



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

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Application of Southern California Edison)
Company (U 338-E) for a Commission Finding) A1504002 Application No. 15-04-____
that its Procurement-Related and Other) (Filed April 1, 2015)
Operations for the Record Period January 1)
Through December 31, 2014 Complied with its)
Adopted Procurement Plan; for Verification of its)
Entries in the Energy Resource Recovery)
Account and Other Regulatory Accounts; for)
Recovery of \$3.982 Million Recorded in Four)
Memorandum Accounts; and Review of Proposal)
to Return \$103.500 million in Unspent Demand)
Response Funds to Customers.)

**APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) IN ITS APRIL
2015 ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) REVIEW PROCEEDING**

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Dated: **April 1, 2015**

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I.

DESCRIPTION OF APPLICATION AND SUMMARY OF REQUEST

In compliance with Decision (D.) 02-10-062, D.03-07-029, and D.04-01-048, and pursuant to Rule 2.1 of the Commission's Rules of Practice and Procedure, Southern California Edison Company (SCE) is submitting its April 2015 Energy Resource Recovery Account (ERRA) application. This application sets forth SCE's procurement-related operations for January 1 through December 31, 2014 (Record Period). Concurrent with the filing of this application, SCE is serving four volumes of supporting prepared testimony on Commission staff members and interested parties, designated as Exhibits SCE-1, SCE-2, SCE-3 and SCE-4. Certain volumes of testimony also have confidential versions. SCE requests the Commission to find that during the Record Period: (1) its fuel and purchased power expenses complied with SCE's Commission-approved procurement plan and were recorded

accurately; (2) its contract administration, management of utility-retained generation, dispatch of generation resources, and related spot market transactions complied with Standard of Conduct Four (SOC 4) in SCE's procurement plan; and (3) all other SCE activities subject to Commission review in this ERRR Review proceeding complied with applicable Commission decisions and resolutions.

In D.02-10-062 and D.02-12-074, the Commission determined that certain procurement-related operations should be reviewed annually in the ERRR proceeding. This review includes URG expenses, SCE's administration of existing qualifying facility (QF) contracts, bilateral contracts, inter-utility power contracts, renewable resource contracts, natural gas tolling agreements, and California Department of Water Resources (DWR) contracts allocated to SCE's customers in D.02-09-053. In addition, the Commission requires SCE to demonstrate that its least-cost dispatch operations and related spot market transactions during the Record Period complied with SOC 4 in its Commission-approved procurement plan, as clarified in D.05-01-054.

D.02-10-062 also requires SCE to set forth the entries recorded in the ERRR Balancing Account and other regulatory accounts for review. These accounts are discussed in Exhibit SCE-2 of the testimony supporting this application. As explained therein, in this application SCE is requesting approval to recover \$3.982 million. During the Record Period, two accounts authorized by the CPUC were under-collected: (1) the Litigation Costs Tracking Account (LCTA); and (2) the Market Redesign and Technology Upgrade Memorandum Account (MRTUMA). Also during the Record Period, two accounts authorized by the CPUC were over-collected: (1) the Project Development Division Memorandum Account (PDDMA); and (2) the Purchase Agreement Administrative Costs Balancing Account (PAACBA). The requested \$3.982 million represents the remaining costs associated with the under-collected accounts after offset with the over-collected account.

In addition, in this application SCE proposes to return to customers \$103.500 million from the Demand Response Program Balancing Account (DRPBA). In Exhibit SCE-02, SCE presents the DR-related costs incurred during the 2012 through 2014 funding cycle that recorded to the DRPBA. The total over-collection recorded in the DRPBA as of December 31, 2014, is \$129.6 million. Of this amount, \$103.500 million is unspent and uncommitted. Effective upon a decision in this proceeding,

SCE proposes to return these funds to customers by crediting \$103.500 million to the Base Revenue Requirement Balancing Account (BRRBA).

The under-collection in the LCTA reflects SCE's costs for outside counsel, expert witnesses, and other outside litigation costs related to the California Energy Crisis, where SCE is pursuing refunds from suppliers who overcharged customers. SCE returns these refunds on an annual basis to customers through the Energy Settlements Memorandum Account (ESMA).

The under-collection in the MRTUMA reflects incremental capital revenue requirement and operation and maintenance (O&M) expenses associated with implementing the California Independent System Operator's (CAISO) MRTU initiative.

The over-collection in the PDDMA reflects SCE's labor, contract labor, and miscellaneous business development costs associated with identifying locations for potential new SCE generation, evaluating generation technologies, tracking the costs of regulatory and legislative generation-related initiatives, and other related costs in compliance with D.06-05-016.

The over-collection in the PAACBA reflects the difference between SCE's actual and authorized expenses related to the administrative costs of SCE's contracts for its Aggregator Managed Portfolio (AMP) Program.

Compared to revenue at present rates as of March 1, 2015, this application requests a revenue decrease of \$100.636 million (including franchise fees and uncollectibles), or -0.802%, beginning in 2016. If total rates were to change as requested, an average residential customer using 600 kilowatt-hours (kWh) per month would see a decrease of \$0.96 per month, from \$102.99 to \$102.03. The following table shows an estimate of proposed revenue and rate changes by customer group:

CUSTOMER GROUP REVENUE IMPACT				
ERRA April 1, 2015 filing			2015 March	
Customer Group	Revenue Change (\$000)	% Change	Present Retail Rates ¢/kWh	Proposed Retail Rates ¢/kWh
Residential	(51,441)	-1.024%	17.29	17.11
Lighting - Small and Medium Power	(34,181)	-0.739%	17.69	17.57
Large Power	(11,173)	-0.535%	12.51	12.46
Agricultural and Pumping	(2,608)	-0.638%	14.22	14.13
Street and Area Lighting	(182)	-0.134%	18.53	18.51
Standby	(1,050)	-0.387%	10.52	10.48
TOTAL	(100,636)	-0.802%	16.19	16.06

On an illustrative basis, if total rates were to change as requested, an average residential electric customer using 600 kilowatt-hours per month in the summer would see an decrease of \$ 0.96 per month, from \$102.99 to \$102.03

II.

STATUTORY AND REGULATORY REQUIREMENTS

A. Statutory and Other Authority – Rule 2.1

SCE makes this Application pursuant to Public Utilities Code Section 454, D.02-10-062, and the Commission's Rules of Practice and Procedure.

Section 454(a) provides in pertinent part:

- (a) Except as provided in Section 455, no public utility shall change any rate or so alter any classification, contract, practice, or rule as to reflect in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified.

Section 454(b) provides in pertinent part:

- (b) The commission may adopt rules it considers reasonable and proper for each class of public utility providing for the nature of the showing required to be made in support of proposed rate changes, the

form and manner of the presentation of the showing, with or without a hearing, and the procedure to be followed in the consideration thereof.

SCE's request complies with the Commission's Rules of Practice and Procedure Rules 1.5 through 1.11 and 1.13, which specify the procedures for, among other things, filing documents. In addition, this request complies with Rules 2.1 and 2.2.

Rule 2.1 requires that all applications: (1) clearly and concisely state authority or relief sought; (2) cite the statutory or other authority under which that relief is sought; and (3) be verified by the applicant. Rule 2.1 sets forth further requirements that are addressed separately below.

The relief being sought is summarized in Section I above, and is further described in the SCE's opening testimony accompanying this application.

This application has been verified by an SCE officer as provided in Rules 1.11 and 2.1.

B. Legal Name and Correspondence – Rules 2.1(a) and 2.1(b)

Pursuant to Rule 2.1 of the Commission's Rules of Practice and Procedure, the full legal name of the applicant is Southern California Edison Company. SCE is a corporation organized and existing under the laws of the State of California, and is primarily engaged in the business of generating, purchasing, transmitting, distributing and selling electric energy for light, heat and power in portions of central and southern California as a public utility subject to the jurisdiction of the Commission. SCE's properties, substantially all of which are located within the State of California, primarily consist of hydroelectric and thermal electric generating plants, together with transmission and distribution lines and other property necessary in connection with its business.

SCE's principal place of business is 2244 Walnut Grove Avenue, Rosemead, California, and its post office address and telephone number are:

Southern California Edison Company
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-1212

SCE's attorneys in this matter are Janet Combs and Russell Archer. Correspondence or communications regarding this application should be addressed to:

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C. **Proposed Categorization, Need for Hearings, Issues To Be Considered, and Proposed Schedule — Rule 2.1(c)**

Commission Rule 2.1(c) requires that all applications shall state “the proposed category for the proceeding, the need for hearing, the issues to be considered, and a proposed schedule.”¹

1. **Proposed Category**

Rule 1.3(e) of the Commission's Rules of Practice and Procedure defines “ratesetting” proceedings as “proceedings in which the Commission sets or investigates rates for a specifically named utility (or utilities), or establishes a mechanism that in turn sets the rates for a specifically named utility (or utilities.” This application includes SCE's proposal for a decrease in its revenue requirement, resulting in a decrease in rates. Therefore, for purposes of Rule 7.1, SCE proposes that this proceeding be categorized as ratesetting.

2. **Need for Hearings**

The need for hearings and the issues to be considered in such hearings will depend in large part on the degree to which other parties contest SCE's request, and the need for hearings will be determined by the assigned administrative law judge(s).

¹ TITLE 20 CAL. CODE REGS. Div. 1, Art. 2, §2.1.

3. Issues to Be Considered

In general, the issues to be considered are discussed in Section I above and in more detail in SCE's opening testimony.

4. Procedural Schedule

To allow the Commission to issue a timely final decision in this proceeding, SCE requests the Commission to process the present application according to the following schedule.

Application filed:	April 1, 2015
Master Data Request responses due:	April 6, 2015 ²
SCE Supplemental testimony served:	May 1, 2015
Protests Due:	May 1, 2015
Reply to Protests:	May 11, 2015
Pre-Hearing Conference:	May 2014
ORA/Intervenor Testimony due:	September 1, 2015
SCE Rebuttal Testimony due:	October 16, 2015
Hearings held (if needed):	November 19-20, 2015
Concurrent Opening Briefs:	December 1, 2015
Concurrent Reply Briefs:	December 15, 2015
Proposed Decision:	January 11, 2016
Comments on Proposed Decision:	February 1, 2016
Replies to Comments:	February 6, 2016
Final Commission Decision:	March 2016

D. Organization and Qualification to Transact Business– Rule 2.2

In compliance with Rule 2.2,³ a copy of SCE's Certificate of Restated Articles of Incorporation, effective on March 2, 2006, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 14, 2006, in connection with Application No. 06-03-020, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series D Preference Stock filed with the California Secretary of State on March 7, 2011, and presently in effect, certified by the

² SCE anticipates answering some of the MDR questions on April 6th, and the balance of responses will be provided on a rolling basis.

³ Rule 2.2 requires the applicant, in this case SCE, to submit a copy of its organizing documents and evidence of its qualification to transact business in California, or to refer to that documentation if previously filed with the Commission.

California Secretary of State, was filed with the Commission on April 1, 2011, in connection with Application No. 11-04-001, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series E Preference Stock filed with the California Secretary of State on January 12, 2012, and a copy of SCE's Certificate of Increase of Authorized Shares of the Series E Preference Stock filed with the California Secretary of State on January 31, 2012, and presently in effect, certified by the California Secretary of State, were filed with the Commission on March 5, 2012, in connection with Application No. 12-03-004, and are by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series F Preference Stock filed with the California Secretary of State on May 5, 2012, and presently in effect, certified by the California Secretary of State, was filed with the Commission on June 29, 2012, in connection with Application No. 12-06-017, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series G Preference Stock filed with the California Secretary of State on January 24, 2013, and presently in effect, certified by the California Secretary of State, was filed with the Commission on January 31, 2013, in connection with Application No. 13-01-016, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series H Preference Stock filed with the California Secretary of State on February 28, 2014, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 24, 2014, in connection with Application No. 14-03-013, and is by reference made a part hereof.

Certain classes and series of SCE's capital stock are listed on a "national securities exchange" as defined in the Securities Exchange Act of 1934 and copies of SCE's latest Annual Report to Shareholders and its latest proxy statement sent to its stockholders has been filed with the Commission with a letter of transmittal dated March 13, 2015, pursuant to General Order Nos. 65-A and 104-A of the Commission.

E. Authority to Increase Rates — Rule 3.2⁴

1. Balance Sheet and Income Statement – Rule 3.2(a)(1)

In compliance with Rule 3.2(a)(1), Appendix A hereto contains copies of SCE's balance sheet as of December 31, 2014, and income statement for the period ended December 31, 2014, the most recent period available.

2. Present and Proposed Rates – Rule 3.2(a)(2) And Rule 3.2(a)(3)

The presently-effective rates and the illustrative changes proposed to be made to those rates are listed in the table in Section I above, as well as discussed in SCE's opening testimony. The proposed rates are illustrative and will be updated consistent with the Commission's decision in this proceeding to reflect SCE's then-current authorized revenues when such rates are implemented. SCE's current rates and charges for electric service are in its electric tariffs and schedules on file with the Commission. These tariffs and schedules are filed with and made effective by the Commission in its decisions, orders, resolutions, and approvals of advice letter filings pursuant to Commission General Order 96-A. As this application proposes a rate decrease, SCE is not requesting a general revenue increase over 1 percent in this application.

3. Summary of Earnings – Rule 3.2(a)(5)

In compliance with Rule 3.2(a)(5), Appendix B hereto contains a copy of SCE's summary of earnings, updated in December 2014, the most recent period available.

4. Statement Pursuant To Rule 3.2(a)(10)

Rule 3.2(a)(10) requires that the "application of electrical ... corporations shall separately state whether or not the increase reflects and passes through to customers only increased costs to the

⁴ Rule 3.2 ostensibly only applies to applications to increase rates, but SCE is providing this information for completeness purposes.

corporation for the services or commodities furnished by it.” SCE’s application requests recovery of amounts in certain memorandum accounts, which are traditional “pass through” costs to customers.

5. Notice – California Public Utilities Code Section 454

As required by California Public Utilities Code Section 454, a notice stating in general terms the proposed change will be provided to customers in their monthly bills. SCE has reviewed a draft of its proposed customer notice with the Commission’s Public Advisor.

Because this application does not request authority to increase rates or to implement changes that would result in increased rates, the notice requirements of Rule 3.2(b), (c), and (d) of the Commission’s Rules of Practice and Procedure are not applicable.

6. Service

The official service list has not yet been established in this proceeding. SCE is serving this application and supporting testimony on the Commission’s Office of Ratepayer Advocates, as well as the service list established by the Commission for A.14-04-006⁵ and A.14-06-011.⁶

⁵ This is the service list for SCE’s ERRR Review Application for the Record Period January 1 through December 31, 2013.

⁶ This is the service list for SCE’s previous ERRR Forecast Application.

III.

CONCLUSION

SCE respectfully requests that the Commission approve SCE's application in total.

Respectfully submitted,

/s/ Russell A. Archer

By: Russell A. Archer

Attorney for
SOUTHERN CALIFORNIA EDISON COMPANY

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April 1, 2015

VERIFICATION

(See Rule 1.11)

Southern California Edison Company

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to the matters that are herein stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this **1st day of April, 2015**, at Pomona, California

/s/ Ron Nichols

By: Ron Nichols
Senior Vice President of Regulatory Affairs
Southern California Edison Company

Appendix A

SCE's Income Statement and Balance Sheet

SOUTHERN CALIFORNIA EDISON COMPANY

(h) A balance sheet as of the latest available date, together with an income statement covering the period from close of last year for which an annual report has been filed with the Commission to the date of the balance sheet attached to the application.

STATEMENT OF INCOME
TWELVE MONTHS ENDED DECEMBER 31, 2014

(In millions)

OPERATING REVENUE	<u>\$ 13,380</u>
OPERATING EXPENSES:	
Purchase power and fuel	5,593
Other operation and maintenance	3,057
Depreciation, decommissioning and amortization	1,720
Property and other taxes	318
Impairment and other charges	<u>163</u>
Total operating expenses	<u>10,851</u>
OPERATING INCOME	2,529
Interest and other income	122
Interest expense	(533)
Other expenses	<u>(79)</u>
INCOME BEFORE INCOME TAX	2,039
INCOME TAX	<u>474</u>
NET INCOME	<u>1,565</u>
Less: Preferred and preference stock dividend requirements	<u>112</u>
NET INCOME AVAILABLE FOR COMMON STOCK	<u><u>\$ 1,453</u></u>

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET
DECEMBER 31, 2014
ASSETS
(in millions)

UTILITY PLANT:

Utility plant, at original cost *	\$ 37,522
Less- accumulated provision for depreciation and decommissioning *	8,132
	<u>29,390</u>
Construction work in progress	3,339
Nuclear fuel, at amortized cost	130
	<u>32,859</u>

OTHER PROPERTY AND INVESTMENTS:

Nonutility property - less accumulated depreciation of \$75	69
Nuclear decommissioning trusts	4,799
Other investments	158
	<u>5,026</u>

CURRENT ASSETS:

Cash and equivalents	38
Receivables, less allowances of \$68 for uncollectible accounts	749
Accrued unbilled revenue	632
Inventory	275
Derivative assets	102
Regulatory assets	1,254
Deferred income taxes	-
Other current assets	390
	<u>3,440</u>

DEFERRED CHARGES:

Regulatory assets	7,612
Derivative assets	219
Other long-term assets	300
	<u>8,131</u>
	<u>\$ 49,456</u>

* Detailed by class on following pages.

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET
DECEMBER 31, 2014
CAPITALIZATION AND LIABILITIES
(in millions)

CAPITALIZATION:

Common stock	\$ 2,168
Additional paid-in capital	618
Accumulated other comprehensive loss	(28)
Retained earnings	8,454
Common shareholder's equity	<u>11,212</u>
Preferred and preference stock	2,070
Long-term debt	9,624
Total capitalization	<u>22,906</u>

CURRENT LIABILITIES:

Short-term debt	667
Current portion of long-term debt	300
Accounts payable	1,556
Accrued taxes	87
Customer deposits	221
Derivative liabilities	196
Regulatory liabilities	401
Deferred income taxes	209
Other current liabilities	1,183
	<u>4,820</u>

DEFERRED CREDITS:

Deferred income taxes and credits	8,288
Derivative liabilities	1,052
Pensions and benefits	1,672
Asset retirement obligations	2,819
Regulatory liabilities	5,889
Other deferred credits and other long-term liabilities	2,010
	<u>21,730</u>

\$ 49,456

Appendix B

SCE's Summary of Earnings

**Southern California Edison
Summary of Earnings
2014 GRC Adopted Revenue Requirement
Thousands of Dollars**

Line No.	Item	Total
1.	Base Revenues	6,148,892
2.	Expenses:	
3.	Operation & Maintenance	2,511,477
4.	Depreciation	1,586,868
5.	Taxes	766,796
6.	Revenue Credits	(157,433)
7.	Total Expenses	4,707,707
8.	Net Operating Revenue	1,441,185
9.	Rate Base	18,292,261
10.	Rate of Return	7.88%