Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Edison Company (U 338 E) For Approval of its Forecast 2015 ERRA Proceeding Revenue Requirement.	Application 14-06-011 (Filed June 11, 2014)

DECISION ADOPTING THE PARTIES' JOINT SETTLEMENT AGREEMENT

Summary

This decision adopts the July 30, 2015 Settlement Agreement between Southern California Edison Company, the Office of Ratepayer Advocates, the Public Agency Coalition, the Alliance for Retail Energy Markets and Direct Access Customer Coalition, the California Large Energy Consumers Association, and the City of Lancaster. The settlement resolves all disputes between the parties with respect to the ratemaking treatment of energy crisis settlement refunds and certain replacement power costs. The proceeding is closed.

1. Background and Procedural History

Southern California Edison Company (SCE) filed its *Application of Southern California Edison Company in its Forecast 2015 Energy Resource Recovery Account (ERRA) Proceeding* (Application) on June 11, 2014.

In the application, SCE forecasts a 2015 ERRA revenue requirement of $5.593 billion, comprising fuel and purchased power procurement costs, San Onofre Nuclear Generating Station (SONGS) replacement power costs that

SCE incurred during extended outages,[1] balances that SCE proposed to return to customers as a result of settlement refunds from the 2000-2001 California Energy Crisis,[2] and other miscellaneous expenses, such as spent nuclear fuel expense and Department of Energy decontamination and decommissioning fees. The revenue requirement forecast is based upon SCE's best estimate of such factors as kilowatt hour sales and load, natural gas and power prices, and an estimate of the December 31, 2014 balancing account balances.

SCE requested that the Commission adopt its: (1) 2015 forecast revenue requirement; (2) electric sales forecast; (3) rate increase proposals; (4) proposed recovery of year-end ERRA balances for 2014; (5) proposed recovery of net SONGS-related "replacement power" costs incurred in 2013 that were deferred from inclusion in in previous ERRA revenue forecasts, and (6) find that its inputs and calculation of the power charge indifference allowance (PCIA), ongoing competition transition charge and Cost Allocation Methodology forecasts are reasonable and accurate.

In testimony filed with its Application, SCE described the methodology it used to determine the 2015 Cost Responsibility Surcharge (CRS) for Direct Access (DA), Departing Load and Community Choice Aggregation customers, collectively DA-CRS.

As a result of the Commission's approval of the SONGS Order Instituting Investigation (OII) Settlement on November 20, 2014 in Decision (D.) 14-11-040, SCE also proposed to: (1) modify the 2012 general rate case Phase I revenue

[1] SCE removed approximately $467 million in 2013 net SONGS costs from its ERRA rates and deferred them for consideration in the SONGS OII. Now that the SONGS Settlement Agreement has been approved, SCE seeks to recover this amount in its ERRA rates.

[2] SCE's forecast includes approximately $204 million in such energy crisis settlement refunds.

requirement, to reflect recovery at the reduced rate of return outlined in the settlement; (2) refund revenues collected after February 1, 2012 that exceed the revenue authorized under the reduced rate of return outlined therein; and (3) include $467 million in net SONGS-related costs that were incurred in 2013 and deferred from inclusion in previous ERRA revenue requirement forecasts in the PCIA for purposes of this 2015 forecast.

SCE proposed to omit balances of the Base Revenue Requirement Balancing Account, the Nuclear Decommissioning Adjustment Mechanism, the California Alternate Rates for Energy balancing Account, and the Public Purpose Programs Adjustment Mechanism from future ERRA proceedings and instead include them in its annual revenue requirement and rate consolidation advice letter.

SCE's 2015 forecast included refunds of $204 million that it had received from generators who overcharged SCE for electricity during the 2000-2001 California Energy Crisis. Refunds received were placed into the Energy Settlements Memorandum Account (ESMA).[3]

No party objected to SCE's proposed revenue requirement or its proposed treatment of balancing accounts. However, some parties disputed SCE's proposed treatment of energy settlement refunds from the 2000-2001 California Energy Crisis and SCE's proposal to include SONGS replacement power costs in the PCIA.

[3] Ten percent of the refunds are retained by SCE to cover legal expenses associated with recovery of the refunds. The remaining 90% are refunded to bundled service customers.

An evidentiary hearing was held on November 4, 2014, at which the parties had an opportunity to cross examine witnesses testifying on behalf of SCE, Alliance for Retail Energy Markets/ Direct Access Customer Coalition (AReM/DACC) and Public Agency Coalition (PAC).[4]

The assigned Administrative Law Judge (ALJ) issued a Proposed Decision (PD) on December 30, 2014. Commission President Michael Picker issued an Alternate Proposed Decision (APD) on February 24, 2015. On June 15, 2015, SCE filed a Motion to Set Aside Submission of the Proceeding in order to permit the parties to explore informal resolution of their disputes. On June 23, 2015, the ALJ granted the Motion. The parties filed a Motion for Approval of their Settlement Agreement on July 30, 2015. No party opposes the Settlement Agreement.

2. The Settlement

2.1. Resolution of the Parties' Dispute Concerning Treatment of Energy Settlement Refunds From the 2000-2001 California Energy Crisis

AReM/DACC and PAC contended that DA customers should receive 13.9% of the refunds in the ESMA and that the share of refunds credited to DA customers should be included in the Total Portfolio Cost element used in the calculation of the PCIA.[5] Lancaster argued that Community Choice Aggregation (CCA) customers should receive the same share of the refunds that bundled

[4] Robert Thomas (Manager of Rate Design in Regulatory Operations) and Douglas Snow (Director of Revenue Requirements & Tariffs in State Regulatory Operations) testified on behalf of SCE. Mark Fulmer, Principal at MRW & Associates, LLC testified on behalf of AReM, DACC and PAC.

[5] AReM, DACC and PAC argued that the credits were tied to SCE's excessive procurement-related obligations due to excessive prices charged SCE by the California Power Exchange. The Commission's D.03-09-016 set forth a calculation attributing a 13.9% portion of SCE's procurement related liability to DA customers.

service customers receive. SCE argued that precedent and fairness mandated that the refunds flow only to SCE's bundled service customers.

In their Settlement, SCE, Office of Ratepayer Advocates (ORA), PAC, AReM-DACC, California Large Energy Consumers Association (CLECA), and Lancaster (collectively the Settling Parties), agree that DA customers will receive 10.05% of the 2014 net energy crisis refunds and that CCA customers will receive the share that they would have received had they continued to remain bundled service customers.[6] The Settling Parties contend that this is a reasonable compromise within the range of litigation positions and outcomes contemplated by the PD and APD. The Settling Parties indicate that they intend that this treatment of the energy crisis refunds apply "going forward" to such future refunds.

2.2. Resolution of the Parties' Dispute Concerning SONGS Replacement Power Costs in the PCIA

AReM, DACC and PAC also objected to SCE's proposal to include SONGS replacement power costs in the PCIA forecast. The objecting parties conceded that the Consensus Protocol[7] indicates that it "would govern how a ratemaking surcharge would be incorporated into the PCIA to allow for recovery of the appropriate share of these costs from DA customers at the appropriate time,"

[6] See Settlement Agreement at A-8.

[7] In D.14-05-003, the Commission approved the "Direct Access Customer Ratemaking Consensus Protocol for the SONGS Outages and Retirement," which is commonly referred to as the "Consensus Protocol."

however, they contended that the DA customer's appropriate share of the SONGS replacement power costs is actually zero.[8]

SCE contended that the Consensus Protocol mandated that DA customer portfolio costs (which determine the PCIA that such customers pay to SCE) reflect the same upwards and downwards adjustments that apply to bundled service customers.

In their Settlement Agreement, the Settling Parties agreed that DA and CCA customers' portfolio costs should be adjusted upwards by $462 million[9] and downwards by $506 million.[10]

3. Settlement Standard of Review

In order for the Commission to consider a proposed settlement in this proceeding as being in the public interest, the Commission must be convinced that the Settling Parties have a sound and thorough understanding of the application and all of the underlying assumptions and data included in the record. This level of understanding of the application and development of an adequate record is necessary to meet our requirements for considering any settlement. These requirements are set forth in Commission Rules of Practice and

[8] They reasoned that the PCIA is designed to ensure that bundled customers are "indifferent", i.e., that DA customers pay the PCIA to cover the above-market costs of generation assets owned. However, they argued that short-term and market purchases made by SCE to serve its bundled load (which were not entered into on behalf of departed DA customers), are not included in the PCIA stranded cost calculation, nor should SONGS replacement power costs.

[9] This adjustment relates to 2013 net SONGS costs.

[10] See Settlement Agreement at A-6. This adjustment reflects a base rates revenue requirement-related refund as called for by the SONGS OII Settlement Agreement and the Consensus Protocol.

Procedure (Rules) Rule 12.1(a).[11] The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest. Rule 12.5 limits the future applicability of a settlement,[12] therefore, the Commission must also consider whether it is appropriate to handle future energy crisis refunds in the manner that Settling Parties intend.

In short, we must find whether the settlement satisfies Rule 12.1(d), which requires a settlement to be "reasonable in light of the whole record, consistent with law, and in the public interest." As stated below, this settlement meets the three requirements.

3.1. The Settlement Meets the Standard of Review for Settlement

The record consists of the filed application with attached documents, the Settlement Agreement and the motion for its adoption. The settlement resolves the concerns that the parties raised in their protests or responses, addresses the issues within the scoping memorandum and provides sufficient information to permit the Commission to discharge its regulatory obligations**.** The settlement is unopposed.

The settlement can be said to serve the public interest because resolving the protest is the result of negotiation by parties who have a thorough understanding of the issues and can make informed decisions in the settlement

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[11] All subsequent Rules refer to the Commission's Rules of Practice and Procedure: http//docs.cpuc.ca.gov/published/RULES_PRAC_PROC/70731.htm

[12] Rule 12.5 "Commission adoption of a settlement is binding on all parties to the proceeding in which the settlement is proposed. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding."

process. The settlement overall is reasonable in light of the record and serves the public interest by resolving competing concerns in a collaborative and cooperative manner. By reaching agreement, the parties also avoid the costs of further litigation.

3.2. Future Effect of Settlement on Allocation of Net Energy Crisis Refunds

Rule 12.5 limits the future applicability of a settlement. Under Rule 12.5, adoption of a settlement does not constitute precedent or have binding effect regarding any principle or issue in any future proceeding, unless the Commission expressly provides otherwise. Issues concerning the allocation of Net Energy Crisis Refunds were a key aspect of the Settling Parties dispute. Had the parties been unable to settle this aspect of their dispute, it is possible that this proceeding would have continued to a Phase 2 proceeding and that the parties would have become embroiled in litigation into the future. By reaching agreement about how Net Energy Crisis Refunds will be allocated between DA, CCA and bundled customers, in this proceeding, the Settling Parties avoided time and cost of further litigation. By agreeing that the allocation should be applied "going forward" the Settling Parties demonstrate intent to avoid future disputes and litigation concerning this issue in future proceedings. While this Commission cannot make a commitment to bind future Commissions to the same outcome, we interpret Section III-B-9 of the Settlement Agreement as a commitment between the parties to follow this approach in future ratemaking adjustments of Net Energy Crisis Refunds. Such a commitment will undoubtedly be helpful, should similar issues resurface.

3.3. Effect of Settlement on 2015 Forecast Revenue Requirement Rate Increase Proposals

SCE's ERRA electric procurement cost revenue requirement forecast of $5.593 billion was approximately $437 million higher than the 2014 forecast revenue requirement in SCE's 2014 ERRA forecast.[13] It included a request for a rate increase due, in part, to increases in: (1) its bundled customer load forecast; (2) its purchase of short-term power; (3) renewable procurement costs; (4) natural gas prices; and (5) average on-peak power prices.

SCE's Motion to Set Aside Submission of the Proceeding, once granted, also set aside consideration of this Commission's approval of any rate increase supported by the higher 2015 forecast revenue requirement. Thus, the revenue requirement approved in D.14-05-003 will remain in effect until SCE's 2016 ERRA forecast revenue requirement is resolved.[14]

4. Waiver of Comment Period

Given the Settlement Agreement, this matter is now uncontested and grants the relief requested. Therefore, the otherwise applicable 30-day period for public review is waived pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2 of the Commission's Rules of Practice and Procedure.

5. Assignment of Proceeding

Michel P. Florio is the Assigned Commissioner and Patricia B. Miles is the assigned ALJ in this proceeding.

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[13] SCE's Application (A.) 13-08-004 regarding its 2014 ERRA forecast revenue requirement was approved in D.14-05-003, adopted May 1, 2014.

[14] SCE's Application A.15-05-007 for Approval of its Forecast 2016 ERRA Proceeding Revenue Requirement was filed May 1, 2015, and is currently under review.

Findings of Fact

1. On June 11, 2014, SCE filed Application 14-06-011 for approval of its forecast 2015 ERRA Proceeding Revenue Requirement.

2. On July 21, 2014, ORA filed a protest to the application and AReM-DACC and PAC filed responses to the application.

3. The assigned ALJ issued a PD on December 30, 2014. Commission President Michael Picker issued an APD on February 24, 2015.

4. On June 15, 2015, SCE filed a Motion to Set Aside Submission of the Proceeding in order to permit the parties to explore informal resolution of their disputes. On June 23, 2015, the ALJ granted the Motion to Set Aside Submission of the Proceeding.

5. SCE's Motion to Set Aside Submission of the Proceeding ended this Commission's approval of any potential rate increase supported by a higher 2015 forecast revenue requirement.

6. On July 30, 2015, SCE filed a Motion for Approval of Settlement Agreement Between and Among SCE, ORA, PAC, AReM-DACC, CLECA and Lancaster. The Settlement Agreement resolves the concerns that were raised in the protests and responses to the application, and issues addressed in comments to the PD and APD.

7. The record for approval of the Settlement Agreement is composed of the application, documents attached to the application, the motion for approval of the Settlement Agreement and its attachments.

8. The parties to the settlement have a sound and thorough understanding of the issues and are therefore able to make informed decisions about the settlement process.

9. The proposed settlement is reasonable in light of the record, consistent with the law and in the public interest.

Conclusions of Law

1. The July 30, 2015 motion filed by SCE to adopt the Settlement Agreement between and among SCE, ORA, PAC, AReM-DACC, CLECA and Lancaster should be granted.

2. The settlement resolves all disputes between the parties with respect to the Application and addresses all comments filed by parties on the PD and APDs.

3. The rate increase approved in D.14-05-003 will remain in effect until SCE's 2016 ERRA forecast revenue requirement is approved.

4. The proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The Settlement Agreement filed on July 30, 2015 Between and Among Southern California Edison Company, The Office of Ratepayer Advocates, The Public Agency Coalition, The Alliance For Retail Energy Markets and the Direct Access Customer Coalition, The California Large Energy Consumers Association and the City of Lancaster (Settlement), is approved. The Settlement is attached to this decision as Attachment A.

2. Application 14-06-011 is closed.

This order is effective today.

Dated _____, at Sacramento, California.