

Dissent of Commissioner Dian M. Grueneich

In the face of an economic crisis the size of which we have not seen since the Great Depression, it is on us to do all that we can to balance ratepayer needs with those of the utilities we regulate. The majority decision authorizes an increase in Southern California Edison's (SCE or Edison) revenue requirement by nearly \$500 million in 2009 alone. In contrast, the Proposed Decision (PD) of the Administrative Law Judge (ALJ), would have limited the rate increase to 7% of projected revenues at current rates, thus offering an opportunity to moderate rate impacts while maintaining a robust and prudent capital spending program, and ultimately saving ratepayers \$765 million over the three year general rate case (GRC) cycle as compared to the majority decision. If ever there were a time to leave these dollars in the hands of SCE customers, it is now. Absent a truly compelling showing that SCE's ability to provide safe and reliable service is contingent on these increases, I cannot support the majority decision.

Here is our occasion to ensure the utilities we regulate are operating in step with the times. It is on us, the regulators, to motivate new efforts to root out unnecessary spending and ensure that ratepayer dollars are being put to their highest possible use. In my mind, the ALJ's PD represents the best attempt at this, balancing SCE's spending requests against our responsibility to keep rates fair and reasonable on behalf of utility customers.

Let me address three items of particular concern.

The first area concerns the alleged impact of this rate case on jobs, both within the company and across Southern California. The issue carries special significance today, because California is faced with the highest unemployment rate in 25 years. In recent months, Edison has claimed that adoption of the ALJ's PD would require Edison to lay off over a thousand employees. The record, in fact, suggests no basis for this claim. The ALJ's PD authorized a \$300 million increase in 2009 revenues, plus increases in 2010 and 2011 for a total cumulative increase of over \$1.3 billion over the three-year GRC cycle. Assuming SCE is paying its workforce now, SCE's claim defies logic. In fact, SCE submitted testimony suggesting that our own agency's Division of Ratepayer Advocates (DRA) recommended capital program would create over 30,000 net jobs across Southern California. The ALJ's PD, significantly more generous than DRA's proposal, clearly would have provided a strong platform for significant

increases, not decreases, in Southern California jobs over the rate case cycle.¹ To claim, as recent ex parte communications have, that the adoption of the ALJ's PD would result in widespread job loss is to take advantage of a highly sensitive issue in today's economy and cry wolf.

My second area of concern has to do with the forecast of economic activity in the service territory for SCE. In rate cases, we set rates based on forecast costs to meet customer needs in the years ahead. Due to the current economic downturn, Edison's own most current forecasts for sales, customer, and peak demand for 2009 are substantially lower than the forecasts developed last year used as the basis for the record in this case. As a result, the majority decision authorizes a revenue requirement which is well above what SCE is likely to need based on updated forecasts. Even if SCE's actual costs are lower than forecast, the approved revenue requirement and rates stay the same. We do not require that any windfall from this overestimate be returned to ratepayers. While I do not expect that the forecasts informing our forward-looking decisions will ever be exactly accurate in hindsight, we should be aware, and take into balance the impact of significant shifts in the economic conditions in which our decisions will be implemented. In my estimation, the majority decision has done an inadequate job of this.

Finally, I want to highlight my concern regarding the potential impact of the majority decision on low income customers, many of whom have recently lost jobs, struggled through foreclosure, and are facing extremely difficult choices as the result of the widespread recession. In California, we offer the California Alternate Rates for Energy (CARE) program providing subsidized rates to customers whose household incomes are 200% or less than the federally determined poverty level. As a result of the recession, we expect thousands of households both have and will become newly eligible for CARE. Phase II of this case will set the actual rates for various customer classes based on today's decision. Absent special action in Phase II, CARE customers in Tier 3, representing approximately 35-40% of SCE's CARE customers, will see an average rate increase of almost 11% over the three year general rate case period, under the majority decision. While I will be pleased to see any proposals in Phase II to mitigate and/or avoid such impacts, I have before me only the proposed decisions, both of which imply substantial increases across Edison's customer base. Meanwhile, executive pay levels at Edison are higher than ever. According to testimony in the case, the number of SCE employees earning \$100,000 or more rose by 30% between 2005 and 2007. In contrast, only 4-5% of Californians who earned over \$100,000 in 2007. When you are having difficulty finding the money to pay your

¹ Ex. SCE-24A, Appendix C, p. 2.

D.09-03-025
A.07-11-011, I.08-01-026

monthly electric bill, it is hard to interpret this sort of ratemaking as “just and reasonable.”

Let me close by emphasizing again that the Proposed Decision of the Administrative Law Judge allows for a more than a 20% increase over current revenue requirements and rate base and guarantees SCE substantial revenues in a time of severe economic hardship for most Californians. In my view, the ALJ’s PD strikes a meaningful balance between the need for robust capital spending, sustained job provision, and safe, reliable infrastructure, with the Commission’s mandate to set just and reasonable rates our State can afford.

For these reasons, I support the ALJ PD and dissent from majority decision.

Dated March 12, 2009, at San Francisco, California.

/s/ DIAN M. GRUENEICH

Dian M. Grueneich
Commissioner