is in no way pre-judging the reasonableness of the recovery of the costs booked in this account.

Unless specified otherwise, authorization to establish a memorandum account does not mean that the Commission has decided that the types of costs to be recorded in the account should be recoverable in addition to rates that have been otherwise authorized, e.g., in a general rate case. Instead, the utility bears the burden when it requests recovery of the recorded costs to show that: the costs have not been recovered through otherwise authorized rates; recovery of the

types of costs recorded in the accounts -- in addition to otherwise authorized rates -- is reasonable; the utility acted prudently when it incurred these costs; and the level of costs is reasonable. We will require CalPeco to add to its VMMA tariff language to this effect. Thus, CalPeco is reminded that just because the Commission has authorized it to establish a memorandum account does not mean that recovery of costs in the memorandum account from ratepayers will be approved.

Based on our analysis of the additional information submitted by CalPeco, it appears that it may need to incur costs for vegetation management beyond those included for California in Sierra Pacific's last GRC. We authorize CalPeco to establish the VMMA as a precautionary measure to ensure that safety is not compromised by Calpeco not undertaking the necessary vegetation management practices. CalPeco has the burden to demonstrate at the time it requests recovery of amounts in the VMMA as to why the recovery request is reasonable.

Regarding DRA's argument of whether one type of cost should be granted recovery in addition to otherwise authorized rates, without looking at the other elements that go into determining CalPeco's rates, as noted below, this issue is not being resolved now.[2] Rather, we are expressly reserving for later decision whether it is reasonable to allow recovery of the type of costs recorded in this account in addition to other-wise authorized rates. The only thing that our authorization of this memorandum account establishes is that the utility can book costs to seek recovery later without our having to consider retroactive ratemaking issues.

CalPeco is directed to make the following three modifications:

[2] Accordingly, DRA is free to argue, if and when CalPeco seeks recovery of costs recorded in the VMMA, that CalPeco should not recover those costs in addition to its otherwise authorized rates because, e.g., its otherwise authorized rates already reflected too high a rate of return or other costs that were not incurred.

A. CalPeco shall request recovery of the balance in the VMMA in a future formal proceeding and not through an advice letter.

CalPeco shall request recovery of the balance in the VMMA in a future formal proceeding and not through an advice letter. Accordingly, CalPeco shall supplement AL 11-E-A to revise the Account Disposition section so that it reads: "CalPeco shall request recovery of the balance in the VMMA in a future formal proceeding. The addition of the word "formal" to what was proposed by CalPeco is necessary to clarify that the Commission's review of any costs recorded in the VMMA shall be done in a proceeding initiated by an application to be filed by CalPeco, and shall not be through the informal advice letter process.

B. CalPeco must cease booking costs into the VMMA after the effective date of the rates established by its 2013 General Rate Case.

CalPeco shall add a new sentence at the end of section iii. a. of its VMMMA tariff, to read as follows: "CalPeco shall cease making debit entries for payments related to vegetation management costs incurred on and after the effective date of the rates established by its 2013 General Rate Case." In its 2013 General Rate Case CalPeco will have the opportunity to present its forecast of vegetation Management expenses based on its actual expenses and the Commission will set rates after reviewing the forecast. Therefore there will be no need to continue making debit entries after the effective date of the new general rates.

C. CalPeco can only book costs to its VMMA incurred after the effective date of its VMMA tariff approved in this resolution.

We will require CalPeco to add language to its tariff making express the requirement that it can only book costs to its VMMA incurred after the effective date of its VMMA tariff. This is consistent with what the Commission stated in the Southern California Water Co. Headquarters case.

> It is a well established tenet of the Commission that ratemaking is done on a prospective basis. The Commission's practice is not to authorize increased utility rates to account for previously incurred

> expenses, unless, before the utility incurs those expenses, the Commission has authorized the utility to book those expenses into a memorandum or balancing account for possible future recovery in rates. This practice is consistent with the rule against retroactive ratemaking (D.92-03-094, 43 Cal. P.U.C. 2d 596, 600).

This Resolution makes the modified tariff sheet effective once filed, subject to staff review to ensure that the tariff sheet complies with this Resolution.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft resolution was mailed to all parties for comment, and was placed on the Commission's agenda to be voted on no sooner than 30 days after mailing.

DRA filed comments on April 6, 2012 stating that "allowing CalPeco to establish the VMMA is inappropriate and inconsistent with past Commission precedent, and the Draft Resolution granting the request is in error and should be modified to reject the request." DRA stated that the VMMA does not have to be established as a precautionary measure to ensure safety since CalPeco is required to perform the appropriate work to provide safe and reliable service. DRA also stated that the actual level of vegetation management costs should have been known to CalPeco. Finally DRA stated CalPeco should not establish the VMMA because utilities are not entitled to recover revenue requirement shortfalls between GRCs and allowing the VMMA does provide an opportunity for rates to be increased in the future for this one expense item.

DRA's comments do not demonstrate any legal errors in the draft resolution and mainly repeat the same arguments that were made in its protest to the advice letter which the draft resolution has already addressed. Similarly DRA has not proved any factual errors. DRA has argued that CalPeco has not provided enough support for its assertion that approximately $265,000 annually was included in rates for Sierra's California distribution system for vegetation management. However DRA has not proved that CalPeco's assertion is not true.

We reiterate that we are expressly reserving for a later decision whether it is reasonable to allow recovery of the type of costs recorded in this account. This resolution only authorizes establishment of a memorandum account to record costs to avoid issues with retroactive ratemaking. The Commission will address issues related to the cost recovery when CalPeco requests recovery of these costs.

FINDINGS AND CONCLUSIONS

1. In Decision (D.) 10-10-017 the Commission approved, pursuant to Public Utilities Code Section 854 and subject to certain conditions, the transfer to California Pacific Electric Company, LLC (CalPeco) of the California facilities owned by Sierra Pacific Power Company (Sierra).
2. On October 20, 2011, CalPeco submitted a Tier 2 AL 11-E, seeking Commission approval and authorization to establish a new memorandum account, the Vegetation Management Memorandum Account (VMMA), for its vegetation management program.
3. In its advice letter CalPeco stated that the expenses it is incurring for vegetation management are materially different from the vegetation management expenses and associated budget that the Commission approved in Sierra's last California general rate case (GRC).
4. On November 1, 2011, CalPeco submitted a supplemental AL 11-E-A per Energy Division's request. The supplemental filing changed the advice letter designation from Tier 2 to Tier 3. It also indicated that a Commission resolution will be required and that the advice letter is intended to become effective upon approval of the Commission.
5. On November 9, 2011 the Division of Ratepayer Advocates (DRA) filed a protest opposing Calpeco's request, and CalPeco replied on November 17, 2011.
6. AL 11-E-A was suspended on November 21, 2011 for up to 120 days beginning December 1, 2011 because a Commission resolution is required to address this advice letter since no prior Commission orders or statutes have required or authorized the establishment of the VMMA by CalPeco.
7. The additional documentation CalPeco submitted on November 23, 2011, in response to Energy Division's request, provides several arguments for why

CalPeco's Vegetation Management Plan (VMP) might cost more than Sierra's Transmission and Distribution Vegetation Management Program (TDVMP).

8. The additional documentation submitted on November 23, 2011, indicates that CalPeco had failed to do due diligence in analyzing Sierra Pacific's actual historic vegetation management costs in California.
9. CalPeco's additional documentation supports the establishment of a memo account to record incremental vegetation management costs, as a precautionary measure, as the Commission does not wish, by denying such authorization, to deter CalPeco from undertaking any necessary or desirable improvements to its vegetation management practices.
10. CalPeco is reminded that General Rate Case (GRC) ratemaking is designed to have the utilities manage within their authorized budgets except for circumstances and exceptions specified in the GRC decision.
11. This memorandum account should be subject to the limitations imposed by D.10-10-017 and the Commission's normal requirements for justifying recovery of the amounts recorded in a memorandum account.
12. In CalPeco's Commitment 3(c), which was a condition of this Commission's approval of CalPeco's acquisition of Sierra Pacific's California assets in D.10-10-017, CalPeco promised:

    > For an initial period extending through the filing of the next general rate case for the California Utility, CalPeco will maintain and accept all tariffs of the California Utility . . . [so that] rates for the customers of the California Utility shall remain at the same rate levels as the day prior to Closing and the total revenue requirement shall remain the same.

13. By this commitment, CalPeco promised that until it filed its next GRC it would not change its tariffs in a way that could result in an increase in rates. Authorizing it to establish this memorandum account in its tariffs before the filing of its GRC would have been inconsistent with this commitment, as such a tariff change would potentially allow its rates to rise above those in effect just before Closing.
14. CalPeco has filed its initial GRC.
15. Consistent with D.10-10-017, CalPeco is authorized to establish the VMMA, with modifications required below. CalPeco should be authorized to establish the VMMA as a precautionary measure to ensure that safety is not

compromised by Calpeco not undertaking the necessary vegetation management practices.

16. CalPeco may make the modified tariff sheet effective once filed, subject to staff review to ensure that the tariff sheet complies with the Resolution.
17. Unless specified otherwise, authorization of memorandum accounts does not mean that the Commission has decided that the types of costs to be recorded in the accounts should be recoverable in addition to rates that have been otherwise authorized, e.g., in a general rate case. Instead, the utility shall bear the burden when it requests recovery of the recorded costs, to show that: the costs have not been recovered through otherwise authorized rates; recovery of the types of costs recorded in the accounts -- in addition to otherwise authorized rates -- is reasonable; the utility acted prudently when it incurred these costs; and the level of costs is reasonable.
18. In opposition to CalPeco's showing concerning the above factors, DRA, or any other party, may argue that no, or only a limited recovery, of the costs recorded in the VMMA is justified in light of the other elements that go into determining CalPeco's over-all cost of service.
19. Consistent with Commission practice, the rule against retroactive ratemaking, and the commitment CalPeco made in D.10-10-017, CalPeco can only book expenses into the VMMA incurred from and after the date the VMMA becomes effective.
20. CalPeco should make three modifications to its proposed VMMA tariff language:
    A. CalPeco's proposed VMMA tariff should be modified to clarify that CalPeco shall request recovery of the balance recorded in the VMMA in a future formal proceeding and to memorialize the showing that CalPeco must make in order to justify recovery.
    B. CalPeco's proposed VMMA tariff should be modified to clearly state that CalPeco shall only book to the VMMA those incremental costs incurred after the effective date of the tariff.
    C. CalPeco's proposed VMMA tariff should be modified to clarify that CalPeco shall cease making debit entries for payments related to vegetation management costs incurred on and after the effective date of the rates established by its 2013 General Rate Case.

THEREFORE IT IS ORDERED THAT:

1. CalPeco is authorized to establish the VMMA with the modifications required by Ordering Paragraph 2. The revised VMMA tariff sheet may become effective on the date of filing, subject to Energy Division determining that it is in compliance with this resolution.
2. CalPeco shall make the following modifications to its proposed VMMA tariff:
   A. Add a new sentence at the end of section iii. a. of its VMMA tariff, to read as follows:

      > CalPeco shall cease making debit entries for payments related to vegetation management costs incurred on and after the effective date of the rates established by its 2013 General Rate Case.

   B. Add a new subsection before the "Account Disposition" subsection to read:

      > CalPeco shall only book to the VMMA those incremental costs incurred after the effective date of this tariff, which date shall be no earlier than the date the revised tariff sheet required by Resolution E 4464 is filed.

   C. Revise, and renumber, the Account Disposition section of the VMMA tariff so that it reads:

      > CalPeco shall request the recovery of the balance in the VMMA in a future formal proceeding. CalPeco shall have the burden of establishing that: the costs recorded in the memorandum account have not been recovered through otherwise authorized rates; recovery of the types of costs recorded in the account -- in addition to otherwise authorized rates -- is reasonable; the utility acted prudently when it incurred these costs; and the level of costs is reasonable.

3. CalPeco shall have the burden of establishing that: the costs recorded in the VMMA have not been recovered through otherwise authorized rates; recovery of the types of costs recorded in the accounts -- in addition to otherwise authorized rates -- is reasonable; the utility acted prudently when it incurred these costs; and the level of costs is reasonable.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 19, 2012; the following Commissioners voting favorably thereon:

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PAUL CLANON
Executive Director