



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

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Application Of Southern California Edison)
Company (U 338-E) For Approval Of Its Forecast) Application No. A.15-05-_____
2016 ERRA Proceeding Revenue Requirement.) A1505007 (Filed May 1, 2015)
_____)

**APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) IN ITS
FORECAST 2016 ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) PROCEEDING**

JANET S. COMBS
RUSSELL A. ARCHER

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2865
Facsimile: (626) 302-6795
E-mail: Russell.Archer@sce.com

Dated: **May 1, 2015**

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I.

DESCRIPTION OF APPLICATION

As instructed in Decision (D.) 04-01-050 and D.04-01-048, and modified in D.04-03-023 and D.14-05-006, Southern California Edison Company (SCE) files this annual ERRA Forecast Application to request that the Commission authorize SCE's 2016 ERRA proceeding revenue requirement of \$4.067 billion. The forecast revenue requirement consists primarily of SCE's proposed 2016 fuel and purchased power costs. However, it also includes: (1) the currently estimated December 31, 2015 year-end balancing account balances that SCE requests to recover from or return to customers; and (2) other miscellaneous expenses, such as spent nuclear fuel expense. SCE's proposed 2016 revenue requirement in this application represents a decrease of approximately \$1.006 billion as compared to the revenue requirement used to set the rates in effect today,¹ and a decrease of approximately \$1.468 billion as compared to the revenue requirement in SCE's pending 2015 ERRA application.

The forecast adopted by the Commission in this proceeding does not determine which procurement-related costs are ultimately eligible for cost recovery, as the actual fuel and purchased power costs must be reviewed by the Commission and found eligible for recovery in a subsequent

¹ The rates in effect today are based on the revenue requirement approved by D.14-05-003. The GHG costs and revenues were implemented in rates effective March 2, 2015, pursuant to D.15-02-005.

ERRA Review proceeding or Quarterly Compliance Report determination. Consistent with past ERRA Forecast applications, SCE will update its 2016 ERRA revenue requirement forecast in November 2015, so that the latest forecast assumptions can be incorporated into SCE's 2016 rates.

A decision is currently pending in SCE's 2015 ERRA Forecast Application (A.14-06-011).² In the advice letter that will be filed in compliance with the Commission decision in A.14-06-011, SCE plans to propose to defer implementing the authorized 2015 ERRA revenue requirement increase in rates because of the current natural gas price outlook. SCE will propose to reserve the right to implement the rate increase authorized by the final Commission decision in A.14-06-011 should natural gas and/or power prices unexpectedly rise later in the year. In Updated Testimony served on November 12, 2014 in the proceeding, SCE assumed an average gas price of \$4.11/MMBtu in the development of the 2015 ERRA Forecast revenue requirement, and that gas price is incorporated into the assumptions underlying the revenue requirements in both the pending Proposed Decision (PD) and Alternate Proposed Decision (APD) in A.14-06-011. The current forward price outlook for natural gas as of April 2015 for the remainder of 2015 is \$2.95/MMBtu, more than a \$1/MMBtu decrease from the forecast natural gas prices utilized in the 2015 ERRA revenue requirement. Ordinarily, upon receipt of a decision adopting a revenue requirement change, SCE would reflect the change in rates as soon as practical. However, if SCE were to implement the increase in rates on June 1, 2015 (the most likely date if the Commission votes out either the PD or the APD on May 7, 2015), it would result in a sizable over-collection in the ERRA balancing account this year³ because of the approximate 28% reduction in natural gas prices

² In February 2015, the Administrative Law Judge issued her revised proposed decision (PD) on SCE's 2015 ERRA Forecast application proposing the adoption of an annual revenue requirement of \$5.777 billion, an increase of approximately \$622 million over the 2014 revenue requirement. In late February 2015, Assigned Commissioner Picker issued an alternate proposed decision (APD) proposing the adoption of an annual revenue requirement of \$5.983 billion, an increase of approximately \$827 million over the 2014 revenue requirement. The APD defers the refund of Energy Crisis era-related recoveries received from generators during 2014 of \$206 million until a subsequent phase of the proceeding, which will determine if the refund should be shared between bundled service customers and departed load customers, such as direct access customers.

³ Under this scenario, SCE currently estimates the December 31, 2015 ERRA balancing account over-collection could range between \$450 and \$600 million (the difference due to the outcome of the issue surrounding the return of the Energy Crisis refunds to customers).

since SCE updated its 2015 ERRA forecast last November. In this Application, SCE also requests Commission approval to amortize the year-end 2015 ERRA balancing account balance in rates over a two-year period if doing so further serves customers by promoting rate stabilization.⁴

In this Application SCE is incorporating two notable changes as compared to prior ERRA Forecast applications. First, SCE has removed all of the balancing account balances, other than the ERRA, Energy Settlements Memorandum Account and New System Generation Balancing Account, from the annual ERRA Forecast Proceeding revenue requirement, and instead will simply include those balances in rates through SCE's year-end consolidated revenue requirement and rate change advice filing. This treatment is similar to the manner in which Pacific Gas & Electric Company includes these balances in its Annual Electric True-up advice letter. SCE has not yet received a Commission decision in its 2015 ERRA Forecast proceeding, but proposed making that change there. That proposal was uncontested and has been adopted in both the PD and APD in that pending proceeding. Accordingly, in this application, SCE is only including the ERRA, Energy Settlements Memorandum Account and New System Generation Balancing Account forecast year-end 2015 balances in the 2016 ERRA Forecast revenue requirement.

Second, as directed by the Commission's *Phase 2 Decision Adopting Standard Procedures for Electric Utilities to File Greenhouse Gas (GHG) Forecast Revenue and Reconciliation (FR&R) Requests (D.14-10-033)*, issued in A.13-08-002 et al, dated October 16, 2014, the utilities are to include their Greenhouse Gas (GHG) revenue and reconciliation requests as an additional chapter or section within the annual ERRA Forecast applications, commencing with the 2016 Forecast Period.⁵ Therefore, this Application includes SCE's 2016 forecast of GHG-related costs and GHG allowance revenue and revenue returns to eligible customers.

Concurrently with the filing of this application, SCE is serving direct testimony, which has been preliminarily marked as Exhibit SCE-01. That testimony addresses the following:

⁴ This proposal is dependent on whether the November updated ERRA balancing account balance is significantly over- or under-collected.

⁵ D.14-10-033, Ordering Paragraph (OP) 10.

- Chapter I, Introduction and overview
- Chapter II, A discussion of SCE's estimated 2016 revenue requirement and the resulting rate change
- Chapter III, SCE's Bundled Energy Forecast
- Chapter IV, Forecast Energy Production and Costs from SCE's Portfolio of Resources
- Chapter V, Financing Costs
- Chapter VI, Carrying Costs
- Chapter VII, GHG Forecast Costs and Revenues and Reconciliation
- Chapter VIII, 2016 Forecast Revenue Requirement and Ratemaking Issues
- Chapter IX, Cost Responsibility Surcharges (Direct Access, Departing Load, and Community Choice Aggregation)
- Appendix A, Estimated December 31, 2015 Balancing Account Balances
- Appendix B, Indifference Rate Calculation

The decrease in SCE's 2016 ERRA Forecast Proceeding revenue requirement is primarily due to the following factors:

- SCE forecasts a natural gas price of \$3.15/MMBtu for 2016, which is \$0.91 (22%) lower than the average gas price included in the 2014 ERRA updated forecast and \$0.96 (23%) lower than the average gas price included in the 2015 ERRA updated forecast;
- SCE forecasts a decrease in short-term power costs;
- SCE expects lower CHP and Renewables-related costs due to lower SRAC payments; and
- SCE has updated the capacity price proxy to reflect the price included in the latest CPUC Resource Adequacy report.

Compared to revenue at SCE's current revenue requirement, this application requests a revenue decrease of 8.44%, beginning in January 2016. The following table shows an estimate of proposed revenue changes by customer group if SCE's ERRA rate change is approved as requested:

Table I-1
2016 ERRA Forecast Proceeding Revenue Change

Customer Group	System			Bundled	
	Current Revenues (\$000)	Revenues Change (\$000)	% Change	Current Rates (¢/kWh)	Proposed Rates (¢/kWh)
Residential	5,022,207	-440,002	-8.76%	17.29	15.77
Lighting - Small and Medium Power	4,625,971	-357,465	-7.73%	17.69	16.26
Large Power	2,086,665	-192,898	-9.24%	12.51	11.25
Agricultural and Pumping	408,705	-34,683	-8.49%	14.22	13.01
Street and Area Lighting	135,686	-6,120	-4.51%	18.53	17.69
Standby	271,138	-28,320	-10.44%	10.52	9.36
Total	12,550,372	-1,059,488	-8.44%	16.19	14.78

If SCE's proposed ERRA rate change is approved, an average non-CARE residential electric customer would see a bill decrease of \$8.20 per month, from \$102.99 to \$94.79. This Application is a forecast and is likely to change prior to including these rates in next year's electric rates. Consistent with past ERRA Forecast applications, SCE expects to update this Application in November 2015, so that the latest forecast assumptions can be incorporated into SCE's 2016 rates.

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, D.04-01-050, D.04-01-048, D.04-03-023, D.14-05-006, 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, 2.2 and 3.2.

SCE's Application has been verified by an SCE officer as provided in Rules 1.11 and 2.1.

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

Rule 2.1 sets forth further requirements that are addressed separately below.

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). 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 California Public Utilities Commission. SCE's properties, which are located primarily within the State of California, consist mainly 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:

Russell A. Archer
Senior Attorney
P.O. Box 800
2244 Walnut Grove Avenue
Rosemead, CA 91770
Telephone: 626 302-2865
e-mail: russell.archer@sce.com

Melissa Ann Schary Hernandez, Case
Administrator
Southern California Edison Company
P.O. Box 800
2244 Walnut Grove Avenue
Rosemead, CA 91770
Telephone: (626) 302-6509
e-mail: caseadmin@sce.com

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.”⁶

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. For purposes of Rule 7.1, SCE proposes that this proceeding be categorized as ratesetting.

⁶ TITLE 20 CAL. CODE REGS. Div. 1, Art. 2, §2.1.

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).

3. Issues to Be Considered

In general, the issues to be considered are discussed 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	May 1, 2015
Protests (if any) due	30 days from the date the notice of the filing of the Application appears in the Daily Calendar [approximately June 5, 2015]
Reply to Protests	10 days from the deadline for Protests [approximately June 15, 2015]
Pre-Hearing Conference	June 22, 2015
ORA/Intervenor Testimony due	July 6, 2015
SCE Rebuttal Testimony due	July 27, 2015
Hearings (if needed)	August 13 and 14, 2015
SCE Update Testimony	Mid-November 2015
Concurrent Briefs	To Be Determined
Proposed Decision	November 20, 2015
Comments on Proposed Decision	December 10, 2015
Replies to Comments to Proposed Decision	December 15, 2015
Final Commission Decision	December 17, 2015 [Last Commission Meeting of 2015]

D. Organization and Qualification to Transact Business– Rule 2.2

In compliance with Rule 2.2,⁷ 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 incorporated herein by this reference pursuant to Rule 2.2 of the Commission's Rules of Practice and Procedure.

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 California Secretary of State, was filed with the Commission on April 1, 2011, in connection with Application No. 11-04-001, and is incorporated herein by this reference.

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 incorporated herein by this reference.

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 incorporated herein by this reference.

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 incorporated herein by this reference.

⁷ 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.

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 incorporated herein by this reference.

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 3.2⁸

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 March 31, 2015, and income statement for the period ended March 31, 2015, 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 accompanying this application. 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

⁸ Rule 3.2 ostensibly only applies to applications to increase rates, but SCE is providing this information for completeness purposes.

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 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 in rates 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 lists established by the Commission for A-14-06-011⁹ and A.15-04-002.¹⁰

⁹ This is the service list for SCE's 2015 ERRa Forecast Application.

¹⁰ This is the service list for SCE's ERRa Review Application for the 2014 Record Period.

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

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2865
Facsimile: (626) 302-6795
E-mail: russell.archer@sce.com

May 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 May, 2015**, at Rosemead, California.

/s/ Ron Nichols

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

Appendix A

SCE's Balance Sheet and Income Statement

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET
MARCH 31, 2015
ASSETS
(in millions)

UTILITY PLANT:

Utility plant, at original cost *	\$ 38,505
Less- accumulated provision for depreciation and decommissioning *	8,371
	<u>30,134</u>
Construction work in progress	2,985
Nuclear fuel, at amortized cost	130
	<u>33,249</u>

OTHER PROPERTY AND INVESTMENTS:

Nonutility property - less accumulated depreciation of \$76	69
Nuclear decommissioning trusts	4,896
Other investments	164
	<u>5,129</u>

CURRENT ASSETS:

Cash and equivalents	36
Receivables, less allowances of \$67 for uncollectible accounts	732
Accrued unbilled revenue	636
Inventory	282
Derivative assets	94
Regulatory assets	1,152
Deferred income taxes	-
Other current assets	400
	<u>3,332</u>

DEFERRED CHARGES:

Regulatory assets	7,737
Derivative assets	212
Other long-term assets	314
	<u>8,263</u>
	<u>\$ 49,973</u>

* Detailed by class on following pages.

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET
MARCH 31, 2015
CAPITALIZATION AND LIABILITIES
(in millions)

CAPITALIZATION:

Common stock	\$ 2,168
Additional paid-in capital	631
Accumulated other comprehensive loss	(27)
Retained earnings	8,590
Common shareholder's equity	<u>11,362</u>
Preferred and preference stock	2,070
Long-term debt	<u>10,523</u>
Total capitalization	<u>23,955</u>

CURRENT LIABILITIES:

Short-term debt	297
Current portion of long-term debt	300
Accounts payable	1,211
Accrued taxes	133
Customer deposits	228
Derivative liabilities	185
Regulatory liabilities	435
Deferred income taxes	278
Other current liabilities	965
	<u>4,032</u>

DEFERRED CREDITS:

Deferred income taxes and credits	8,390
Derivative liabilities	1,107
Pensions and benefits	1,681
Asset retirement obligations	2,823
Regulatory liabilities	5,972
Other deferred credits and other long-term liabilities	2,013
	<u>21,986</u>

\$ 49,973

SOUTHERN CALIFORNIA EDISON COMPANY

STATEMENT OF INCOME
THREE MONTHS ENDED MARCH 31, 2015

(In millions)

OPERATING REVENUE	<u>\$ 2,508</u>
OPERATING EXPENSES:	
Purchase power and fuel	786
Other operation and maintenance	621
Depreciation, decommissioning and amortization	463
Property and other taxes	88
Impairment and other charges	-
Total operating expenses	<u>1,958</u>
OPERATING INCOME	550
Interest and other income	33
Interest expense	(136)
Other expenses	(7)
INCOME BEFORE INCOME TAX	<u>440</u>
INCOME TAX	<u>107</u>
NET INCOME	333
Less: Preferred and preference stock dividend requirements	<u>28</u>
NET INCOME AVAILABLE FOR COMMON STOCK	<u>\$ 305</u>

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%