



**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 that its Procurement-Related and
Other Operations for the Record Period
January 1 through December 31, 2022
Complied with its Adopted Procurement Plan;
for Verification of its Entries in the Energy
Resource Recovery Account and Other
Regulatory Accounts; and for Recovery of
\$51.442 Million Recorded in Five Accounts.

A.23-04-003

OPENING COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY
(U 338-E) ON THE PROPOSED DECISION APPROVING THE 2022 ENERGY RESOURCE
RECOVERY ACCOUNT COMPLIANCE APPLICATION

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Date: December 29, 2025

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(U 338-E) ON THE PROPOSED DECISION APPROVING THE 2022 ENERGY RESOURCE
RECOVERY ACCOUNT COMPLIANCE APPLICATION

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SUBJECT INDEX OF RECOMMENDED CHANGES

Pursuant to Rule 14.3(b) of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Southern California Edison Company (SCE) provides the following Subject Index of Recommended Changes in support of its Opening Comments on the Proposed Decision:

1. Authorize SCE to refund \$1.65 million to the Schedule General Municipal Surcharge (GMS) customers impacted by the 2022 franchise fee double charges through a one-time bill credit rather than through a reduction in the 2026 Schedule GMS revenue requirement;
2. Expressly acknowledge in the context of the CAISO sanctions disallowance that the applicable standard for reviewing utility actions is the reasonable and prudent manager standard; and
3. Correct a typo in Ordering Paragraph 6 and make other clarifying edits as discussed herein and shown in **Appendix A**.

I. INTRODUCTION

Pursuant to Rules 14.3 and 14.6(a)(7) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), Southern California Edison Company (SCE) respectfully submits the following *Opening Comments*.

SCE appreciates the diligence reflected in the proposed decision (PD) and supports its adoption with three modifications:

1. Authorize SCE to refund \$1.65 million to the Schedule General Municipal Surcharge (GMS) customers impacted by the 2022 franchise fee double charges through a one-time bill credit rather than through a reduction in the 2026 Schedule GMS revenue requirement;
2. Expressly acknowledge in the context of the CAISO sanctions disallowance that the applicable standard for reviewing utility actions is the reasonable and prudent manager standard; and
3. Correct a typo in Ordering Paragraph 6 and make other clarifying edits as discussed herein and shown in **Appendix A**.

SCE discusses these requested modifications below.

II. DISCUSSION

A. The PD Should be Modified to Authorize SCE to Issue One-Time Bill Credits to Refund the \$1.65 Million in Double Collected Franchise Fees to Impacted Customers

The PD orders SCE to refund \$1.65 million in franchise fees double charged to Schedule GMS customers in 2022 through a reduction in SCE's 2026 Schedule GMS revenue requirement.¹ While the PD is correct that this refund method was adopted in D.25-06-006, SCE ultimately issued the refund ordered in D.25-06-006 through a one-time bill credit for reasons explained in SCE's implementing Advice Letter 5594-E:

¹ See PD, Section 10.10.2. The double charging began in 2021. SCE did not discover the error in its tariffs until 2022, during SCE's 2023 ERRRA Forecast application (A.22-05-014). SCE modified its tariffs by removing the Franchise Fee Factor from the gross-up of the Power Charge Indifference Adjustment (PCIA) revenue requirement through a Tier 1 advice letter implementing the 2023 ERRRA Forecast rates. The tariff modification became effective on January 1, 2023 through SCE's consolidated revenue requirement and rate change advice letter. See Advice 4929-E, Sheet 4, footnote i, approved by the Energy Division of the CPUC on January 30, 2023.

SCE's billing system currently uses the same inputs for the Schedule GMS as it does for the Franchise Fee rate because the two rates are the same rate prior to the issuance of the refund. After [D.25-06-006], SCE discovered that in order to separate the two rates within the system for 2025, a system enhancement would be needed, which would require too much time to accomplish the refund in 2025. Without the system enhancement, SCE is unable to lower the Schedule GMS rate without also lowering the Franchise Fees rate, which would result in an undercollection of its Franchise Fees revenue requirement in 2025 in addition to an undercollection of its Schedule GMS revenue requirement in 2025. Moreover, a final decision on SCE's 2025 General Rate Case (GRC) is still pending that, if issued in 2025, will alter SCE's authorized Franchise Fees and Schedule GMS rates, which complicates and may further delay the timely issuance of the \$3.7 million refund in 2025.

Therefore, instead of accomplishing the \$3.7 million refund through a reduction in the GMS revenue requirement in 2025, SCE proposes a simpler approach of identifying Schedule GMS customers impacted by the 2021 franchise fee double charges and causing its shareholders to refund the \$3.7 million to those customers through a one-time bill credit within 45 days of this Advice Letter's approval. This is a simpler and more targeted approach that allows impacted customers to receive their refund in a timely manner in 2025 as contemplated in the Decision.²

The Commission approved Advice Letter 5594-E effective August 30, 2025.³

For similar reasons, SCE requests authority to issue the \$1.65 million refund ordered in the PD to customers impacted by the franchise fee double charges in 2022 via one-time bill credits within 45 days of the approval of the implementing Tier 2 advice letter. Without a bill system enhancement, SCE is unable to lower the Schedule GMS rate for 2026 without also lowering the Franchise Fees rate, which would result in an undercollection of its authorized Franchise Fees revenue requirement in 2026 in addition to an undercollection of its Schedule GMS revenue requirement in 2026. The simpler and more

² See Advice Letter 5594-E, *Refund of Overcollected Franchise Fees Pursuant to Decision 25-06-006*, dated July 31, 2025 and approved effective August 30, 2025. See also Advice Letter 5629-E, *Correction to Attachment A of Southern California Edison Company's Advice Letter 5594-E, Refund of Overcollected Franchise Fees Pursuant to Decision 25-06-006*, dated and approved effective September 12, 2025, correcting an error in Attachment A of Advice Letter 5594-E in the customer count for the 2018 Vintage that resulted in an error in the calculation of the franchise fee refund amount per customer in that same vintage.

³ See Advice Letter 5594-E, available at <https://edisonintl.sharepoint.com/teams/Public/TM2/Shared%20Documents/Forms/AllItems.aspx?sortField=LinkFilename&isAscending=false&viewid=c9868ae1%2Df1cd%2D43b6%2Da712%2Dd734ff79e266&ga=1&id=%2Fteams%2FPublic%2FTM2%2FShared%20Documents%2FPublic%2FRegulatory%2FFilings%2DAdvice%20Letters%2FApproved%2FElectric%2FELECTRIC%5F5594%2DE%2Epdf&parent=%2Fteams%2FPublic%2FTM2%2FShared%20Documents%2FPublic%2FRegulatory%2FFilings%2DAdvice%20Letters%2FApproved%2FElectric>.

targeted approach of a one-time bill credit allows impacted customers to receive their refund in a timely manner in 2026 as contemplated in the PD and consistent with SCE's implementation of the 2025 refund amount.

SCE's recommended changes to the PD are set forth in Appendix A.

B. The PD Should be Modified to Make Clear that SCE Must Meet the Commission's Reasonable and Prudent Manager Standard for Recovery of CAISO Sanctions in Customers' Rates

In 2022, SCE incurred a total of \$56,500 in California Independent System Operator (CAISO) sanction charges that were not passed to contract counterparties. Despite SCE's sworn testimony that the errors leading to the penalties resulted from human error and telemetry systems errors that were corrected upon discovery, the PD concludes that SCE failed to meet its burden of demonstrating that its actions were reasonable.⁴

While disappointed with the disallowance, SCE appreciates the PD's express rejection of arguments that CAISO sanctions are *per se* not allowable or recoverable energy procurement costs and that another utility's settlement under substantially different facts should take precedence for SCE.⁵ SCE also appreciates the PD's acknowledgement that the inquiry is one of reasonableness based on the facts, explaining "[w]e are bound by no specific standard that any and all sanctions are unreasonable costs, but rather we must consider each issue on a fact-specific basis."⁶

To prevent the possibility that the PD's reference to "no particular standard" is misconstrued, SCE requests the PD be modified to expressly acknowledge that the applicable standard is the Commission's longstanding reasonable and prudent manager standard:

The standard for reviewing utility actions has been established as one of reasonableness and prudence.

⁴ See PD, Section 10.2.1, pp. 26 -28,

⁵ See *id.*, pp. 26-27.

⁶ *Id.*, p. 27.

The term ‘reasonable and prudent’ means that at a particular time any of the practices, methods, and acts engaged in by a utility follows the exercise of reasonable judgment in light of facts known or which should have been known at the time the decision was made. The act or decision is expected by the utility to accomplish the desired result at the lowest reasonable cost consistent with good utility practices. Good utility practices are based upon cost effectiveness, reliability, safety, and expedition.

A ‘reasonable and prudent’ act is not limited to the optimum practice, method, or act to the exclusion of all others, but rather encompasses a spectrum of possible practices, methods, or acts consistent with the utility system needs, the interest of the ratepayers and the requirements of governmental agencies of competent jurisdiction.⁷

The standard of reasonableness does not derive from the consequences of managerial action, but the soundness of the utility's decision-making process that led to the decision and the consequences. . . . The greater the level of money, risk and uncertainty involved in a decision, the greater the care the utility must take in reaching that decision.⁸

In Appendix A, SCE recommends modifications to the PD’s Conclusions of Law to capture this standard. SCE also asks that Conclusion of Law 7 be modified to avoid any implication that recording CAISO sanctions costs in SCE’s balancing accounts is, as a general matter, prohibited. SCE must record these costs in balancing accounts as required or permitted by its Commission-authorized tariffs subject to review by this Commission in SCE’s annual ERRR Review application. Upon issuance of the final decision in this case, SCE will remove the CAISO sanctions costs disallowed for Record Year 2022 from its ERRR and PABA balancing accounts as directed.

⁷ Decision (D.) 87-06-021, *Re Southern California Edison Company*, 24 Cal.P.U.C.2d 476, 486 (1987).

⁸ D.02-08-064, citing D.90-09-088 ([1990 Cal PUC Lexis, 847, *23-25, 37 CPUC 2d 488, 499](#)), based on language in D.87-06-021.

III. CONCLUSION

SCE respectfully requests that the Commission modify the PD as discussed herein and shown in Appendix A hereto.

Respectfully submitted,

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Appendix A

SCE's Proposed Modifications to Findings, Conclusions, and Orders

SCE's Proposed Modifications to Findings, Conclusions, and Orders

Proposed text deletions are in bold and strikethrough (~~abcd~~)

Proposed text additions are in bold and underlined (abcd)

<i>Conclusions of Law</i>	<i>Proposed Modification</i>
7. Because SCE did not meet its burden of proof to show that passing its CAISO sanctions to customers is reasonable, it should not recover these costs. The inclusion of the CAISO sanctions in the ERRR BA and PABA is not appropriate.	<p>7. <u>Utilities are held to a standard of reasonableness and prudence based upon the facts that are known or should be known at the time of decision. The term ‘reasonable and prudent’ means that at a particular time any of the practices, methods and acts engaged in by a utility follows the exercise of reasonable judgment in light of facts known or which should have been known at the time the decision was made. A decision may be found to be reasonable and prudent if the utility shows that its decision-making process was sound, that its managers considered a range of possible options in light of information that was or should have been available to them, and that its managers decided on a course of action that fell within the bounds of reasonableness, even if it turns out not to have led to the best possible outcome.</u></p> <p>Because SCE did not meet its burden of proof to show <u>that its practices, methods and acts leading to the CAISO sanctions in 2022 were reasonable and prudent</u> that passing its CAISO sanctions to customers is reasonable, it should not recover these costs. The inclusion of the CAISO sanctions in the ERRR BA and PABA is not appropriate.</p>
8. SCE should remove the costs of its CAISO sanctions recorded in the ERRR BA and PABA in 2022.	8. SCE should remove the costs of its CAISO sanctions recorded in the ERRR BA and PABA in 2022 <u>because we conclude that SCE failed to meet its burden of demonstrating that its practices, methods</u>

	<u>and acts leading to the CAISO sanctions were reasonable and prudent.</u>
10. It is reasonable to direct SCE to return double-charged franchise fees in the amount of \$1.65 million. SCE should refund the \$1.65 million that was overcharged to departed load customers in 2022 via a reduction to its revenue requirement in 2026.	10. It is reasonable to direct SCE to return double-charged franchise fees in the amount of \$1.65 million. SCE should refund the \$1.65 million that was overcharged to departed load customers <u>impacted by the double charges in 2022 via one-time bill credits within 45 days of approval of the Tier 2 advice letter</u> reduction to its revenue requirement in 2026.

<i>Ordering Paragraphs</i>	<i>Proposed Modification</i>
3. To effectuate the return to departed customers of \$1.65 million in double-charged franchise fees, within 45 days of the effective date of this decision Southern California Edison Company (SCE) shall file a Tier 2 Advice Letter to reduce the revenue requirement collected from departed load customers through the Schedule General Municipal Surcharge by \$1.65 million in 2026. SCE may collect this amount in overcollected franchise fees from the municipalities to which they were remitted, but SCE cannot collect any of it from ratepayers. Any amount that SCE is unable to collect from municipalities is a disallowance imposed on SCE shareholders.	3. To effectuate the return to departed customers of \$1.65 million in double-charged franchise fees, within 45 days of the effective date of this decision Southern California Edison Company (SCE) shall file a Tier 2 Advice Letter to <u>issue one-time bill credits to Schedule GMS customers impacted by the double charges in 2022 in the amount of</u> reduce the revenue requirement collected from departed load customers through the Schedule General Municipal Surcharge by \$1.65 million in 2026. SCE may collect this amount in overcollected franchise fees from the municipalities to which they were remitted, but SCE cannot collect any of it from ratepayers. Any amount that SCE is unable to collect from municipalities is a disallowance imposed on SCE shareholders.
6. Southern California Edison Company (SCE) shall be disallowed from collecting \$14,547 in revenue from its 2022 total revenue requirement. The disallowance amount of \$14,547 is the amount of adjusted unrealized revenues calculated for the Public Safety Power Shutoff events that SCE implemented in 2022. SCE shall make the adjustments to accounts to effectuate this disallowance as follows: individual balancing account	6. Southern California Edison Company (SCE) shall be disallowed from collecting \$14,547 in revenue from its 2022 total revenue requirement. The disallowance amount of \$14,547 is the amount of adjusted unrealized revenues calculated for the Public Safety Power Shutoff events that SCE implemented in 2022. SCE shall make the adjustments to accounts to effectuate this disallowance as follows: individual balancing account

<p>adjustments, plus interest, to the following accounts returning these amounts to customers: 1) \$10,237 to the Base Revenue Requirement Balancing Account distribution sub-account; 2) \$1,087 to the Portfolio Allocation Balancing Account; 3) \$1,339 to the New Systems Generation Balancing Account; 4) \$12 to the Nuclear Decommissioning Adjustment Mechanism; 5) \$1,408 to the Public Purpose Programs Adjustment Mechanism; and 6) \$454 to the California Alternative Rates for Energy Balancing Account.</p>	<p>adjustments, plus interest, to the following accounts returning these amounts to customers: 1) \$10,237 to the Base Revenue Requirement Balancing Account distribution sub-account; 2) \$1,087 <u>\$1,097</u> to the Portfolio Allocation Balancing Account; 3) \$1,339 to the New Systems Generation Balancing Account; 4) \$12 to the Nuclear Decommissioning Adjustment Mechanism; 5) \$1,408 to the Public Purpose Programs Adjustment Mechanism; and 6) \$454 to the California Alternative Rates for Energy Balancing Account.</p>
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