

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4364
December 16, 2010

R E S O L U T I O N

Resolution E-4364. Southern California Edison Company (SCE) disposition of the Electric Deferred Refund Account balance.

PROPOSED OUTCOME:

- (1) Approves with modification SCE's request for Commission approval to transfer the balance of \$9.504 million accumulated in the Electric Deferred Refund Account (EDRA) as of December 31, 2009 to the distribution subaccount of its Base Revenue Requirement Balancing Account (BRRBA) for refund to all customers, and deletes the \$550,693 debit entry to the Gross Revenue Sharing Tracking Account (GRSTA), for a total of \$10.061 million plus interest to be refunded to customers.**
- (2) Approves in part, denies in part, and denies without prejudice in part the protest by The Utility Reform Network (TURN). Denies without prejudice the supplemental protest by TURN.**
- (3) ESTIMATED COST: None. This results in a refund of \$10.061 million plus interest to customers.**

By Advice Letter 2427-E filed on January 25, 2010.

SUMMARY

This Resolution approves with modification SCE's request for Commission approval to transfer the balance of \$9.504 million accumulated in the Electric Deferred Refund Account (EDRA) as of December 31, 2009 to the distribution subaccount of the Base Revenue Requirement Balancing Account (BRRBA) for refund to customers. This resolution also deletes a \$550,693 debit entry in the GRSTA for a total of \$10.693 million plus interest to be refunded to customers.

The protest by The Utility Reform Network (TURN) is granted in part, denied in part, and denied without prejudice in part. The supplemental protest by TURN is denied without prejudice. The issue of the allocation of the balance in the Gross Revenue Sharing Tracking Account between SCE's Commission-jurisdictional revenue requirements and Federal Energy Regulatory Commission (FERC)-jurisdictional revenue requirements shall be addressed in Phase 1 of SCE's 2012 general rate case (GRC), or in a separate proceeding if necessary.

BACKGROUND

The EDRA was established to record credits for electric disallowances and reasonableness settlements ordered by the California Public Utilities Commission (CPUC) or the FERC.

SCE established the EDRA pursuant to D.96-12-025, effective December 20, 1996. In addition to credits associated with disallowances and settlements, the December 31st balance in the Gross Revenue Sharing Tracking Account (GRSTA) is also transferred to the EDRA. The purpose of the GRSTA is to record the customers' share of certain Other Operating Revenues (OOR), in accordance with D.99-09-070, such as those from non-tariffed products and services. The sharing mechanism of these revenues between the shareholders and SCE ratepayers depends on the classification of the product or service as being active or passive and whether the amount of revenues are in excess of a threshold amount. SCE is required to refund to customers the amounts accumulated in the EDRA based on each customer's average monthly energy usage for each calendar-year period in accordance with Ordering Paragraph (OP) 4 of D.96-12-025.

Decision (D.05-03-022) in SCE's 2003 General Rate Case Application (A.02-05-004) provides the methodology for the disposition of EDRA balances.

In Phase 2 of SCE's 2003 General Rate Case (GRC) application A.02-05-004, SCE reached a settlement with the active parties for the disposition of prospective EDRA bill credits.

According to the Settlement Agreement, which was approved by the Commission in D.05-03-022, the bill credit refund method is used to provide customer refunds for amounts accrued in the EDRA when the amount to be refunded exceeds \$25 million. If the amount to be refunded is less than this

threshold amount, SCE is to amortize the EDRA balance in future rates through an appropriate annual rate adjustment proceeding.

The balance recorded in the EDRA as of December 31, 2009 is \$9.504 million.

SCE filed Advice Letter (AL) 2427-E on January 25, 2010. SCE proposes in its advice letter to refund the \$9.504 million to customers by transferring the December 31, 2009 balance of \$9.504 million in the EDRA to the distribution subaccount of its Base Revenue Requirement Balancing Account (BRRBA), in accordance with the Settlement Agreement approved by D.05-03-022 on March 17, 2005.

NOTICE

Notice of AL 2427-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with General Order 96-B.

PROTESTS

AL 2427-E was timely protested by The Utility Reform Network (TURN) on February 16, 2010. SCE replied to this protest on February 23, 2010. After TURN submitted its protest, TURN received responses from SCE to data requests that TURN had issued regarding AL 2427-E. On March 2, 2010 TURN submitted a supplemental protest to AL 2427-E to reflect information included in the responses to TURN's data requests. SCE replied to TURN's supplemental protest on March 9, 2010.

In its protest, TURN disputes SCE's proposed allocation of \$3.0 million of the GRSTA balance to its FERC-jurisdictional revenue requirement, and an additional \$745,000 for 'provisional adjustment.'

In AL 2427-E, SCE calculates \$13.243 million as the customers' share of Other Operating Revenues (OOR) from non-tariffed products and services (NTP&S) that were recorded in the GRSTA in 2009. According to TURN, "SCE reduces that amount by \$3.0 million as an amount applied to its FERC-jurisdictional revenue requirement, and an additional \$745,000 for 'provisional adjustment.' After these adjustments, SCE identifies \$9.504 million as the amount recorded in

the GRSTA that is to be transferred to the EDRA and ultimately reflected in CPUC-jurisdictional rates.” TURN disputes the \$3.745 million reduction to the GRSTA balance.

TURN claims the CPUC has not specifically approved any portion of the gross revenue-sharing mechanism as an offset against its FERC-jurisdictional revenue requirement.

In its protest, TURN states that it was an active party in A.97-06-021, the proceeding in which the CPUC approved the gross revenue-sharing mechanism (GRSM) for SCE’s NTP&S. TURN states that there is no language in D.99-09-070, which adopted the GRSM or the settlement agreement approved by the decision that suggests that any portion of the ratepayers’ share of the gross revenues would be used to reduce any FERC-authorized transmission revenue requirements or rates. TURN also mentions that during the first years of the revenue sharing mechanism’s operation, SCE applied the full amount of the ratepayers’ share of the gross revenues to the CPUC-jurisdictional revenue requirement and rates.

TURN argues that in 2003, SCE changed its approach and reduced the customers’ share of OOR recorded in the GRSTA by allocating some amount to its FERC-jurisdictional revenue requirement before transferring the balance to the EDRA.

According to TURN in its protest, starting in 2003, SCE reduced the year-end 2002 balance recorded in the GRSTA by approximately \$1.2 million before transfer to the EDRA, as filed in SCE AL 1682-E. In a footnote to an attachment in that advice letter, SCE indicated that the reduction adjustment to the GRSTA balance reflects the amount of the OOR provided to customers through the FERC-authorized transmission rate levels. According to TURN, in subsequent years SCE transferred approximately \$3 million annually from the CPUC-jurisdictional revenue requirement to the FERC-jurisdictional revenue requirement.

According to TURN, SCE has never sought CPUC approval to change the operation of the GRSTA.

In its protest, TURN states that it is unaware that SCE has ever sought Commission permission to change the operation of the GRSTA in the manner

described above. According to TURN, “simply making the change in an annual advice letter with no further explanation than a footnote added to one of the attached tables is an insufficient basis for making a change that effectively increases SCE’s CPUC-jurisdictional revenue requirement by several million dollars per year.”

TURN claims that SCE’s approach results in an unfavorable allocation for SCE’s residential and small business customers.

TURN states that a substantial portion of the FERC-jurisdictional revenue requirement is paid by entities that are not retail customers and do not pay CPUC-jurisdictional rates, reducing the share of the GRSTA balance that flows to CPUC-jurisdictional customers. TURN is concerned that since SCE’s retail customers pay a higher proportion of the utility’s distribution revenue requirement than its transmission revenue requirement, a revenue credit such as the GRSTA year-end balance would benefit residential and small business customers more when applied to distribution revenue requirement, which is CPUC-jurisdictional, rather than the transmission revenue requirement, which is FERC-jurisdictional.

In its reply to TURN’s protest, SCE addresses TURN’s concerns regarding the GRSTA balance.

SCE claims its actions are appropriate because a portion of the costs associated with the utility’s assets used for NTP&S is reflected in the transmission revenue requirement. Therefore, SCE believes it is appropriate to credit a portion of the NTP&S gross revenues to its FERC-jurisdictional revenue requirement.

In its reply to TURN’s protest, SCE lists the following categories containing NTP&S activities, without performing an in-depth analysis, as categories that may utilize assets subject to FERC-jurisdictional transmission revenue requirements:¹

- Secondary use of transmission rights of way and land;

¹ We note that some of these appear to apply only to CPUC-jurisdictional distribution-related revenue requirements.

- Use of transmission towers, distribution poles, facilities, conduits, ducts, and streetlight poles;
- Operation, maintenance, and repair of facilities and equipment;
- Equipment and machinery testing and calibration;
- Secondary use of utility-owned office building and offices;
- Use of communications and computing systems;
- License of utility software;
- Electric vehicle battery and charger-related services;
- Geographic information system services;
- Use of Customer Technology Application Center (CTAC) and Agricultural Technology Application Center (AgTAC) facilities.

SCE states that the allocation of the NTP&S gross revenues under the GRSM was disclosed to the Commission in SCE's CPUC and FERC rate cases.

Beginning with its 2002 FERC rate case, SCE's first FERC rate case after the GRSM was adopted, SCE claims it has consistently allocated the ratepayers' share of NTP&S gross revenues between its CPUC- and FERC-jurisdictional revenue requirements. SCE states that the GRSM was adopted during a period when SCE was under a Performance Based Ratemaking (PBR) mechanism. SCE's first CPUC rate case after adoption of its GRSM was its 2003 GRC. SCE cites its testimony as well as settlement agreements in its 2002 (Docket ER02-925), 2006 (Docket ER06-186), and 2009 (Docket ER08-1343) FERC rate cases as well as its testimony and work papers in its 2003 (A.02-05-004), 2006 (A.04-12-014), and 2009 (A.07-11-011) CPUC GRCs where the allocation of the ratepayers' share of NTP&S gross revenues was addressed. In the 2002 and 2006 FERC settlements, there was a \$3 million credit annually for transmission-related incremental ratepayer revenues associated with the GRSM in each of these proceedings.

SCE notes that after filing AL 2427-E with the CPUC, it discovered that the GRSTA had not yet reflected the increase from \$3 million to \$5 million in the credit for transmission-related incremental ratepayer revenues associated with the GRSM that was approved by FERC in the 2009 FERC rate case (Docket ER08-1343), effective March 2009. SCE made the appropriate changes reflecting the increase to \$5 million to the GRSTA in January 2010.

SCE provided a cost breakdown of the \$745,000 adjustment to the GRSTA.

In its reply to TURN's protest, SCE provides an explanation of this provisional adjustment, which are all corrections to its accounting during 2009, as follows:

- A \$550,693 debit in March 2009 to reflect sharing of deferred rent revenue offsets that were incorrectly recorded as gross NTP&S OOR in 2008;²
- A \$4,584 credit in June 2009 for a May 2009 recording of gross revenues that did not include the 30 percent sharing to ratepayers;
- A \$1,564 debit related to an adjustment to remove revenues incorrectly recorded as NTP&S OOR; and
- A \$197,697 debit for revenues recorded as NTP&S OOR from March through November 2009 that should have been recorded as Joint Pole tariffed revenues.

TURN's supplemental protest continues to dispute SCE's calculation of the share of the GRSTA balance that flows to SCE's FERC-related revenue requirement.

Having reviewed SCE's responses to TURN's data requests on AL 2427-E and SCE's February 23, 2010 reply to TURN's protest, TURN states in its supplemental protest that there are a number of issues regarding SCE's calculation of the share of the GRSTA balance that flows to its FERC-related revenue requirement. TURN asserts that SCE did not allocate any non-tariffed products and services revenues to FERC-jurisdictional revenue requirements prior to 2002, and questions why it is appropriate to do so now. TURN also argues that \$3 million is an excessive amount to be transferred to the FERC revenue requirement and recommends a reduction to that amount. TURN states that it is not sure a resolution on SCE's AL 2427-E is the appropriate forum for resolving the issues it raises. TURN requests that the resolution on AL 2427-E

² When the deferred rent revenue was recorded as gross NPT&S OOR in 2008, the customers received their share of the gross revenues, which was reflected in 2008 GRSTA activity. This debit amount taken in March 2009 is currently being reviewed by SCE.

either adopt TURN's recommended adjustment or describe how and when the Commission intends to address the issues going forward.

In its reply to TURN's supplemental protest, SCE asserts that OOR from functions that would later be identified as NTP&S were allocated to the FERC-jurisdictional revenue requirements prior to the 2002 FERC rate case. SCE states that in Statement AU Period II in FERC Docket ER97-2355 (from SCE's filing at FERC in its 1998 FERC rate case), OOR was allocated between CPUC and FERC jurisdictions. SCE also explains why it believes TURN's analysis forming the basis for a reduction to the \$3 million transfer to the FERC revenue requirement is flawed. SCE requests that the Commission reject TURN's protest and supplemental protest and approve AL 2427-E as submitted.

DISCUSSION

SCE is directed to delete the \$550,693 debit entry and to transfer this amount to the EDRA for refund to customers because this entry may have been made in error.

In its reply to TURN's protest, SCE provided a cost breakdown of the \$745,000 provisional adjustment to the GRSTA, which SCE explains are all corrections to its accounting during 2009. TURN's supplemental protest did not raise issues with SCE's explanation of the accounting corrections included in SCE's reply.

In a November 5, 2010 response to an ED data request, SCE indicated that the \$550,693 debit entry to the GRSTA made in March 2009 for deferred rent revenue offsets might have been made in error. This debit amount is currently being reviewed by SCE. Accordingly, this \$550,693 debit entry shall be deleted at this time, and this amount should be transferred to the EDRA for refund to customers. If, after review by SCE, SCE concludes that any debit for deferred rent revenue offsets is necessary, this debit can be reflected in its next annual EDRA advice letter filing.

The allocation of GRSTA revenues between FERC- and CPUC-jurisdictional rates affects all retail customers, not just residential and small customers as asserted by TURN.

TURN states in its protest that SCE's approach of allocating \$3 million of \$13.243 million recorded in the GRSTA in 2009 to FERC-jurisdictional customers results in an unfavorable allocation for SCE's residential and small business customers. The allocation of GRSTA revenues to FERC-jurisdictional transmission rates affects all of SCE's retail customers. A portion of the GRSTA revenues allocated to FERC-transmission revenue requirements flow to SCE's wholesale customers. All classes of CPUC-jurisdictional (retail) customers, including residential, small and medium commercial, large commercial and industrial, and agricultural, would receive more GRSTA revenues if they were entirely allocated to SCE's CPUC-jurisdictional distribution revenue requirements.

SCE initially allocated approximately \$1.2 million of the GRSTA to its FERC-jurisdictional revenue requirement before transfer to the EDRA in 2002.

As TURN points out, SCE first reflected an allocation of GRSTA revenues to FERC-jurisdictional customers in an EDRA advice letter in AL 1682-E, which addressed the 2002 EDRA balance. In that advice letter, SCE reduced the GRSTA balance that flowed to EDRA by \$1.197 million to reflect the amount of OOR provided to customers through FERC-authorized transmission rate levels.³ SCE's AL 1682 was made effective on March 12, 2003 by Energy Division staff disposition.

Since 2003, SCE has reduced the GRSTA balance that flows to the EDRA by \$3 million each year to reflect FERC-jurisdictional revenues.

From 2003 through 2009, SCE reduced the retail customers' share of OOR recorded in the GRSTA by \$3 million annually to reflect FERC-authorized transmission rate levels, before transferring the GRSTA balance to the EDRA. SCE's annual advice letters addressing the EDRA balances for calendar years 2003 through 2008 filed in January following each of those years, reflected the \$3 million reduction in the customers' share of OOR. These advice letters were all

³ Attachment B to SCE AL 1682-E dated January 31, 2003.

made effective in March of the year the advice letter was filed by Energy Division staff disposition.

An allowance for FERC-jurisdictional revenues was not addressed by the Commission when establishing the GRSM. It is true that the Commission has not explicitly authorized the allocation of a part of the GRSTA to FERC-jurisdictional revenue requirement. However, the Commission has supported settlements at the FERC that included this allocation, and SCE's testimony in GRCs filed at the Commission have reflected this allocation.

D.99-09-070, which established the GRSM, does not address the allocation of OOR between CPUC- and FERC-jurisdictional rates. SCE's Commission-approved tariffs do not provide for any allocation of the balance in the GRSTA between CPUC- and FERC-jurisdictional rates. SCE's GRSTA tariff, Preliminary Statement Part G.2.e, merely specifies that SCE shall annually transfer the balance in the GRSTA to the EDRA, or other ratemaking mechanism authorized by the Commission.

However, SCE has since 2002 consistently allocated part of the GRSTA to the FERC-jurisdictional revenue requirements and included this allocation in all subsequent FERC and CPUC general rate cases.⁴ The Commission has supported settlements at the FERC that included this allocation, and SCE's testimony in GRCs filed at the Commission have reflected this allocation even though the Commission has not expressly authorized that any OOR revenues recorded in the GRSTA be allocated to FERC-jurisdictional customers.

An Offer of Settlement filed by SCE in FERC Docket ER08-1343, and approved by FERC effective March 1, 2009, increased the credit for transmission revenues associated with the GRSM to \$5 million.

In its response to TURN's data request dated January 27, 2010, included with SCE's reply to TURN's protest, SCE states that the Offer of Settlement reflects a

⁴ Energy Division has reviewed the cited CPUC general rate cases. Although the decisions do not discuss this issue, the calculations used to derive the rates reflected a \$3 million annual reduction in GRSTA credits to reflect the amount included in FERC rates.

\$5 million credit for transmission-related ratepayer revenues associated with the GRSM. SCE discovered after filing AL 2427-E that the 2009 GRSTA balance did not reflect the increase in the credit from \$3 million to \$5 million. SCE says it will carry over the \$2 million adjustment resulting from this inadvertent error to its 2010 EDRA refund advice letter.

The appropriate forum to consider the issues raised by TURN is Phase 1 of SCE's 2012 GRC.

Although a credit for transmission-related ratepayer revenues associated with the GRSM was approved by FERC, SCE's practice of allocating a portion of the GRSTA balance to FERC-jurisdictional customers should be explicitly addressed by the CPUC. Increasing the credit for OOR to the transmission revenue requirement reduces the credit to the CPUC-jurisdictional distribution revenue requirement, which affects CPUC-jurisdictional rates.

SCE states in its reply to TURN's protest that it included testimony in Phase 1 of its 2003, 2006, and 2009 GRCs on the jurisdictional allocation of non-tariffed products and services. SCE filed its application in Phase 1 of its 2012 GRC in November 2010.

SCE shall seek to include in Phase 1 of its 2012 general rate case consideration of its method for apportioning the GRSTA balance between CPUC- and FERC-jurisdictional customers.

Including the CPUC- vs. FERC -jurisdictional allocation of GRSTA in the next SCE general rate case will provide a forum for the Commission to formally address the issues raised by TURN in its protest and supplemental protest on SCE's AL 2427-E.

If the Commission establishes a schedule and scope for SCE's 2012 GRC that does not allow this issue to be considered in that case, SCE shall file a separate application, and serve that application on parties to its 2012 GRC to address the issue.

TURN protested the provisional adjustment of \$745,000. Out of this amount, TURN 's protest to the inclusion of \$550,693 is granted. TURN's protest to the inclusion of the remainder amount of \$194,307 (\$745,000-\$550,693) is denied.

We have reviewed all of the issues raised by TURN in its protest dated February 16, 2010, supplemental protest dated March 2, 2010, as well as SCE's replies dated February 23, and March 9, 2010.

As explained above, a portion of SCE's provisional adjustment of \$745,000 to the GRSTA to correct for accounting errors in 2009 is still under review by SCE. Accordingly, we grant TURN's protest insofar as it objects to inclusion of \$550,693 of this adjustment. However, we find that other portions of the adjustment have been adequately explained and are reasonable, and therefore reject TURN's protest to the remainder of this adjustment. We also conclude that SCE 's basis for the year-end reduction in the GRSTA balance to reflect FERC-jurisdictional amounts needs to be considered more fully by the Commission.

We deny without prejudice all other portions of TURN's protest.

We deny without prejudice all portions of TURN's protest, except for that related to SCE's provisional adjustment of \$745,000 to the GRSTA, which we grant in part and deny in part, and we deny without prejudice TURN's supplemental protest. The \$9.504 million EDRA balance for 2009 and the \$550,693 adjustment from the GRSTA, plus interest, shall be returned to customers through amortization of the BRRBA as soon as possible. However, the Commission agrees with TURN that SCE never sought CPUC approval to change the operation of the GRSTA, and the CPUC has not granted SCE specific authorization to change the GRSM since it was initially established. We agree that SCE's adjusting GRSTA revenues in an advice letter without express Commission authorization is an insufficient basis for making a change that effectively increases SCE's CPUC-jurisdictional revenue requirement by several million dollars per year.

SCE is authorized to transfer the balance of \$9.504 million accumulated in the EDRA as of December 31, 2009, and the \$550,693 adjustment from the GRSTA for a total of \$10.061 million plus interest to the distribution subaccount of the BRRBA for refund to all customers.

SCE calculates \$13.243 million as the customers' share of OOR from NPT&S that are recorded in the GRSTA as of year-end 2009. After provisional adjustment corrections of \$194,307 (\$745,000 minus \$550,693 debit in deferred rent revenue offsets that is still under review by SCE), and a reduction of \$3 million for FERC transmission related revenue requirements, the remaining balance of \$10.061 million plus interest shall be transferred to the BRRBA for refund to customers. This shall occur the first time following the effective date of this resolution that SCE amortizes the BRRBA balance in rates.

The basis for SCE's allocation of a portion of the GRSTA balance to FERC transmission-related revenue requirements is subject to Commission review in Phase 1 of SCE's 2012 GRC, or in a separate formal proceeding if the Commission does not include this matter in the scope of the 2012 GRC.

The Commission may require adjustments to EDRA accounting, depending on the outcome of this review.

SCE is authorized to continue to incorporate the allocation of OOR embedded in the FERC-approved revenue requirements in future advice letters addressing EDRA balances that are filed while the current FERC order is in effect.

SCE is scheduled to file its advice letter addressing 2010 EDRA balances in January 2011. The Commission's review of the allocation of GRSTA balances to FERC revenue requirements will most likely be pending when SCE files that advice letter. Furthermore, there is currently in effect a FERC order authorizing a \$5 million FERC-jurisdictional credit for transmission revenues associated with the GRSM. Accordingly, SCE is authorized to continue making reductions to GRSTA balances - to reflect FERC-ordered transmission revenue requirements - in any SCE EDRA advice letter filings that are made while the current FERC order is in effect.

It is possible that after review of the issue, this Commission may determine that a different jurisdictional separation of these OOR revenues than presently in effect

should be implemented. In order not to impede any possible change that may be desirable, we direct the staff that represents the CPUC at SCE's FERC TO rate case(s) to take steps to secure the maximum possible flexibility in the jurisdictional allocation of these OOR revenues and ratepayer credits at the earliest possible date, in case the CPUC ultimately determines that the jurisdictional allocation should be changed.

We expect that the utility will incorporate any allocation change that this Commission makes in its subsequent FERC rate case filings.

COMMENTS

In accordance with Public Utilities Code section 311(g) (1), this resolution must be served on SCE and TURN, and be subject to at least 30 days public review, and made available for comment prior to a vote of the Commission. Accordingly, this draft resolution was mailed to SCE and TURN for comments, and is placed on the Commission's agenda no earlier than 30 days from the date issued for comment.

No comments were filed on this resolution.

FINDINGS AND CONCLUSIONS

1. SCE filed AL 2427-E on January 25, 2010 requesting Commission approval to transfer the balance of \$9.504 million accumulated in the Electric Deferred Refund Account (EDRA) as of December 31, 2009 to the Base Revenue Requirements Balancing Account (BRRBA) for refund to all customers.
2. The EDRA was established to record credits associated with disallowances and settlements ordered by the Commission or the Federal Energy Regulatory Commission.
3. The December 31st balance in the Gross Revenue Sharing Tracking Account (GRSTA) is also transferred to the EDRA.
4. The purpose of the GRSTA is to record the customers' share of certain Other Operating Revenues (OOR) such as those from non-tariffed products and services.

5. Decision (D.)05-03-022 in SCE's 2003 general rate case application A.02-05-004 provides the methodology for the disposition of the EDRA balances.
6. The balance recorded in the EDRA as of December 31, 2009 is \$9.504 million.
7. AL 2427-E was timely protested by TURN on February 16, 2010.
8. SCE replied to TURN's protest on February 23, 2010.
9. On March 2, 2010 TURN submitted a supplemental protest to AL 2427-E to reflect information included in SCE's responses to TURN's data requests.
10. SCE replied to TURN's supplemental protest on March 9, 2010.
11. The \$745,000 provisional adjustment that SCE made during 2009 to the GRSTA was contested by TURN in its protest. SCE explained the basis for the adjustment in its reply to TURN's protest.
12. In a November 5, 2010 response to an ED data request, SCE stated that the \$550,693 debit entry in the GRSTA for deferred rent revenue offsets might have been incorrect. This amount is currently under review by SCE. Accordingly, this \$550,693 debit entry should be disallowed at this time, and this amount should be transferred to the EDRA for refund to customers. If, after review by SCE, SCE concludes that any debit for deferred rent revenue offsets is necessary, this debit can be reflected in its next annual EDRA advice letter filing.
13. TURN disputes SCE's allocation of GRSTA revenues to FERC-jurisdictional customers.
14. The allocation of GRSTA revenues between FERC-and CPUC-jurisdictional rates affects all retail customers.
15. In 2002, for the first time, SCE reduced the balance in the GRSTA before transfer to the EDRA to reflect FERC-jurisdictional customers' share of OOR revenues in an amount of approximately \$1.2 million.

16. In each year from 2003 through 2009, SCE reduced the GRSTA balance that flows to the EDRA by \$3 million to reflect FERC-jurisdictional customers' share of OOR revenues.
17. The Offer of Settlement filed by SCE in its 2009 FERC rate case, Docket ER08-1343, and approved by the FERC effective March 1, 2009 reflects an increase in the credit for transmission ratepayer revenues associated with the Gross Revenue Sharing Mechanism (GRSM) from \$3 million to \$5 million.
18. SCE never sought explicit CPUC approval to change the operation of the GRSTA to allocate some revenue to its FERC-jurisdictional revenue requirement.
19. The CPUC has not granted SCE specific authorization to change the GRSM since it was initially established by D.99-09-070.
20. Since SCE is making a change to the GRSM that affects CPUC-jurisdictional rates, SCE should explicitly seek approval from the CPUC.
21. SCE's basis for reducing the year-end GRSTA balance to reflect a specific allocation between FERC- and CPUC-jurisdictional customers should be formally addressed by the Commission.
22. SCE should seek to include in Phase 1 of its 2012 GRC, or file a separate application requesting consideration of its method for apportioning the GRSTA balance between CPUC-and FERC-jurisdictional customers.
23. The staff that represents the CPUC at SCE's FERC TO rate case(s) should take steps to secure the maximum possible flexibility in the jurisdictional allocation of these OOR revenues and ratepayer credits at the earliest possible date, in case the CPUC ultimately determines that the jurisdictional allocation should be changed.
24. SCE should transfer to the BRRBA the December 31, 2009 balance in the EDRA, \$9.504 million, and remove the \$550,693 debit entry in the GRSTA for a total of \$10.061 million, plus interest, and return those amounts to customers the first time after the effective date of this resolution that SCE amortizes the BRRBA balance in rates.

25. The portion of TURN's protest related to SCE's \$745,000 provisional adjustment to the 2009 GRSTA balance is granted with regard to the \$550,693 debit entry. The other portions of the \$745,000 adjustment have been adequately explained and are reasonable, and TURN's protest with regard to them is denied. All other portions of TURN's protest, and TURN's supplemental protest are denied without prejudice.

THEREFORE IT IS ORDERED THAT:

1. Southern California Edison Company's (SCE) shall transfer to the distribution subaccount of the Base Revenue Requirement Balancing Account (BRRBA) for refund to customers the balance of \$9.504 million accumulated in the Electric Deferred Refund Account (EDRA) as of December 31, 2009 plus \$550,693 from the GRSTA (to reflect a deletion of the adjustment for deferred rent revenue offsets) for a total of \$10.061 million plus interest.
2. SCE shall refund these amounts to customers the first time after the effective date of this resolution that SCE amortizes the BRRBA in rates.
3. If, after further review by SCE, SCE concludes that any debit for deferred rent revenue offsets is necessary, it can request approval of that adjustment in its next annual EDRA advice letter filing.
4. The portion of The Utility Reform Network's (TURN) protest on SCE's AL 2427-E related to SCE's \$745,000 provisional adjustment to the 2009 GRSTA balance is granted in part and denied in part, to the extent specified in Ordering Paragraph 1. All other portions of TURN's protest, and TURN's supplemental protest on SCE's AL 2427-E filed by TURN are denied without prejudice.
5. SCE shall seek to include in Phase 1 of its 2012 general rate case (GRC) consideration of its method for apportioning the balance in the Gross Revenue Sharing Tracking Account (GRSTA) between CPUC- and FERC-jurisdictional revenue requirements. SCE shall serve its filings on this topic on all parties in A.97-06-021, unless and until otherwise ordered by the assigned Commissioner or ALJ.

6. If the Assigned Commissioner's Ruling and Scoping Memo issued in Phase 1 of SCE's 2012 GRC (GRC Scoping Memo) does not include among the issues to be considered in that proceeding SCE's method for apportioning the GRSTA balance to FERC-jurisdictional revenue requirements (GRSTA proposal), SCE shall file a separate application for approval of its GRSTA proposal within 60 days of issuance of the GRC Scoping Memo.
7. SCE is authorized to continue to incorporate the allocation of OOR embedded in the FERC-approved revenue requirements in future advice letters addressing the EDRA balances that are filed while the current FERC order is in effect.

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 December 16, 2010; the following Commissioners voting favorably thereon:

/s/ Paul Clanon
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
TIMOTHY ALAN SIMON
NANCY E. RYAN
Commissioners