

Decision 09-01-010 January 29, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application Of Southern California Edison Company (U 338-E) For Approval Of Its Forecast 2009 ERRA Proceeding Revenue Requirement, To Increase Its ERRA Proceeding Revenue Requirement by \$341.9 Million Beginning January 1, 2009, To Consolidate All Commission-Authorized Revenue Requirements, And To Set Unbundled Rate Components Beginning January 1, 2009.

Application 08-09-011
(Filed September 15, 2008)

**DECISION ON SOUTHERN CALIFORNIA EDISON COMPANY'S 2009
ENERGY RESOURCE RECOVERY ACCOUNT FORECAST**

1. Summary

The Commission authorizes Southern California Edison Company (SCE) an increase of \$330.8 million to its 2009 Energy Resource Recovery Account (ERRA) revenue requirement. While the adopted 2009 forecast reflects a significant reduction in the cost of natural gas, an ERRA revenue requirement increase is needed to offset undercollection in the balancing account. The Commission also authorizes SCE to consolidate into one advice letter filing all pending Commission-authorized SCE revenue requirements from other proceedings to avoid multiple rate changes. The proceeding is closed.

2. Procedural Summary

On September 15, 2008, SCE filed its application and served prepared testimony in this 2009 ERRA forecast proceeding.¹ On October 17, 2008, the Division of Ratepayer Advocates (DRA) filed a protest. A prehearing conference was held on October 21, 2008. SCE was granted leave to update its testimony to reflect declining natural gas prices and on November 10, 2008, SCE served its updated testimony. At a duly noticed workshop held on November 17, 2008, SCE witness Douglas A. Snow met with DRA and other interested parties to explain SCE's November 10 updated 2009 ERRA revenue requirement and to answer questions. At the conclusion of the workshop, the parties agreed that this matter should be submitted to the Commission for decision based on SCE's updated proposal. On November 21, 2008, SCE filed an opening brief which summarized its updated proposal. On December 1, 2008, reply briefs were filed by DRA and California Municipal Utilities Association (CMUA). On December 5, 2008, SCE filed a response to CMUA's brief and the matter was submitted for decision.

3. SCE's Original Forecast

SCE filed its 2009 ERRA forecast application on September 15, 2008, requesting the Commission to: (1) authorize SCE's 2009 ERRA proceeding revenue requirement in the amount of \$4,639 million, (2) authorize SCE's proposal to implement a 2009 ERRA proceeding revenue requirement of \$4,051 million in 2009 rate levels, and (3) consolidate all Commission-authorized

¹ The Executive Director granted SCE permission to delay its required August 1 filing to allow the recent downward trend in the price of natural gas to be reflected in its application.

revenue requirements (including the ERRRA proceeding revenue requirement) and set unbundled rate components to recover those revenue requirements beginning January 1, 2009.

4. SCE's Updated 2009 Revenue Requirement Forecast

On November 10, 2008, SCE served the supplemental testimony of its rate witness, Douglas Snow.² This testimony: (1) updates SCE's 2009 ERRRA proceeding revenue requirement, (2) updates the amount of the 2009 ERRRA proceeding revenue requirement to be included in 2009 rate levels, (3) provides an estimate of the 2009 Cost Responsibility Surcharge (CRS) components for Direct Access (DA), Departing Load (DL), and Community Choice Aggregation (CCA) customers, and (4) updates the estimated 2009 over-all consolidated revenue requirement.

SCE's November 10 updated 2009 ERRRA proceeding revenue requirement is \$4,223 million, which represents an increase of \$514 million from the current ERRRA proceeding revenue requirement, and is \$470 million less than the 2009 ERRRA proceeding revenue requirement included in SCE's original prepared testimony.³ As explained in SCE's update testimony, the reduction since the September estimate is due to: (1) the use of more recent gas and power price forecasts, and (2) updated December 31, 2008 balancing account estimates that include recorded data through September 30, 2008. Regarding gas prices, the November revenue requirement update uses an October 17, 2008, New York

² Exhibit SCE -3.

³ Exhibit SCE-1.

Mercantile Exchange (NYMEX) gas price forward curve of \$6.60/MMBtu. This reduction is explained in the following section.

4.1. SCE's Updated 2009 ERRA Proceeding Revenue Requirement

SCE now forecasts 2009 fuel and purchased power costs of \$3,877 million based on a gas price forward curve of \$6.60/MMBtu.⁴ This is a \$110.5 million decrease from the fuel and purchased power costs of \$3,987 million included in the 2008 ERRA proceeding revenue requirement and 2008 rate levels.⁵ Despite the recent reductions in gas prices, however, SCE still expects its ERRA balancing account at the end of 2008 to have an under-collected balance of \$293.5 million. Normally, SCE would combine this under-collection with the forecast reduction of \$110.5 million in its 2009 fuel and purchased power costs and reflect the net increase of \$183.0 million in its 2009 rate levels.⁶ Here, however, SCE is proposing not to reflect this net increase in rates at the present time. If natural gas prices continue to decline, the need for this increase may not materialize. On the other hand, if the current trend changes and gas prices increase, SCE will carry the resulting change in revenue requirement in the ERRA balancing account. As explained in SCE's update testimony, SCE will rely on future ERRA trigger applications to recover any ERRA under-collection that might exceed the Commission-adopted threshold.⁷

⁴ Exhibit SCE-3, Table II-1, Line 2, and Table II-2, Line 2.

⁵ *Id.*, Table II-2, Line 2.

⁶ *Id.*, Table II-2, Line 2, plus Line 3.

⁷ *Id.*, pp. 5-6.

In addition, for the reasons explained in SCE's September 15, 2008 testimony, SCE still proposes to reflect in 2009 rates the completion of the refund of the 2007 ERRRA balancing account over-collection, which will reverse in 2009 the 2008 revenue requirement decrease of \$341.7 million.

During 2008, SCE's rates were reduced by \$341.7 million to implement the Commission-ordered refund of the over-collection that was in the ERRRA balancing account at the end of 2007,⁸ and 2009 rates must be increased by \$341.7 million to reflect the completion of that refund. Otherwise, the reduced rate level during 2008 would remain in effect and SCE would under-collect its revenue requirement by \$341.7 million by the end of 2009.

As shown on Line No. 32 in Table III-4 of Exhibit SCE-3, SCE is requesting that an increase of \$330.8 million in its 2009 ERRRA proceeding revenue requirement be reflected in rate levels, which is the sum of a \$399.5 million increase in the generation service revenue requirement shown on Line No. 7, and a \$68.7 million decrease in the delivery service revenue requirement shown on Line No. 26. After taking forecast 2009 sales changes into account, SCE is requesting an increase in its 2009 ERRRA revenues of \$414.6 million.

4.2. SCE's Updated 2009 Cost Responsibility Surcharge (CRS)

In its update testimony, SCE provides an estimate of the CRS components applicable to Direct Access, Departing Load, and Community Choice Aggregation customers. Because the Commission had not issued a final decision in the 2009 Department of Water Resources (DWR) revenue requirement proceeding, SCE's updated information utilized SCE's 2009 DWR power charge

⁸ *Id.*, Table III.

included in the Proposed Decision (PD) of the ALJ issued on November 5, 2008 in the 2009 DWR revenue requirement proceeding (R.06-07-010). SCE used this power charge to determine the total portfolio indifference rate. As noted in its update testimony, SCE will update its CRS calculation again in its advice letter to be filed in compliance with the final decision in this proceeding, with the power charge adopted in a final Commission decision in the 2009 DWR revenue requirement proceeding. In addition, SCE will update the CRS calculation after a final Commission decision in its 2009 GRC.

Because SCE had not received the market price benchmark calculated by the Commission's Energy Division when the November 10 update testimony was served, SCE estimated the market price benchmark based on the formula adopted by the Commission in D.06-07-030, as modified by D.07-01-030. This formula is used to calculate both the on-going competition transition charge (CTC) and the power charge indifference adjustment (PCIA) components of the CRS.⁹ The market price benchmark for SCE was estimated to be \$71.35/MWh, which was used in SCE's November 10 update. As explained on page 8 of Exhibit SCE-3, if the Energy Division's market price benchmark differs from the estimate used in that exhibit, SCE will use the market price benchmark supplied by the Energy Division to update the components of the CRS in the advice letter SCE will file in compliance with a final decision in this proceeding. SCE also updated other forecast amounts used in the CTC calculation, such as QF costs. All documents and tables supporting the CRS components in Exhibit SCE-3 are contained in Appendix B to the exhibit.

⁹ The Commission has not yet adopted a capacity cost adder to the market price benchmark for 2009. The Energy Division uses the same adder adopted for 2008.

4.3. SCE's Updated 2009 Consolidated Revenue Requirement

As shown in Table V-5 of Exhibit SCE-3, SCE's updated total system 2009 consolidated revenue requirement is estimated to increase by \$768.9 million.¹⁰ This is the sum of: (1) SCE's requested total system 2009 ERRR proceeding revenue requirement increase of \$330.8 million, (2) an estimated \$833.7 million increase associated with SCE's GRC base revenue requirement, (3) an estimated \$404.9 million decrease resulting from various other revenue requirement changes, and (4) an estimated \$9.3 million increase in DWR's 2009 power charge and bond charge revenue requirements. Taking into account the current forecast of decreased kWh sales in 2009, total revenues will increase by approximately \$974.9 million.¹¹ SCE will replace its estimates in its November 10 update testimony with actual authorized amounts in the compliance advice letter to be submitted upon a final Commission decision in this proceeding.

5. Positions of the Parties

5.1. Position of The Utility Reform Network (TURN)

TURN, in its October 7, 2008 response to SCE's ERRR application, states that it does not oppose SCE's ERRR request. However, TURN filed a response to inform the Commission that in Phase 2 of SCE's Test year 2009 General Rate Case (GRC), TURN proposes to recommend that the major jurisdictional gas and electric utilities reinstate monthly reporting on the number of residential customers shut-off for nonpayment of bills. TURN believes that in addition to

¹⁰ Exhibit SCE-3, Table V-5, Line 49.

¹¹ *Id.*, Table V-5, Line 51.

helping the Commission measure the affordability of essential utility services in California, such data collection and reporting is also necessary to make informed determinations regarding the adequacy and effectiveness of low-income utility assistance programs, as well as the effectiveness of utility credit and collection policies and practices.

We share TURN's concerns regarding the affordability of utility services, especially in these hard economic times. We agree with TURN that this issue should be addressed in Phase 2 of SCE's GRC proceeding.

5.2. Position of DRA

DRA states that a major driver of ERRA-related costs is the market price of natural gas and DRA continues to monitor the downward trend in natural gas prices. DRA believes that declining gas prices may continue to deliver immediate benefits to ratepayers in the form of a reduced ERRA Revenue Requirement.

Further, DRA states that as part of its review of this application, DRA requested several sets of data from SCE, both informally and through Data Requests, arranged telephone conferences with SCE and participated in a formal workshop with SCE regarding the instant Application. DRA focused its due diligence on four key elements: (1) proxy analysis of market consensus on 2009 forward natural gas prices, (2) methodology and auditing/testing process of SCE's forecast model; (3) impact of sensitivity analysis of natural gas prices on the ERRA revenue requirement; and (4) impact of sensitivity analysis of macroeconomic variables on ERRA revenue requirement. Based on this analysis, DRA does not oppose SCE's updated request.

DRA notes that SCE included in its 2009 ERRA revenue requirement \$21.8 million of capacity costs associated with a purchased power agreement signed

through a New Generation Request for Offers, pursuant to D.06-07-029, which established a cost allocation mechanism for [unbundled] energy and capacity costs. DRA does not oppose SCE's request for cost recovery, nor does DRA oppose the amount or the reasonableness of cost recovery for capacity costs per se. However, DRA notes that the ERRA has traditionally served as a recovery mechanism for procurement costs associated with dispatch (i.e., recovery of energy, as opposed to capacity costs). DRA says it is unclear if the Commission has established the ERRA as the regulatory vehicle for recovery of these capacity costs and seeks further clarification on this issue.

We confirm that these capacity costs should be addressed in future ERRA applications.

5.3. Position of California Municipal Utilities Association (CMUA)

On December 1, 2008, CMUA filed a reply brief along with a motion to intervene in this proceeding. CMUA contends that SCE's update testimony provides no supporting cost information to justify its Cost Responsibility Surcharge (CRS) proposal.¹² According to CMUA, in the absence of including the CRS data as an exhibit in the Commission's final decision, there is simply no record on which the Commission may base a finding regarding the reasonableness of SCE's proposed vintaged indifference rates. CMUA contends that due to the purported confidential nature of SCE's transactions, no party (including CMUA) was able to examine the various cost components that SCE has included in the calculation of the proposed vintaged indifference rates.

¹² For clarification, it should be pointed out that CMUA was not provided with the confidential or unredacted versions of SCE's prepared testimony.

According to CMUA, the absence of review by parties provides the potential for SCE to include costs components that should not be included in the calculation of indifference rates. CMUA points out that under D.06-07-030, the Energy Division is tasked with ensuring “that forecast costs and volumes and all other data included in the [CRS] calculation are consistent with IOUs’ ERRA filings.” The Energy Division must confirm this information “prior to any final Commission determination regarding these CRS figures.” Accordingly, CMUA submits that the Energy Division should review the SCE CRS Data, and the confidential data underlying the SCE CRS Data, and confirm the accuracy and reasonableness of the input and data in the SCE CRS Data.

SCE responds that the market-sensitive information used to calculate its proposed CRS is confidential and, as such, cannot be disclosed to the public or to a potential market participant like CMUA. SCE therefore redacted this information in its responses to CMUA’s data requests. However, prior to sending its data request responses to CMUA, on November 20, 2008, SCE sent the Energy Division unredacted confidential copies of its responses to CMUA’s data requests. These unredacted copies were also provided for review by both the ALJ and the Commission.

SCE agrees with CMUA that the Energy Division should review SCE’s proposed CRS calculation and verify that it complies with the CRS methodology adopted by the Commission in D.06-07-030. As noted above, SCE provided the Energy Division with unredacted copies of its responses to CMUA’s data requests on November 20, 2008. SCE believes that together with the confidential version of its update testimony (SCE-3), the Energy Division has enough supporting information to verify the accuracy and reasonableness of SCE’s proposed CRS calculation.

SCE states that CMUA is incorrect when it suggests that SCE is improperly calculating both the indifference rate and the market price benchmark. SCE points out that the methodology it used is set forth by the Commission in D.06-07-030. SCE cannot, and does not, include more costs in its indifference rate calculation than those prescribed in D.06-07-030, as CMUA suggests. In addition, SCE states it is in no position to omit costs from its calculation of the underlying market price benchmark, because the market price benchmark is calculated by the Energy Division, which then provides its calculation to SCE. While SCE used an estimated market price benchmark in its November 10 update testimony, the Energy Division provided SCE with its calculated market price benchmark on November 13, 2008, three days after SCE served its update testimony in this proceeding. The Energy Division's benchmark (\$71.16/MWh) is very close to the benchmark used by SCE (\$71.35/MWh). SCE says it will use the Energy Division's benchmark in the CRS calculation in the compliance advice letter to be filed following the final decision in this proceeding.

We reject CMUA's argument that the Commission should reexamine the CRS calculation methodology. This ERRA proceeding is not the proper proceeding in which to do so. As pointed out by SCE, the Energy Division recently conducted a thorough review of all aspects of the CRS calculations of SCE, Pacific Gas and Electric Company and San Diego Gas & Electric Company, including the vintaged indifference rates that CMUA questions here, and has published the results of its review in Draft Resolution E-4123. The draft resolution finds that SCE's calculation of the vintaged indifference rates as reflected in its Advice Letter 2109-A complies with the applicable Commission decision (D.06-07-030, pp. 19-25). The Commission is scheduled to vote on this draft resolution in its December 18, 2008 meeting. Once the Commission has

approved Resolution E-4123, SCE says it will submit appropriate tariffs in compliance with the approved resolution.

Regarding CMUA's argument that the record is insufficient to support a finding on the reasonableness of SCE's proposed vintaged indifference rates, we will include as part of the record SCE's (redacted) responses to CMUA, and the confidential (unredacted) versions provided to Energy Division which are filed Under Seal. We note that in Resolution E-4123, Energy Division has confirmed that SCE's calculation, as set forth in Advice Letter 2109-E-A, is reasonable and correct. Therefore, no further support for the Commission's decision to adopt the CRS calculation, provided by SCE, is needed.

6. Motions

Pursuant to Rule 13.8 of the Rules of Practice and Procedure, SCE filed motions offering its prepared testimony and workpapers into evidence. Concurrently with this motion, pursuant to Rules 11.4 and 11.5, SCE also filed a motion to seal a portion of the evidentiary record. There is no opposition to the motions. Accordingly, the motions are granted, as requested.

The prepared testimony and workpapers served in this proceeding are marked for identification and received into evidence as follows:

Exhibit 1 - Energy Resource Recovery Account (ERRA) 2009 Forecast of Operations SCE-1 Public Version

Exhibit 1A - Energy Resource Recovery Account (ERRA) 2009 Forecast of Operations SCE-1 Confidential Version

Exhibit 2 - Witness Qualification and Confidentiality Declarations

Exhibit 3 - Updated Testimony of D. Snow dated November 10, 2008
Public Version

Exhibit 3A - Updated Testimony of D. Snow dated November 10, 2008
Confidential Version

Exhibit 4 - Workpapers, Public Version

Exhibit 4A - Workpapers, Confidential Version

Exhibit 5 - 2009 ERRA Forecast dated November 17, 2008

Exhibit 6 – SCE-4 Confidential Workpapers, vintaged DA/CCA CRS
Exhibit 7 – SCE’s response to CMUA data requests

As requested by SCE, Confidential Exhibits 1A, 3A, 4A and 6 shall be filed Under Seal. All sealed information shall remain sealed for a period of two years after the effective date of this order. If SCE believes that further protection of the sealed information is needed beyond two years, SCE shall comply with the procedure set forth in Ordering Paragraph 5.

7. Categorization and Need for Hearings

In Resolution ALJ 176-3221, dated July 10, 2008, the Commission preliminarily categorized this application as Ratesetting and preliminarily determined that hearings were not necessary. We affirm the preliminary determinations.

8. Comments on Proposed Decision

The proposed decision of ALJ Bertram D. Patrick in this matter was mailed to the parties in accordance with Public Utilities Code § 311 and comments are allowed pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure. Opening comments were filed on December 31, 2008, by DRA and SCE, and reply comments were filed on January 7, 2009, by SCE.

DRA notes that in addition to the \$330.8 million increase to offset a forecasted undercollection in SCE’s 2009 ERRRA revenue requirement to be authorized under the PD, SCE is requesting an additional \$259 million increase in its recently filed Trigger Application (A.08-12-022), also due to reported undercollection in the ERRRA.

According to DRA, after cursory review of the revenue requirement sought in that Trigger Application, DRA is unable to reconcile the rational for

and the amount requested in the Trigger Application with that in the Forecast Application which is the subject of this PD. In light of the additional increase in this latest Trigger Application, DRA neither supports nor opposes the PD. DRA believes that a final decision on the instant Forecast Application should be delayed to allow DRA or any other interested party to confirm that the data and methodology used in both the instant Forecast Application and the just filed Trigger Application are consistent, and that the requested recoveries do not amount to a double recovery for the same expenses.

SCE responds that the \$259 million undercollection at issue in SCE's ERRA Trigger Application is indeed separate from the \$330.8 million increase that SCE is requesting to recover in this proceeding. The primary reason for the \$330.8 million increase in this proceeding is to reflect in 2009 rates the completion of the refund of the 2007 ERRA balancing account overcollection of \$342 million that was included in 2008 rate levels. SCE points out that if it is not allowed to remove this refund from 2009 rates, it will undercollect its costs in 2009 by the amount of the refund. In the Trigger Application, on the other hand, SCE is requesting to recover a \$259 million undercollection that has accrued in the ERRA balancing account during 2008. This is separate from the 2007 overcollection that was included in 2008 rate levels.

We deny DRA's request to postpone issuing a final decision in this ERRA forecast proceeding for the reasons that: (1) the record in this proceeding adequately supports the requested increase of \$330.8 million in SCE's 2009 ERRA revenue requirement; (2) DRA's concerns regarding the \$259 million increase requested in SCE's pending Trigger Application should be addressed in that proceeding; and (3) the ERRA is an interest bearing balancing account and if any adjustment is determined to be necessary following conclusion of the Trigger

Application, the adjustment can be made in the ERRRA at the conclusion of that proceeding.

In summary, we conclude that the PD should be adopted without change, and this proceeding should be closed.

9. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Bertram D. Patrick is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. On September 15, 2008, SCE filed its annual ERRRA forecast application and served supporting testimony on the Commission staff and interested parties.

2. On November 10, 2008, SCE served supplemental testimony (SCE-3) to update its 2009 rate proposal in this proceeding.

3. The purpose of SCE's supplemental testimony was to: (1) update SCE's 2009 ERRRA proceeding revenue requirement, (2) update the amount of the 2009 ERRRA proceeding revenue requirement to be included in 2009 rate levels, (3) provide an estimate of the 2009 CRS components for DA, DL and CCA customers, and (4) update the estimated 2009 over-all consolidated revenue requirement.

4. SCE's updated ERRRA proceeding revenue requirement is \$4,223 million, which represents an increase of \$514 million from the current ERRRA proceeding revenue requirement, and is \$470 million less than the 2009 ERRRA proceeding revenue requirement originally forecast in SCE's September 15, 2008 testimony.

5. The reduction in SCE's updated ERRRA proceeding request is due to: (1) the use of more recent gas and power price forecasts, and (2) updated December 31, 2008 balancing account estimates that include recorded data through September 30, 2008.

6. The November 10 updated ERRA revenue requirement for 2009 is based on a gas price forward curve of \$6.60/MMBtu, compared to a gas price forward curve of \$8.47/MMBtu used in the original September 15 revenue requirement. The reduction in estimated 2009 gas prices results in an estimated reduction in 2009 fuel and purchased power costs of \$110.5 million below the amount reflected in the current 2008 revenue requirement.

7. The updated November 10 year-end 2008 estimated ERRA balancing account under-collection is \$293.5 million, compared to \$438 million in the original September 15 testimony.

8. SCE would ordinarily propose to combine the \$110.5 million decrease in fuel and purchased power costs with the \$293.5 million under-collection in the ERRA balancing account and reflect a \$183 million increase in rates. However, SCE proposes not to include this increase in rates at this time, but to continue to carry it as an under-collection in the ERRA balancing account.

9. In both its original and its updated testimony, SCE proposes to reflect in 2009 rates the completion of the refund of the 2007 ERRA balancing account over-collection, which will reverse in 2009 the 2008 revenue requirement decrease of \$341.7 million that was necessary to implement the refund.

10. In its updated testimony, SCE proposes an increase of \$330.8 million in its 2009 ERRA proceeding revenue requirement to be reflected in rate levels, which is the sum of a \$399.5 million increase in its generation service revenue requirement and a \$68.7 million decrease in its delivery service revenue requirement.

11. SCE's requested updated 2009 ERRA revenue requirement increase of \$330.8 million is unopposed.

12. In the compliance advice letter which SCE will file to implement this decision, SCE will utilize the most recent available data necessary to calculate the CRS components applicable to DA, DL, and CCA customers.

13. SCE's updated 2009 total system consolidated revenue requirement is estimated to increase by \$768.9 million, which represents the sum of: (1) SCE's requested total system 2009 ERRA proceeding revenue requirement increase of \$330.8 million, (2) an estimated \$833.7 million increase associated with SCE's GRC base revenue requirement, (3) an estimated \$404.9 million decrease resulting from various other revenue requirement changes, and (4) an estimated \$9.3 million increase in DWR's 2009 power charge and bond charge revenue requirement.

14. After taking into account decreased kWh sales in 2009, SCE's total revenues will increase by approximately \$974.9 million.

15. The ALJ and the Energy Division were served with the confidential unredacted versions of SCE's testimony (SCE-3) supporting SCE's CRS calculation.

Conclusions of Law

1. It is reasonable to adopt SCE's updated forecast 2009 ERRA proceeding revenue requirement changes and revenues as set forth herein.

2. SCE's updated 2009 ERRA proceeding revenue requirement of \$4,223 million should be adopted. SCE's proposal to reflect an ERRA proceeding revenue requirement of only \$4,040 million in 2009 rate levels should also be adopted.

3. SCE's proposal to increase its 2009 ERRA proceeding revenue requirement by \$513.9 million should be adopted. SCE's proposal to reflect an ERRA

proceeding revenue requirement increase of only \$330.8 million in 2009 rate levels should also be adopted.

4. SCE's total system 2009 consolidated revenue requirement increase of \$768.9 million should be adopted. Taking into account the changes SCE estimates in 2009 sales levels, this will result in an increase in 2009 revenues of \$974.9 million.

5. SCE's forecast estimates for its 2009 load and sales, energy production and costs, power procurement and ERRA balancing account financing costs, and fuel inventory and collateral carrying costs, are reasonable and should be adopted.

6. SCE's request to consolidate its ERRA proceeding revenue requirement with other rate changes adopted in other proceedings on or before January 1, 2009 should be adopted.

7. SCE's proposal to update the DA CRS to include final figures for the DWR power charge should be adopted.

8. The Energy Division has been provided with supporting information to verify the accuracy of SCE's proposed CRS calculation. The Energy Division, in Resolution E-4123, has confirmed that SCE's calculation, as set forth in Advice Letter 2109-E-A, is reasonable and correct. Therefore, no further support for the Commission's decision on the CRS calculation, is needed.

O R D E R

IT IS ORDERED that:

1. The request of Southern California Edison Company (SCE) to implement 2009 rates based on the updated information contained in SCE's update testimony (SCE-3) is granted.

2. SCE shall make an advice filing within 10 days of the effective date of this decision, or on January 1, 2009, whichever is later, to implement new rates as

authorized in this and other decisions, to be made effective beginning January 1, 2009, or as soon thereafter as possible.

3. SCE shall include a final January 1, 2009 consolidated revenue requirement table in its advice filing that includes all Commission-adopted amounts as of that date.

4. SCE's public (redacted) Exhibits 1A, 3A, 4A and 7 shall be entered into the record of this proceeding.

5. SCE's (unredacted) confidential Exhibits A1, 3A, 4A and 6 filed Under Seal pursuant to Decision 06-06-066, shall remain sealed for a period of two years from the effective date of this decision.

6. All sealed information shall remain sealed for a period of two years after the effective date of this order. After two years, all such information shall be made public. If SCE believes that further protection of sealed information is needed beyond two years, SCE may file a motion stating the justification for further withholding of the sealed information from public inspection. This motion shall be filed no later than 30 days before the expiration of the two-year period granted by this order.

7. Application 08-09-011 is closed.

This order is effective today.

Dated January 29, 2009, at San Francisco, California.

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

