

Decision 08-12-049 December 18, 2008

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) For Authority to, Among Other Things, Increase Its Authorized Revenues For Electric Service in 2009, And to Reflect That Increase in Rates.

Application 07-11-011  
(Filed November 19, 2007)

And Related Matter.

Investigation 08-01-026  
(Filed January 31, 2008)

**DECISION ON MOTIONS FOR MEMORANDUM ACCOUNTS**

**Summary**

Southern California Edison Company (SCE) is authorized to establish a General Rate Case (GRC) Revenue Requirement Memorandum Account (GRC RRMA) to track the change in revenue requirement adopted in this proceeding during the period between January 1, 2009 and the effective date of the final decision. Likewise, San Diego Gas & Electric Company (SDG&E) is authorized to establish a San Onofre Nuclear Generating Station (SONGS) RRMA to track the change in revenue requirement related to its interest in SONGS adopted in this proceeding during the period between January 1, 2009 and the effective date of the final decision.

## **Background**

SCE filed its application for a test year 2009 GRC on November 19, 2007. The Commission's Rate Case Plan, Decision (D.) 89-01-040, as modified by D.07-07-004, imposes various substantive and procedural requirements for energy utility general rate cases, including a timeline for processing the filing. Based on SCE's application filing date and the Rate Case Plan schedule, a final decision on this matter would be issued by January 1, 2008. The Assigned Commissioner's Ruling and Scoping Memo, dated February 7, 2008, provided a schedule that anticipated a final decision before the end of December 2008. While various modifications to the schedule occurred, the anticipated end of year decision date did not change.

Recognizing that unforeseen events might delay the procedural schedule and preclude the Commission from issuing a final decision before December 31, 2008, SCE filed a motion on September 9, 2008, for authority to establish a GRC RRMA to track the change in the revenue requirement adopted in this GRC for the period of January 1, 2008 to the effective date of the final decision (the SCE Motion).

According to SCE, a memorandum account would protect both ratepayers and shareholders from adverse consequences resulting from procedural delays and allow sufficient time for the parties and decision makers to make any necessary corrections of errors or omissions in the calculation of the Results of Operations in any proposed decision. By its motion, SCE is not asking the Commission to prejudge the reasonableness of any balance recorded in the memorandum account.

Also, the Commission has consistently used the GRC applications of SCE to determine the authorized revenue requirement that SDG&E may charge its

customers related to its share of SONGS costs billed by SCE (exclusive of fuel costs). SDG&E intervened in this proceeding and has actively participated because of that interest. Because of the potential that a delay in issuance of a decision in this proceeding could cause SDG&E to under-collect what the Commission eventually finds in this application is SDG&E's reasonable 2009 SONGS-related revenue requirement, SDG&E filed a motion on September 12, 2008, for authority to establish a memorandum account to track the change in the revenue requirement related to its interest in SONGS adopted in this GRC for the period of January 1, 2009, to the effective date of the final decision (the SDG&E Motion).

The Utility Reform Network (TURN) filed a response to the SCE Motion on September 24, 2008. TURN indicated it did not anticipate filing a separate response to the SDG&E Motion. TURN supports the granting of the Motion to establish a memorandum account, requesting that the removal of pressure for an end of year decision be utilized for developing the record in the proceeding further on the subject of the impacts of the recent disruptions in the domestic economy on the revenue requirement to be established. TURN's response included a request to take official notice of included data. SCE filed a Reply to TURN's Response on October 3, 2008 objecting to the request for official notice. TURN's request for record augmentation was separately addressed by Administrative Law Judge (ALJ) Ruling on October 6, 2008.

### **Discussion**

The Commission has a clearly established practice of establishing memorandum accounts to allow GRC case decisions delayed past the start of the test year to be effective as if the decisions had not been delayed, notwithstanding the general rule against retroactive ratemaking. Such memorandum accounts

were implemented in the last GRC for each of the major California energy utilities. In D.06-10-033, the Commission authorized a memorandum account to leave shareholders and ratepayers essentially indifferent to the actual future date of the delayed GRC decision that would authorize Pacific Gas and Electric Company's (PG&E) Test Year (TY) 2007 revenue requirement. In SCE's last GRC, the Commission issued D.06-01-020, granting a memorandum account to track the eventual decision that had been delayed in that proceeding. Finally, in SDG&E's and Southern California Gas Company's last consolidated GRC, Application (A.) 06-12-009/A.06-12-010, the Commission issued D.07-12-053, which authorized a memorandum account to track the eventual outcome of the final decision (subsequently issued in August 2008) back to the start of the test year, January 1, 2008, although due to circumstances of that proceeding, it left open when revenue requirement adjustments would be effective.

In each of these cases, memorandum accounts were established when it was clear that a final decision would not be issued in a timely manner consistent with the Commission's Rate Case Plan. In SCE's current GRC proceeding, while it has been anticipated that the Commission would issue a final decision prior to December 31, 2008, it is possible that will not happen. Therefore, we will authorize both SCE and SDG&E to establish memorandum accounts as requested. Such authorization advances our previously stated policy objectives of holding utility shareholders and ratepayers harmless for any required procedural delays, removing incentives for any party to seek or promote delay, and providing parties and decision makers with sufficient time to review and analyze the record.

To the extent needed, the disposition of the memorandum accounts will be addressed in the final decision.

### **Waiver of Comment Period**

In response to SCE's and SDG&E's motions for establishment of a memorandum account, the only comment received in response was from TURN which supported the memorandum accounts being established. Therefore, with respect to the establishment of memorandum accounts for SCE and SDG&E, this is an uncontested matter in which this decision grants the relief requested. Therefore, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable period for public review and comment is being waived.

### **Assignment of Proceeding**

Michael R. Peevey is the assigned Commissioner and Regina DeAngelis is the assigned ALJ in these proceedings.

### **Findings of Fact**

1. By the Assigned Commissioner's Ruling and Scoping Memo, dated February 7, 2008, a final decision in this proceeding was anticipated to be issued before the end of December 2008.
2. For reasons not caused by the actions of either SCE or SDG&E, a final decision may not be issued by the end of December 2008.
3. SCE requests authority to establish a memorandum account to offset the financial consequences of the difference between the date the Commission adopts its final decision in this proceeding and January 1, 2009, the date that the decision would have been effective under the Rate Case Plan.
4. SDG&E requests authority to establish a SONGS-related memorandum account to offset the financial consequences of the difference between the date the Commission adopts its final decision in this proceeding and January 1, 2009.
5. The requests of both SCE and SDG&E are unopposed.

6. The proposed memorandum accounts are consistent with previously stated Commission objectives to leave both ratepayers and shareholders essentially indifferent to the precise date of the final decision, to remove incentives for any party to seek or promote delay, and to allow sufficient time for review and critical analysis of the record.

7. Due to retroactive ratemaking considerations, the proposed memorandum accounts cannot become effective prior to the date of this decision.

### **Conclusions of Law**

1. The motions of SCE and SDG&E to establish memorandum accounts should be granted to the extent set forth in the following orders.

2. The authorized memorandum accounts for both SCE and SDG&E should be effective as of January 1, 2009.

## **O R D E R**

### **IT IS ORDERED** that:

1. Southern California Edison Company is authorized to establish a memorandum account to track the change in the revenue requirement adopted in this general rate case during the period between January 1, 2009, and the effective date of the final decision. Balances in this account shall accrue interest at the three-month commercial paper rate as set forth in the Federal Reserve Statistical Release H.15 or its successor.

2. San Diego Gas & Electric Company is authorized to establish a memorandum account to track the change in the revenue requirement related to its interest in the San Onofre Nuclear Generating Station adopted in this general rate case during the period between January 1, 2009 and the effective date of the final decision. Balances in this account shall accrue interest at the three-month

commercial paper rate as set forth in the Federal Reserve Statistical Release H.15 or its successor.

3. Application 07-11-011 and Investigation 08-01-026 remain open.

This order is effective today.

Dated December 18, 2008, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY ALAN SIMON  
Commissioners