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**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298**FILED**

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A2310001

June 7, 2024

**Agenda ID #22676**  
**Ratesetting**

TO PARTIES OF RECORD IN APPLICATION 23-10-001:

This is the proposed decision of Administrative Law Judge Regina DeAngelis. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's July 11, 2024 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE  
Michelle Cooke  
Chief Administrative Law Judge

MLC:avs  
Attachment

Decision PROPOSED DECISION OF ALJ DeANGELIS (Mailed 6/7/2024)

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

Application of Southern California  
Edison Company (U338E) for  
Authorization to Recover 2022  
Incremental Costs Related to Wildfire  
Mitigation and Vegetation  
Management.

Application 23-10-001

**DECISION GRANTING, IN PART, MOTION FOR EXPEDITED INTERIM RATE  
RECOVERY FOR 2022 WILDFIRE MITIGATION AND VEGETATION  
MANAGEMENT COSTS**

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**DECISION GRANTING, IN PART, MOTION FOR EXPEDITED INTERIM RATE RECOVERY FOR 2022 WILDFIRE MITIGATION AND VEGETATION MANAGEMENT COSTS**

**Summary**

This decision grants, in part, the January 12, 2024 motion filed by Southern California Edison Company (SCE) requesting interim rate recovery of \$210.013 million (including interest, as of August 2023), subject to refund, associated with costs primarily incurred in 2022 and recorded in three wildfire mitigation and vegetation management-related memorandum and balancing accounts: (1) Wildfire Mitigation Plan Memorandum Account, (2) Fire Risk Mitigation Memorandum Account, and (3) Vegetation Management Balancing Account. The Commission's approval represents an interim rate recovery of 55% of \$383.5 million, the total amount SCE seeks authority to collect from ratepayers in this proceeding. This decision authorizes SCE to file a Tier 2 Advice Letter to implement the interim rate increase, subject to refund. This decision denies SCE's request to recover amounts above the 55% authorized today at the end of the 17-month collection period if a decision on the reasonableness of the total remains pending.

This proceeding remains open.

**1. Background**

Today's decision addresses a request by Southern California Edison Company (SCE) for expedited interim rate recovery, subject to refund, submitted together with Application (A.) 23-10-001, *Application of Southern California Edison Company (U338E) for Authorization to Recover 2022 Incremental Costs Related to Wildfire Mitigation and Vegetation Management* (Application). As explained in more detail below, SCE first presented this request to the Commission on October 3, 2023, *Motion for Interim Rate Recovery* (October 3, 2023 Motion). At that

time, SCE requested authority to recover from ratepayers 85% of the \$383.5 million sought in this proceeding on an expedited basis, subject to refund, while the Commission continued to evaluate the reasonableness of the total amount sought in the Application.<sup>1</sup>

SCE explains that the total amount sought, \$383.5 million, includes costs recorded in the following accounts: (1) 2022 wildfire mitigation expenses of \$112.914 million and capital expenditures of \$135.736 million in the Wildfire Mitigation Plan Memorandum Account (WMPMA) and the Fire Risk Mitigation Memorandum Account (FRMMA); and (2) 2022 vegetation management expense of \$245.168 million recorded in the Vegetation Management Balancing Account (VMBA).<sup>2</sup> SCE's Application requests, among other things, that the Commission find just and reasonable pursuant to Public Utilities Code (Pub. Util. Code) Section 451 these wildfire and vegetation management costs.<sup>3</sup> Parties filed protests and responses in opposition to SCE's Application.<sup>4</sup> SCE filed a reply to the protests.

On November 3, 2023, in response to SCE's October 3, 2023 Motion, Public Advocates Office at the California Public Utilities Commission (Cal Advocates),

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<sup>1</sup> SCE October 3, 2023 Motion at 1-2.

<sup>2</sup> Section 451 provides, in relevant part, as follows: "All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable." Upon a finding of "just and reasonable," SCE requests in the Application that the Commission authorize SCE to collect these amounts, together with interest, in its revenue requirement, which would total approximately \$383.5 million, through distribution rates over a 12-month amortization period. (SCE Application at 3.) To the extent applicable, the amounts noted are above the reasonableness thresholds previously determined by the Commission.

<sup>3</sup> All section references are to the Pub. Util. Code, unless otherwise specified. SCE January 12, 2024 Supplemental Motion at 5. The amounts include interest as of August 31, 2023.

<sup>4</sup> All pleadings filed in this proceeding are available on the Commission's website at *Docket Card* and by searching *A2310001*.

The Utility Reform Network (TURN), and Small Business Utility Advocates (SBUA) filed responses in opposition to SCE's request. SCE filed a reply on November 13, 2023.

On January 9, 2024, a prehearing conference was held. At the prehearing conference, the City of Rancho Palos Verdes sought the opportunity for further time to review and comment upon SCE's request for expedited interim rate recovery.<sup>5</sup> When addressing the topic of expedited rate recovery, SCE stated it had revised its proposal to, among other things, reduce its initial request for interim rate recovery from 85% to 55% of the total amount sought. SCE stated it planned to promptly file a motion with details of its revised interim rate proposal.

On January 12, 2024, SCE filed its revised proposal, *Supplemental Motion for Interim Rate Recovery* (January 12, 2024 Supplemental Motion) and reduced its interim rate proposal to *no more than 55%* interim rate recovery (approximately \$210 million, including interest as of August 31, 2023) over a period of 17 months beginning March 1, 2024.<sup>6</sup> SCE's revised request also included a provision seeking a further revenue requirement increase beyond the 55% *and up to 85%* should the proceeding remain pending after the conclusion of its proposed 17-month interim rate collection period. SCE further stated that the terms of its January 12, 2024 Supplemental Motion represent a compromise with Cal Advocates and SBUA and, as a result of this compromise, Cal Advocates and SBUA do not oppose the reduced interim rate recovery proposal set forth in SCE's January 12, 2024 Supplemental Motion.<sup>7</sup>

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<sup>5</sup> Reporter's Transcript A.23-10-001 January 9, 2024 at 27.

<sup>6</sup> SCE January 12, 2024 Supplemental Motion at 1-2.

<sup>7</sup> SCE January 12, 2024 Supplemental Motion at 3.

On January 29, 2024, TURN and the City of Rancho Palos Verdes filed responses in opposition to SCE's January 12, 2024 Supplemental Motion. On February 6, 2024, SCE filed a reply to these responses in opposition.

This decision finds that SCE's initial motion dated October 3, 2023, which sought 85% of the total amount, was rendered moot by SCE's January 12, 2024 Supplemental Motion. This decision makes no determination on SCE's request set forth in its Application regarding whether the costs, the approximately \$383.5 million, requested by SCE are "just and reasonable" under Pub. Util. Code Section 451 and related provisions of the law. This decision only addresses the terms of the request for interim rate relief set forth in SCE's modified proposal dated January 12, 2024.

## **2. Issue Before the Commission**

The issue before the Commission is whether SCE has sufficiently proven that expedited interim rate recovery, subject to refund, is warranted regarding 55% (approximately \$210 million) of the total costs presented (approximately \$383.5 million) on the basis that "fairness to both the utility and the public required immediate action."<sup>8</sup>

## **3. Burden of Proof – Expedited Interim Rate Increases**

This proceeding is a ratesetting proceeding.<sup>9</sup> In ratesetting proceedings, the utility must meet the burden of proving by the preponderance of evidence that it is entitled to the relief requested.<sup>10</sup> No disputed issue of material fact was

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<sup>8</sup> Decision (D.) 23-06-004, *Decision Granting Interim Rate Recovery* (PG&E) (June 8, 2023) at 10, citing to *TURN v. PUC* (1988) 44 Cal.3d at 879. SCE states that most but not all costs were incurred in 2022.

<sup>9</sup> February 15, 2024 *Assigned Commissioner's Scoping Memo and Ruling* at 11.

<sup>10</sup> D.20-10-026, *Decision Approving Interim Rate Recovery* (October 22, 2020) at 21-22, citing to D.03-09-021, *In the Matter of the Application of California Water Company* (September 2003) at 17.

identified in connection with SCE's request for expedited interim rate recovery and, as a result, the Commission's resolution of the motion rests on the merits of the arguments of policy and law presented in the pleadings.<sup>11</sup> Intervenors do not have the burden of proving the unreasonableness of a utility's arguments in a ratesetting proceeding but may challenge the utility's rationale and conclusions through the presentation of additional rationales and alternative conclusions.<sup>12</sup> Once the parties have completed their arguments, the Commission's role is to weigh arguments presented and approve, modify, or deny SCE's request for interim rate recovery, in whole or in part.<sup>13</sup>

#### **4. Standard of Review – Expedited Interim Rate Recovery**

As affirmed by the California Supreme Court, the Commission has the power to authorize interim rate recovery prior to determining, as required by Pub. Util. Code Section 451, the reasonableness of the utility's costs.<sup>14</sup> The Court found that "the commission's authority to grant interim rate relief is well established"<sup>15</sup> and described relevant facts as situations "in which fairness to both the utility and the public required immediate action."<sup>16</sup>

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<sup>11</sup> D.20-10-026 at 22.

<sup>12</sup> D.20-10-026 at 22.

<sup>13</sup> D.20-10-026 at 22.

<sup>14</sup> D.20-10-026 at 23, *citing to City of Los Angeles v. Public Utilities Commission* (1972) 7 Cal.3d 331 (the Commission "may grant interim rate increases should it find them appropriate"), *citing to Pacific Telephone and Telegraph Company* (1949) 48 Cal.P.U.C. 487.

<sup>15</sup> D.20-10-026 at 23, *citing to Toward Utility Rate Normalization v. Public Utilities Commission* (1988) 44 Cal.3d 870 at 877.

<sup>16</sup> D.23-06-004 at 10, *citing to Toward Utility Rate Normalization v. Public Utilities Commission* (1988) 44 Cal.3d at 879.



In applying the Court's standard of "fairness to both the utility and the public required immediate action" to the facts of past proceedings, the Commission has weighed a number of factors when deciding whether to grant or deny these utility requests, including the following: promote fairness to both the utility and the public;<sup>17</sup> reduce the potential for rate shock;<sup>18</sup> preserve the financial integrity of the utility, minimize costs incurred by ratepayers, and ensure rate stability;<sup>19</sup> and smooth rate impacts on customers.<sup>20</sup> In addition, "intergenerational equity" has been considered.<sup>21</sup> Moreover, the Commission recently confirmed that not all the above factors must be established but that "[a]ny one of those factors may be sufficient for the Commission to grant relief."<sup>22</sup>

In the past several years, the Commission has authorized interim rate recovery more frequently, primarily in proceedings involving energy utilities

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<sup>17</sup> D.20-10-026 at 23, *citing to* D.02-07-031, *Opinion Granting Interim Rate Increase of 2¢/kWh* (July 17, 2002) at 14 (fairness, not an emergency, is required); D.19-04-039, *Interim Decision Granting Interim Rate Relief and Denying Recovery of Forecasted Costs* (PG&E) (April 25, 2019) at 6.

<sup>18</sup> D.20-10-026 at 23, *citing to* D.16-08-003, *Interim Decision Authorizing Memorandum Accounts and Interim Rate Increase Subject to Refund* (Sempra Utilities) (August 18, 2016) at 9.

<sup>19</sup> D.20-10-026 at 23, *citing to* D.88-05-074, *Interim Order* (SCE) (May 25, 1988) at 19.

<sup>20</sup> D.20-10-026 at 23, *citing to* D.19-04-039, *Interim Decision Granting Interim Rate Relief and Denying Recovery of Forecasted Costs* (PG&E) (April 25, 2019).

<sup>21</sup> D.23-06-004 at 10 (decision granting motion by PG&E for \$1.104 billion (85% of total requested) over 12-months in interim rate recovery for wildfire-related and catastrophic event-related costs primarily incurred in 2021.), *citing to* D.22-05-001, *Decision Denying San Diego Gas & Electric Company's Application For Interim Rate Relief* (May 5, 2022) at 13-14; May 22, 2020 *Administrative Law Judge Ruling Denying SCE's Motion for Interim Rate Recovery in A.19-08-013*.

<sup>22</sup> D.20-10-026 at 23, *citing to* D.02-07-031, *Opinion Granting Interim Rate Increase of 2¢/kWh* (July 17, 2002) at 12-13.

seeking expeditious recovery of costs related to wildfire mitigation and catastrophic events recorded in memorandum and balancing accounts.<sup>23</sup>

## **5. Discussion**

### **5.1. SCE Request**

SCE's January 12, 2024 Supplemental Motion requests authorization to include in customer rates 55% (approximately \$210 million) of its total request in its Application, subject to refund, over a 17-month period beginning on March 1, 2024.<sup>24</sup> SCE estimates that its request will result in a \$1.35 increase to the average residential ratepayer's monthly bill (also expressed as an 0.8% increase).<sup>25</sup> SCE further states that, to the extent the Commission's final decision in this proceeding approves a lower level of cost recovery than authorized through interim rates, it will return the difference to ratepayers.<sup>26</sup> SCE also requests that, if a final decision remains pending at the conclusion of its requested 17-month collection period, SCE be authorized to continue to collect costs in its revenue requirement until SCE has recovered 85% of SCE's total amount requested (approximately \$312 million, excluding interest).<sup>27</sup>

In support of its motion, SCE cites to ratepayer savings of accrued interest of approximately \$7.1 million with SCE also sharing in indirect financial

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<sup>23</sup> See, e.g., D.24-02-010; D.23-06-004, D.20-10-026, D.19-04-039, and D.88-05-074.

<sup>24</sup> SCE January 12, 2024 Supplemental Motion at 4.

<sup>25</sup> SCE January 12, 2024 Supplemental Motion at 8. SCE's initial request, the October 3, 2023 Motion, requested 85% of the total request or approximately \$312 million (excluding interest.) (SCE's Application at 11.)

<sup>26</sup> SCE January 12, 2024 Supplemental Motion at 4.

<sup>27</sup> SCE October 3, 2023 Motion at 1. SCE January 12, 2024 Supplemental Motion at 4-5. SCE explains that this additional amount will be moved into rates by transferring 1/12 of the annualized revenue requirement on a monthly basis from the WMPMA, FRMMA and VMBA to the distribution sub-account of the Base Revenue Requirement Balancing Account to align the ratemaking with amounts recovered in customer rates.

benefits.<sup>28</sup> For example, SCE argues that ratepayers and the utility will indirectly benefit because interim rates will prevent negative perceptions of regulatory risk and related credit metrics from, for example, the hypothetical drop in credit rating suggested by SCE.<sup>29</sup>

However, SCE's primary argument in support of its motion is that interim relief is warranted based on "mounting undercollections due to regulatory lag."<sup>30</sup> SCE states that the "extended Commission decision timelines" for resolving SCE's prior four applications seeking approval of wildfire-related costs have resulted in increased financing costs to customers "totaling approximately \$28 million" based on the delay of moving corporate debt into rates.<sup>31</sup>

Lastly, SCE asserts that its request is not an attempt to "utilize interim rate increases as a routine practice."<sup>32</sup> In short, SCE argues that fairness to both

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<sup>28</sup> SCE October 3, 2023 Motion at 16-17.

<sup>29</sup> SCE October 3, 2023 Motion at 16-17.

<sup>30</sup> SCE Application at 11. Notably, in a related proceeding, A.22-06-003, the Commission granted SCE's request to collect costs of approximately \$327.19 million incurred in 2021 and associated with wildfire mitigation and vegetation management. (D.24-03-008 March 7, 2024.) "Since 2020, SCE has submitted four applications seeking cost-recovery for wildfire-related work tracked in a memorandum account or balancing account where proceeding schedule to issue decisions on the applications have been significantly extended, even in cases where parties to the proceedings have not meaningfully contested the reasonableness of the costs SCE incurred to perform wildfire mitigation activities." (SCE Application at 11.)

<sup>31</sup> SCE November 13, 2023 Reply at 6; SCE October 3, 2023 Motion at 3, citing to Exhibit A, Declaration of Natalia Woodward at 4. These four prior applications and the timeline for resolution are described in SCE's October 3, 2023 Motion. These applications include: (1) A.20-12-010, (2) A.21-09-019, (3) A.22-03-018, and (4) A.22-06-003.

<sup>32</sup> SCE November 13, 2023 Reply at 5.

ratepayers and SCE together with “cash-flow pressures” justify the request for interim rate recovery on an expedited basis.<sup>33</sup>

## 5.2. Party Responses

SBUA and Cal Advocates do not oppose SCE’s request for the 55% interim rate recovery, subject to refund, but disagree with SCE’s rationale to support its request. In contrast, TURN and City of Rancho Palos Verdes oppose SCE’s request entirely.

Cal Advocates and SBUA initially opposed SCE’s larger request of 85% of the total amount. These parties do not oppose SCE’s modified 55% request, which reduced the interim rate recovery request to \$210 million from \$312 million, and suggests that the decreased amount is more acceptable than its initial request of 85% of the total amount. SBUA’s and Cal Advocates’ decision to not oppose the lesser amount of 55% is based on the Commission’s treatment of similar costs in D.20-10-026, in which the Commission approved 55% of an interim rate request for wildfire mitigation and catastrophic event costs by PG&E.<sup>34</sup>

Cal Advocates does not, however, agree with some aspects of SCE’s reasoning. Cal Advocates states that SCE’s efforts to draw parallels to the Commission’s recent decision, D.23-06-004, regarding a request by PG&E for interim rate recovery, are without merit.<sup>35</sup> According to Cal Advocates, D.23-06-004 granted PG&E interim rates of 85% of the total request based on

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<sup>33</sup> SCE’s November 13, 2023 Reply at 5-7 (SCE sufficiently demonstrated cash flow pressures and circumstances supporting interim rate recovery) and 4-5 (SCE is not required to show that its financial integrity would be jeopardized without interim rate recovery.)

<sup>34</sup> SBUA November 3, 2023 Response at 2 and Cal Advocates November 3, 2023 Response at 1-2, citing to D.20-10-026, *Decision Approving Interim Rate Recovery* (October 22, 2020).

<sup>35</sup> D.23-06-004, *Decision Granting Interim Rate Recovery* (PG&E) (June 8, 2023).

PG&E's "perceived" dire financial circumstances and need for a lower interest rate on debt to better PG&E's credit rating and increase PG&E's cash flow.<sup>36</sup> Cal Advocates states that SCE has not demonstrated in this proceeding that SCE is "suffering these same or similar financial concerns."<sup>37</sup> In addition, Cal Advocates notes that, should the Commission grant interim rate recovery here, the Commission should reject any efforts by SCE to characterize interim rate recovery as the norm. According to Cal Advocates, interim rate recovery remains the exception, not the norm, consistent with D.20-10-026.<sup>38</sup>

Similarly, SBUA disagrees with aspects of SCE's reasoning. In response to SCE's reliance on D.23-06-004, SBUA states "The Commission's decision in D.23-06-004 of 85% was an exceptional circumstance that should not be normalized."<sup>39</sup> Neither Cal Advocates nor SBUA find convincing SCE's attempt to argue, consistent with D.23-06-004, that the possibility of a drop in credit rating from its existing A2/A- to A3/BBB+ (Moody's/S&P ratings) would be similar to PG&E's credit rating situation described in D.23-06-004, which was BBB or "below investment grade."<sup>40</sup> SBUA also cautions against approval of "excessively high levels of interim rate relief" due to the possibility that such authorization will deter future settlement by the utility.<sup>41</sup>

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<sup>36</sup> Cal Advocates November 3, 2023 Response at 3, *citing to* D.23-06-004 at 14.

<sup>37</sup> Cal Advocates November 3, 2023 Response at 3.

<sup>38</sup> Cal Advocates November 3, 2023 Response at 2, *citing to* D.20-10-026, *Decision Approving Interim Rate Recovery* (October 22, 2020) at 23 (interim rate authorization is "uncommon") and 31 (fn. 63) (interim rate authorization is "infrequent").

<sup>39</sup> SBUA November 3, 2023 Response at 3.

<sup>40</sup> SBUA November 3, 2023 Response at 2.

<sup>41</sup> SBUA November 3, 2023 Response at 4. SBUA expands upon this argument, stating, among other things, that "SBUA is concerned that the granting of up-front recovery, with the concomitant contingent obligation on SCE to later return over collected funds with paid by

*Footnote continued on next page.*

In opposition to SCE's request, TURN states that interim rate recovery is not a routine part of ratemaking and asserts no "extreme financial conditions" exist in this proceeding to justify the requested relief.<sup>42</sup> TURN states that, based on SCE's good financial standing, it is unlikely SCE will be harmed financially by waiting to recover costs until the resolution of the proceeding.<sup>43</sup> In addition, TURN states that an important consideration in evaluating SCE's request is the "broader context" within which this expedited interim rate recovery is sought and suggests that the Commission recently relied on an analysis of the "broader context" to deny interim rate recovery to San Diego Gas & Electric Company (SDG&E).<sup>44</sup> According to TURN, the Commission's analysis of the broader context requires taking into consideration other recent and upcoming opportunities for the utility to implement rate changes, such as general rate cases, the frequency of recent rate increases, and the impact of rate increases if implemented during high usage weather periods when customers are "more sensitive to rate shock impacts."<sup>45</sup> TURN also urges the Commission to deny SCE's request so that customers can recover from a series of recent rate increases by SCE.<sup>46</sup> Finally, TURN claims SCE does not explain how the alleged

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shareholders, will impose an added 'penalty' on SCE for settling in any way that risks dropping recovery below its interim collection amount."

<sup>42</sup> TURN November 3, 2023 Response at 1; TURN January 29, 2024 Response at 3.

<sup>43</sup> TURN November 3, 2023 Response at 1.

<sup>44</sup> TURN January 29, 2024 Response at 2. *See, e.g.,* D.22-05-001, *Decision Denying San Diego Gas & Electric Company's Application for Interim Rate Relief* (May 5, 2022) at 13-14 (denying SDG&E's request for interim rate relief.)

<sup>45</sup> TURN January 29, 2024 Response at 2-3, citing to A.19-08-013, May 22, 2020 *Administrative Law Judges' Ruling Denying Southern California Edison Company's Motion for Interim Rate Relief* at 9-10.

<sup>46</sup> TURN January 29, 2024 Response at 3.

approximately \$7 million in “savings” will achieve a meaningful degree of help or mitigate customer impacts in light of other SCE recent rate increases.<sup>47</sup>

Overall, TURN finds that SCE has failed to establish any of the factors recently considered by the Commission in D.23-06-004, the decision granting PG&E’s motion for \$1.104 billion (85% of total requested) for expedited interim rate recovery for wildfire-related and catastrophic event-related costs.

The City of Rancho Palos Verdes also opposes SCE’s request and states that denial is appropriate because expedited interim rate increases are reserved for extraordinary situations that require immediate Commission action and “SCE has not demonstrated how fairness to the public and SCE requires immediate action.”<sup>48</sup> In addressing the potential for financial harm to SCE in the absence of expedited interim rate recovery, the City of Rancho Palos Verdes states that SCE has not shown it is likely to be harmed by waiting until the resolution of this proceeding.<sup>49</sup> In addition, the City of Rancho Palos Verdes raises a concern of potential harm to customers. Should the Commission approve excessive interim relief, the City of Rancho Palos Verdes states that customers could be harmed by overpaying during challenging economic times and while refunds are being processed.<sup>50</sup> Overall, the City of Rancho Palos Verdes finds no evidence that Commission rate recovery is needed “immediately” due to any identified harm.

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<sup>47</sup> TURN January 29, 2024 Response at 3.

<sup>48</sup> City of Rancho Palos Verdes January 29, 2024 Response at 2 and 5.

<sup>49</sup> City of Rancho Palos Verdes January 29, 2024 Response at 2-3.

<sup>50</sup> City of Rancho Palos Verdes January 29, 2024 Response at 4.

### **5.3. Request for Expedited Interim Rate Recovery of 55%, Subject to Refund, is Granted, In Part**

After reviewing SCE's pleadings and the responsive pleadings filed by the parties, the Commission finds that SCE has met the standard set forth in D.23-06-004 for granting expedited interim rate recovery, subject to refund, and has established by the preponderance of evidence that fairness to both the utility and the public require this immediate action.<sup>51</sup>

First, regarding fairness to ratepayers, the Commission finds persuasive SCE's argument that saving ratepayers approximately \$7 million is significant and weighs in favor of granting the interim rate recovery, subject to refund, especially in the context of rising energy rates. For this reason, the Commission finds that SCE has met one component of the required standard for authorizing interim rate relief, that SCE's projected savings of approximately \$7 million promotes fairness to ratepayers and is in the public interest.

In addition, the Commission finds persuasive SCE's argument that fairness to the utility, meaning here to "preserve the financial integrity of the utility," weighs in favor of granting the request, subject to refund. The Commission agrees with SCE that, should SCE's expedited interim rate recovery request be denied, its secured debt credit rating of A2/A- (Moody's/S&P) could decrease to A3/BBB+, which would possibly result in increased borrowing costs to the utility. Consistent with past precedent, preserving the financial integrity of the utility is a sufficient basis for granting a request for expedited interim rate recovery, subject to refund. Contrary to TURN's and the City of Rancho Palos Verdes' arguments "extreme financial conditions" or other "extraordinary situations" are not required. As such, the Commission finds that the second

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<sup>51</sup> D.23-06-004 at 10, *citing to* TURN v. PUC (1988) 44 Cal.3d at 879.



component of the required standard for authorizing interim rate relief, supporting SCE's financial integrity, promotes fairness to the utility and is in the public interest.

Furthermore, the Commission finds that fairness requires "immediate" action by the Commission in this proceeding to capture ratepayer savings of at least \$7 million and support the continued secured debt credit rating of A2/A- (Moody's/S&P) of SCE because with the passage of time, these benefits may diminish. However, the Commission acknowledges the position of Cal Advocates, SBUA, and TURN that interim rate recovery is not a routine part of ratemaking, and factors, such as in D.23-06-004, must be considered.

Regarding the City of Rancho Palos Verdes' argument that customers could be harmed by overpaying during challenging economic times, the Commission agrees that refunds due to overpayments must be avoided and, for this reason, agrees that, while SCE's 85% request was excessive, the lower interim rate recovery of 55% of the total amount requested is an amount unlikely to result in overpayment.

To summarize, the Commission finds that ratepayer savings of \$7 million promotes fairness to ratepayers, continued stable credit ratings promotes fairness to the utility, and immediate action is required to achieve these preferred outcomes. Because the Commission found in D.20-10-026, D.02-07-031 and other decisions that the utility need only establish one, and not more, of the many factors taken into consideration when considering a request for interim rate recovery, no further justifications are needed to authorize SCE's request.

For all these reasons, the Commission approves of SCE's interim rate request and authorizes SCE to file a Tier 2 Advice Letter implementing an interim rate increase of 55% of its total requested revenue requirement in its

Application, which amount to \$210.013 million (2022 costs recorded in the Wildfire Mitigation Plan Memorandum Account, Fire Risk Mitigation Memorandum Account, and Vegetation Management Balancing Account), subject to refund with interest, as soon as practicable over a 17-month period.

#### **5.4. Request to Continue Interim Rate Recovery Beyond 17-Month Period is Denied**

As set forth above, SCE also requests that, if a final decision remains pending at the conclusion of the proposed 17-month collection period, SCE be authorized to continue the interim rate collection as part of its revenue requirement until SCE has recovered 85% of SCE's total request and to transfer 1/12 of the annualized revenue requirement on a monthly basis from the WMPMA, FRMMA and VMBA to the distribution sub-account of the Base Revenue Requirement Balancing Account to align the ratemaking with amounts recovered in customers' rates.<sup>52</sup>

None of the parties supports SCE's request. The Commission finds persuasive the argument by Cal Advocates in opposition to SCE's additional request, that SCE has not demonstrated that it is "suffering these same or similar financial concerns" as presented by PG&E in D.23-06-004 to justify interim rate recovery beyond the 55% authorized here. The Commission agrees and finds SCE has not met the more exacting standard set forth in D.23-06-004 to justify a greater amount of interim rate recovery beyond 55%.

Accordingly, the Commission finds that SCE has not established by the preponderance of evidence that, should this proceeding not be resolved within 17 months, an increase to interim rate recovery above 55% is reasonable because fairness to both the utility and the public requires immediate action. As a result,

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<sup>52</sup> SCE January 12, 2024 Supplemental Motion at 4-5.

SCE's request to continue recovery of costs beyond the 17-month collection period of an amount above the 55% authorized herein is denied.

#### **6. Comments on Proposed Decision**

The proposed decision of Administrative Law Judge (ALJ) Regina DeAngelis in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on \_\_\_\_\_, and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

#### **7. Assignment of Proceeding**

Karen Douglas is the assigned Commissioner and Regina DeAngelis is the assigned ALJ in this proceeding.

#### **Findings of Fact**

1. As affirmed by the California Supreme Court, the Commission has the power to authorize interim rate recovery prior to determining the reasonableness of the utility's costs.
2. The granting of SCE's request for interim rate relief will result in ratepayer savings of approximately \$7.1 million with SCE also sharing in indirect financial benefits.
3. SCE's projected savings of approximately \$7.1 million from granting interim rate recovery is a significant amount, especially in the context of rising energy rates, promotes fairness to ratepayers, and is in the public interest.
4. SCE experienced "mounting undercollections due to regulatory lag" and "extended Commission decision timelines" for resolving four prior applications seeking approval of wildfire-related costs, which has resulted in increased

financing costs to customers “totaling approximately \$28 million” based on the delay of moving corporate debt into rates.

5. Preserving SCE’s financial integrity promotes fairness to the utility and is in the public interest.

6. The “immediate” granting of interim rate recovery in this proceeding supports the continued secured debt credit rating of A2/A- (Moody’s/S&P) of SCE and the passage of time may diminish these benefits.

7. SCE is not “suffering these same or similar financial concerns” as presented by PG&E in D.23-06-004 to justify interim rate recovery above 55% of SCE’s total requested cost recovery.

### **Conclusions of Law**

1. SCE has met the standard for granting interim rate recovery, subject to refund, and has established by the preponderance of evidence that fairness to both the utility and the public require this immediate action.

2. Saving ratepayers approximately \$7.1 million, which is a significant amount, weighs in favor of granting interim rate recovery, subject to refund, especially in the context of rising energy rates.

3. Consistent with past Commission decisions, it is reasonable to conclude that saving ratepayers approximately \$7.1 million is a sufficient basis for granting the request for interim rate recovery, subject to refund.

4. Fairness to SCE in this proceeding means to “preserve the financial integrity of the utility” and weighs in favor of granting the interim rate request, subject to refund, based on the possibility that SCE’s secured debt credit rating of A2/A- (Moody’s/S&P) could decrease to A3/BBB+, which would result in increased borrowing costs to the utility.

5. Consistent with past precedent, it is reasonable to conclude that preserving the financial integrity of SCE is a sufficient basis for granting the request for interim rate recovery, subject to refund.

6. SCE has not met its burden of proof by a preponderance of evidence, as illustrated in D.23-06-004, to justify its request for interim rate recovery above 55% of SCE's total requested cost recovery and beyond a 17-month collection period.

7. The January 12, 2024 Supplemental Motion is granted, in part.

### **O R D E R**

**IT IS ORDERED** that:

1. Southern California Edison Company's (SCE's) January 12, 2024 Supplemental Motion is granted, in part, and SCE is authorized to file a Tier 2 Advice Letter to implement interim rate recovery of \$210.013 million (2022 costs, with minor costs incurred in other years), which reflects amounts recorded in the Wildfire Mitigation Plan Memorandum Account, Fire Risk Mitigation Memorandum Account, and Vegetation Management Balancing Account as soon as practicable over a 17-month collection period.

2. To the extent that the Commission's final decision in this proceeding approves a lower level of cost recovery than \$210.013 million, Southern California Edison Company shall return the difference to ratepayers, with interest at the 90-day commercial paper rate, at the earliest opportunity.

3. Application 23-10-001 remains open.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.