

Decision 18-10-031 October 25, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for a Commission Finding; that its Procurement-Related and Other Operations for the Record Period January 1 Through December 31, 2016 Complied with its Adopted Procurement Plan; for Verification of its Entries in the Energy Resource Recovery Account and Other Regulatory Accounts; for Refund of \$3.605 Million Recorded in the Three Accounts; and Review of Proposal to Return \$79.182 million in Unspent Demand Response Funds to Customers.

Application 17-04-004

**DECISION APPROVING SOUTHERN CALIFORNIA EDISON COMPANY'S
2016 ENERGY RESOURCE RECOVERY ACCOUNT ENTRIES
AND RELATED MATTERS**

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**DECISION APPROVING SOUTHERN CALIFORNIA EDISON COMPANY'S
2016 ENERGY RESOURCE RECOVERY ACCOUNT ENTRIES
AND RELATED MATTERS**

Summary

By this Decision, the California Public Utilities Commission approves Southern California Edison Company's administration, activities, and costs set forth by its 2016 Energy Resource Recovery Account compliance application.

1. Background

The Commission established the Energy Resource Recovery Account (ERRA) balancing account mechanism in Decision (D.) 02-10-062 to track fuel and purchased power billed revenues against actual recorded costs of these items. In the same decision, the Commission required regulated electric utilities in California to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism (to address balances exceeding certain benchmarks), and a schedule for semiannual ERRA applications. Since that time, the Commission has adopted decisions regarding the ERRA balancing account, setting, among other things, minimum standards of conduct that regulated energy utilities must follow in performing their procurement responsibilities.

In the annual ERRA forecast application, a utility requests adoption of the utility's forecast of its expected annual fuel and purchased power costs for the upcoming 12 months. Approval of the forecast includes recovery in rates of the ERRA revenue requirement.

In a separate annual ERRA compliance application, a utility requests a determination of whether it is in compliance during the prior year with applicable rules governing energy resource contract administration, maintenance and administration of Utility Owned Generation (UOG) and least-cost dispatch (LCD), approval of any over- or under-collection in its ERRA balancing account

and related regulatory accounts, and requests pertaining to other, non-ERRA accounts.

The Commission is required to perform a compliance review of the ERRA balancing account and related regulatory accounts and non-ERRA accounts. A compliance review considers whether a utility has complied with all applicable rules, regulations, opinions, and laws, while a reasonableness review evaluates not only a utility's compliance, but also whether the data or actions resulting from, for example, the calculation of a forecasted expense, are reasonable, based on the methods and inputs used. The Commission also reviews whether the utility has prudently administered its contracts and generation resources and dispatched energy in a least-cost manner in compliance with Standard of Conduct 4 (SOC). These standards are discussed in greater detail in Section 3, below.

This Decision resolves the application filed by Southern California Edison Company (SCE) on April 3, 2017: Application (A.) 17-04-004. In A.17-04-004, SCE requests the Commission find that during the Record Period: (1) its fuel and purchased power expenses complied with SCE's Commission-approved procurement plan and were recorded accurately; (2) its contract administration, management of utility-retained generation (URG), dispatch of generation resources, and related spot market transactions complied with Standard of Conduct Four (SOC 4) in SCE's procurement plan; and (3) all other SCE activities subject to Commission review in this ERRA Review proceeding complied with applicable Commission decisions and resolutions.

In addition to those findings, SCE is requesting approval to refund to customers approximately \$83.748 million. This is due to a net over-collection in the following regulatory accounts during the Record Period: the Renewables

Portfolio Standard Costs Memorandum Account, the Project Development Division Memorandum Account, the Purchase Agreement Administrative Costs Balancing Account, and also includes unspent and uncommitted funds in the Demand Response Program Balancing Account. If total rates change as requested, it would result in a 0.7% system average rate decrease beginning in 2018, and an average residential customer using 550 kilowatt-hours (kWh) per month would see a decrease of \$0.84 per month, from \$107.30 to \$106.46.

The application first appeared on the daily calendar on April 10, 2017. By Resolution ALJ 176-3396, issued on April 27, 2017, A.17-04-004 was preliminarily categorized as ratesetting with a need for evidentiary hearings. On May 10, 2017, the Office of Ratepayer Advocates (ORA) filed a protest to A.17-04-004.

On June 13, 2017, a prehearing conference was held to establish the service list, discuss the scope of this proceeding, and develop a procedural timetable for the management of this proceeding.

On July 12, 2017, assigned Commissioner Martha Guzman Aceves and assigned Administrative Law Judge (ALJ) Eric Wildgrube issued their Scoping Memo and Ruling (Scoping Memo) setting the schedule for hearings and briefing.

SCE served direct testimony with their application. ORA served their direct testimony on September 15, 2017. SCE served rebuttal testimony on October 31, 2017.

On November 16, 2017, SCE reported its agreement with ORA that evidentiary hearings were unnecessary. The evidentiary hearings were removed from the Commission's calendar by the assigned ALJ's ruling of November 16, 2017.

On November 29, 2017, SCE filed motions to offer prepared testimony into evidence and to seal a portion of the evidentiary record. ORA filed similar motions concerning its testimony and exhibits on December 13, 2017. These motions are addressed by this decision. ORA and SCE filed their opening briefs on December 22, 2017. Both parties filed reply briefs on January 19, 2018.

All rulings made by the assigned Commissioner or ALJ during the pendency of this proceeding are affirmed.

2. Scope of Proceeding

The following issues were determined by the Scoping Memo as within the scope of this proceeding:

1. Whether SCE's 2016 fuel and purchased power expenses were accurately recorded and complied with SCE's Commission- approved procurement planning.
2. Whether during 2016 SCE prudently administered, managed and dispatched the following, in compliance with all applicable rules, regulations and Commission decisions, including but not limited to Standard of Conduct Four:
 - a. Utility Retained Generation Facilities;
 - b. Qualifying Facility Contracts (QF); and,
 - c. Other non-QF contracts.
3. Whether SCE achieved LCD of its energy resources.
4. Whether SCE's 2016 entries and costs recorded in its regulatory accounts are correctly stated, reasonable, and in compliance with applicable Commission decisions, rules and regulations.
5. Whether SCE administered its demand response programs to minimize costs to its ratepayers.
6. Whether SCE's Greenhouse Gas Compliance Instrument procurement complied with its Conformed Bundled Procurement Plan.

7. Whether SCE's Greenhouse Gas recorded revenue and accounting are accurate.
8. Whether the rate recovery for 2016 costs is reasonable and should be authorized.
9. Whether there are any safety considerations raised by the Application.

3. Resolution of SCE's Application, ORA's Analysis, and Recommendations

During this proceeding, ORA submitted testimony of its analysis of SCE's application. Notably, ORA did not contest approving the majority of the application. Excepting two proposed disallowances, ORA did not propose disallowances or recommendations concerning SCE's current application; ORA's recommendations are for showings in future ERRA proceedings. Therefore, excepting the disallowance discussed below, we find SCE has met its burden and has established that its application should be approved.

3.1. SCE Must Prudently Manage Its Contracts and Resources

SCE and ORA agree SOC 4 requires, "The Utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner."¹

SOC 4 incorporates the reasonable manager standard under which "utilities are held to a standard of reasonableness based upon the facts that are known or should have been known at the time. The act of the utility should comport with what a reasonable manager of sufficient education, training,

¹ ORA Opening Brief at 3, citing D.02-10-062 at 52; SCE Opening Brief at 3, citing D.02-10-062, Conclusion of Law 11, at 74.

experience, and skills using the tools and knowledge at his or her disposal would do when faced with a need to make a decision and act.”²

3.2. Least-Cost Dispatch

Least-Cost Dispatch requirements apply to SCE’s day-ahead and intra-day trading of its portfolio of resources, including UOG and power purchase agreements. SCE’s testimony establishes – except as discussed in Section 3.2.2. – SCE complied with the Commission’s LCD requirements and SOC 4 during the 2016 Record Period by considering variable costs and utilizing the lowest cost resource mix, subject to constraints in the day-ahead, hour-ahead and real-time markets. Excepting the two disallowances discussed below, ORA did not recommend disallowances regarding LCD.

3.2.1. Maximum Disallowance for SOC 4 Violation

SOC 4 adopted by D.02-10-062 provides, “[t]he utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner.” The Commission subsequently adopted in D.02-12-074 a maximum potential disallowance for violations of SOC 4 of twice the utility’s annual procurement administrative expenditures.³

SCE’s testimony establishes that the maximum disallowance for any SCE violation(s) of SOC 4 is \$73.172 million for the 2016 Record Year.⁴ There being no dispute, the Commission confirms the maximum disallowance. The maximum disallowance is not applied.

² ORA Opening Brief at 3-4 citing D.11-10-002 at 11 and D.16-04-006 at 12.

³ The Commission has not considered the maximum disallowance to be applicable to improper utility maintenance of a utility’s own generation facilities. (*See*, D.03-06-067.)

⁴ SCE-01 at 6:8-10.

3.2.2. Violation of SOC 4

ORA identified two incidents – a startup cost exception for El Segundo Units 5/6 and 7/8 and a commitment cost cap calculation error – which ORA contends are violations of SOC 4.

3.2.2.1. El Segundo Startup Cost Error

ORA recommends the Commission disallow the full cost of the El Segundo operation error totaling \$158,777. The error occurred,

While performing its scheduling coordinator responsibilities for El Segundo Units 5/6 and 7/8, SCE personnel left blank one parameter of a formula SCE used to calculate the startup cost of El Segundo Because SCE submitted bids that understated startup costs, CAISO committed the resources more.⁵

SCE contends ORA's recommendation of a disallowance for this error should be rejected. SCE asserts the error

... affected only one of three configurations in two resources out of hundreds that SCE bids into the market. In the context of the record year, where SCE made 601,377 incremental CAISO bids representing \$2.5 billion in the CAISO Day-Ahead market revenue, the \$158,777 El Segundo Startup Cost bidding error is small.⁶

We agree with SCE that SOC 4 does not require perfection. SCE by its testimony has established that overall it prudently administers and manages its contracts and resources. SCE's focus on the size of this error however, fails to

⁵ ORA Opening Brief at 7 and citing SCE-05C at 4:12-15.

⁶ SCE Reply Brief at 3.

establish SCE acted prudently when it committed the error. As ORA correctly notes, “small monetary value” “is not part of the reasonable manager standard.”⁷

SCE explains the error occurred when the bidding software automatically converted blank fields to zeroes. A field was unintentionally left blank and converted to zeroes by the software for two resources with three configurations each resulting in the startup cost error. SCE explains “many of the thousands of data field ... rightfully have a zero value. This makes it challenging to detect erroneous values, as was the case here, especially when the error is small.”⁸

Furthermore, in its defense, SCE states the error was caught the following month, it has established protocols to minimize the likelihood of similar errors in the future, and SCE has agreed with ORA’s suggestion to explore further improvements with the vendor.⁹

SCE has failed to establish the error comports with what a “reasonable manager of sufficient education, training, experience, and skills using the tools and knowledge at his or her disposal would do when faced with a need to make a decision and act.” We acknowledge SCE’s assertion that it “established protocols to minimize the likelihood of similar errors in the future” and although corrective action is commendable, it does not support a finding that SCE acted prudently before it implemented the corrective action. Rather, we base our finding in this instance on SCE’s failure to meet its burden to establish that this error was not a violation of SOC 4. Most notably, SCE knew of the software issue

⁷ ORA Opening Brief at 8.

⁸ SCE Reply Brief at 3-4.

⁹ *Id.* at 4.

– before the error occurred¹⁰ – and therefore, as a reasonable manager should have acted to ensure the error did not happen.

Therefore, we disallow as a ratepayer cost recoverable from the ERRA balancing account the deficit due to SCE's startup cost bidding error at El Segundo of \$158,777.

3.2.2.2. Commitment Cost Mapping Error

ORA contends the Commission should disallow \$28,726 for the cost impact of a commitment cost cap calculation error in the 2016 record period.¹¹ This error first began in 2012 and continued until it was discovered in January 2016. It was reported in the 2015 ERRA Compliance review proceeding, A.16-04-001. The decision in that proceeding, D.18-08-007, found at 14,

It is reasonable for SCE to rely on a system of spot checks or suspect results to discover and remedy potential errors when the inputs are static and the margin for error is minimal. It is unreasonable to expect SCE to continuously review all data points, particularly parameters that are never expected to change (*e.g.*, fuel supply zone defined by geographic location) and thus unlikely candidates for spot checks.

Therefore, we concluded SCE met the reasonable manager standard and there was no reasonable basis to impose a disallowance. The additional cost impact in 2016 under consideration here is a continuation of the same error. We will not deviate from our decision in D.18-08-007. The disallowance is denied.

3.3. Approval of Contract Administration

ORA does not object to SCE's contract administration activities for the Record Year 2016. Following our review of SCE's testimony, the Commission

¹⁰ ORA-2C at 2-14:3-6.

¹¹ ORA Opening Brief at 8.

finds SCE prudently managed its contracts, modifications to contracts, and administered its contracts appropriately and therefore we approve SCE's contract administration for the Record Year 2016.

3.4 Utility-Owned Generation and Facilities Under Contract

ORA agrees that for the specific Utility Owned Generation (UOG) facilities discussed in ORA testimony, SCE's management of its hydroelectric, natural gas, and nuclear was reasonable and ORA recommends no disallowances. With respect to nuclear, ORA makes other recommendations, not for disallowances.

SCE's application and testimony establishes, and the Commission finds, that SCE has adequately demonstrated that during 2016 SCE prudently administered and dispatched its utility owned generation resources and portfolio of contracts (excepting as discussed in section 3.2.2.), allocated California Department of Water Resources contracts, power purchase agreements, QFs, non-QF resources, and renewable energy resources, in compliance with SCE's Commission approved procurement plan and all applicable rules, regulations and Commission decisions.

3.5. Compliance Review of the ERRA and Other Balancing Accounts

ORA reviewed SCE's ERRA and other balancing and memorandum accounts in this proceeding. ORA found no required accounting adjustments and no exceptions to the recovery requirements. The Commission concludes that SCE appropriately operated the ratemaking accounts, and the ERRA entries and the other balancing and memorandum account entries for Record Year 2016 are reasonable, appropriate, correctly stated, and in compliance with applicable Commission decisions.

ORA also reviewed SCE's testimony on GHG compliance instruments. From this review, ORA agrees and the Commission finds, SCE's GHG procurement activity for the 2016 Record period is reasonable and in accordance with its approved GHG Procurement Plan within its Bundled Procurement Plan and Commission directives and policies. The Commission finds SCE's GHG procurement activity for Record Year 2016 was within SCE's GHG procurement authority.¹²

3.6. Account Balances

SCE requests and ORA agrees, SCE may return to customers the net over-collected balance of

- a. \$3.605 million recorded in the Project Development Division Memorandum Account, the Purchase Agreement Administrative Costs Balancing Account, and the Renewables Portfolio Standard Costs Memorandum Account, and
- b. \$79.182 million in unspent, uncommitted funds from prior period Demand Response (DR) funding periods.

The Commission is not opposed to this request and approves it.

3.7. ORA's Additional Proposals

3.7.1. Forecast Accuracy

ORA, following an analysis of SCE's forecasting,

... does not recommend any cost disallowances but does recommend that the Commission order SCE to provide a supplemental narrative to its workpapers in future testimony which summarizes the data, indicates what SCE considers "normal" or "accurate," and interprets its performance for the Record Period.¹³

¹² GHG account entries are confidential and filed under seal.

¹³ ORA-2C at 2-8:4-7.

ORA evaluates SCE's forecasting by comparing forecasts with actual load and prices cleared in the California Independent System Operator market to get the average mean absolute percentage error, the measure of the forecast price deviation from the actual clearing price. ORA asserts the additional testimony would permit it to assess forecasting accuracy and better understand SCE's performance.¹⁴

ORA, despite its argument, has not established SCE's least-cost dispatch showing is inadequate to meet its burden of proof; ORA only seeks the additional showing in future proceedings. ORA did not contend SCE's showing precluded ORA from completing its review of the current record year, undercutting its argument that an additional showing is necessary. To the extent ORA considers additional metrics for evaluating Least Cost Dispatch are necessary, ORA must establish a need for adopting more than the Commission has required by D.15-05-007.

The requirements adopted by D.15-05-005 were founded on a Joint Utility proposal. Imposing a new requirement on SCE is outside the scope of this proceeding. If ORA wants to pursue new requirements in the future, it should seek to include it within the scope of a future proceeding, or – preferably – file a Petition to Modify D.15-05-005.

3.7.2. Renewables

As it did in A.16-04-001, ORA recommends SCE include in its future ERRA compliance testimony reporting of renewable resource opportunity costs by technology, explanations of curtailment, and associated metrics. This recommendation was recently denied in D.18-08-007. We continue to consider

¹⁴ ORA Opening Brief at 10-11.

the utility-specific ERRA proceeding to be an inappropriate forum to consider such issues.

3.7.3. Incremental Non-Dispatch

In D. 18-08-007 we declined to adopt ORA's recommendation to require SCE to document and explain every occasion when a resource that was bid below the Locational Marginal Price (LMP) was not dispatched by the CAISO. We recognized then, and continue to recognize there are good reasons why resources are not dispatched even when the LMP exceeds an incremental bid.

3.7.4. Demand Response Metrics

As in this proceeding, ORA in A.16-04-001 proposed "SCE provide more information in testimony and workpapers to explain its opportunity cost calculations and bids for DR resources as they are submitted to the CAISO market." We continue to agree with our decision in D.18-08-007 that any expansion of D.15-05-007 "be done in a procedural forum in which all the IOUs and ORA can participate in an integrated fashion."

3.7.5. Eastwood Hydro

In D.18-08-007, we found

... no basis to expand SCE's existing reporting requirements imposed in D.15-05-007 regarding reporting of hydro and pumped storage. Likewise, we find no deficiencies in SCE's existing hydro models that warrant imposing the potential administrative and cost burdens of ordering such an independent review. To the extent that any consideration of such expanded requirements may be warranted at a future date, it should be done in a procedural forum where all interested parties can participate in an integrated fashion.¹⁵

¹⁵ D.18-08-007 at 17.

Nevertheless, ORA has revisited these requirements, seeking an order that SCE demonstrate in future ERRA compliance filings that it maximized market revenues from pump-back operations. We agree, again, with D.18-08-007 that we should not expand on the requirements of D.15-05-007.

3.7.6. UOG Nuclear – Palo Verde Outage

ORA inquired of an unplanned outage at Palo Verde Unit I in September 2016. ORA received a copy of the Nuclear Regulatory Commission (NRC) report which made no findings and SCE provided additional testimony by its rebuttal. Nevertheless, ORA seeks inclusion by SCE of NRC reports and correspondence as part of its annual ERRA compliance filings and ORA recommends SCE confer with Arizona Public Service (APS) (the operator of Palo Verde) concerning additional items.¹⁶

SCE does not object to including NRC reports and correspondence regarding Palo Verde that are relevant to future ERRA compliance filings if they are available and in SCE's possession. This is consistent with SCE's burden in these proceedings; we decline to impose a duplicative requirement.

As for recommendations that SCE confer with APS, we agree with SCE that it has been established that after the Unit 1 outage, APS returned the unit to service as quickly and efficiently as practicable; the APS root cause analysis identified corrective action which APS has or will implement; the NRC reviewed the outage; ORA has not established grounds for the Commission to order SCE to further confer with APS concerning this matter; and there is no basis for SCE to provide additional information concerning the incident.

¹⁶ ORA_1C at 5-1:7-32.

3.7.7. Independent Review for Forecasting Models and Processes

4. Other Procedural Matters

4.1. Motions to Admit Testimony into Evidence

On November 29, 2017 SCE moved and on December 13, 2017, ORA moved, pursuant to Rule 13.8(c) of the Commission's Rules of Practice and Procedure,¹⁷ that the Commission receive testimony into evidence.

4.1.1. SCE

SCE moves into evidence:

1. The confidential and public versions of Exhibit SCE-01, titled Energy Resource Recovery Account (ERRA) Review of Operations, 2016 Chapters I-VII and errata served on August 11, 2017.
2. The confidential and public versions of Exhibit SCE-02, titled Energy Resource Recovery Account (ERRA) Review of Operations, 2016 Chapters VIII-XVI and errata served on August 11, 2017.
3. Exhibit SCE-03, titled Energy Resource Recovery Account (ERRA) Review of Operations, 2016 Witness Qualifications and Declarations re: Confidentiality and errata served on August 11, 2017.
4. The confidential and public versions of Exhibit SCE-04, titled Energy Resource Recovery Account (ERRA) Review of Operations, 2016 SCE-01 and SCE-02 Appendices.
5. The confidential and public versions of Exhibit SCE-05, titled 2016 ERRA Review Rebuttal Testimony of Southern California Edison Company (U 338-E).
6. Exhibit SCE-06, titled 2016 ERRA Review Rebuttal Testimony of Southern California Edison Company

¹⁷ California Code of Regulations, Title 20, Division 1, Chapter 1; hereinafter, Rule or Rules.

(U338E) Witness Qualifications and Declarations Re: Confidentiality.

7. Exhibit SCE-07, titled 2016 ERRA Review Rebuttal Testimony of Southern California Edison Company (U338E) SCE-05 Appendices.
8. Exhibit SCE-01A, titled Errata to Energy Resource Recovery Account (ERRA) Review of Operations, 2016 Chapters I-VII, served on August 11, 2017.
9. Exhibit SCE-02A, titled Errata to Energy Resource Recovery Account (ERRA) Review of Operations, 2016 Chapters VIII-XVI, served on August 11, 2017.
10. Exhibit SCE-03A, titled Errata to Energy Resource Recovery Account (ERRA) Review of Operations, 2016 Witness Qualifications and Declarations re: Confidentiality, served on August 11, 2017.

Based on the motion of SCE and good cause appearing, we admit into evidence the public and, as applicable, confidential versions of SCE's Exhibits as identified above.

4.1.2. Office of Ratepayer Advocates

ORA moves the Commission admit into the record:

1. ORA-1, Report on Southern California Edison's Energy Resource Recovery Account for Compliance Application for Record Period 2016 (Public) and ORA-1C, Report on Southern California Edison's Energy Resource Recovery Account for Compliance Application for Record Period 2016 (Confidential).
2. ORA-2 Report on Southern California Edison's Energy Resource Recovery Account for Compliance Application for Record Period 2016, Errata (Public) and ORA-2C Report on Southern California Edison's Energy Resource Recovery Account for Compliance Application for Record Period 2016, Errata (Confidential).

3. ORA-3, ORA November 14, 2017 Data Request (Public) and ORA-3C, ORA November 14, 2017 Data Request (Confidential).
4. ORA-4, Southern California Edison's November 28, 2017 Response to ORA's November 14, 2017 Data Request and Confidentiality Declaration (Public) and ORA-4C, Southern California Edison's November 28, 2017 Response to ORA's November 14, 2017 Data Request and Confidentiality Declaration (Confidential).

Based on the motions of ORA and good cause appearing, we admit into evidence the public and, as applicable, confidential versions of ORA's Exhibits as identified above.

4.2. Request to File Under Seal

Pursuant to the Commission's Rules of Practice and Procedure, SCE and ORA have, separately, filed for leave to file testimony and exhibits as confidential materials under seal. SCE and ORA also seek to file confidential versions of briefs under seal. The parties represent that the information is material, market sensitive, electric procurement-related information. We agree that the information is within the scope of Public Utilities Code Section 454.5(g) or is confidential pursuant to D.06-06-066. We have granted similar requests in the past and do so here.

4.2.1. SCE

Pursuant to D.06-06-066, D.08-04-023, D.16-08-024, and Rule 11.5, we grant SCE's request to treat as confidential and seal those portions of the evidentiary record consisting of SCE's Exhibits SCE-01C, SCE-02C, SCE-04C and SCE-05C and file under seal SCE's opening and reply briefs. The confidential version of each of these exhibits is and will be denoted by a "C" after the number of the exhibit.

4.2.2. Office of Ratepayer Advocates

Pursuant to D.06-06-066, D.16-08-024, General Order 66-C, and Rule 11.5, we grant ORA's motion to treat as confidential and seal those portions of the evidentiary record consisting of ORA's Exhibits ORA-1C, ORA-2C, ORA-3C, and ORA-4C. Pursuant to Rule 11.4, we grant ORA's motion for leave to file confidential versions of its opening brief and reply briefs under seal. The confidential version of each of these exhibit is and will be denoted by a "C" after the number of the exhibit.

4.3. Change in Determination of Need for Hearings

Given that no hearings were held in the current proceeding, we change our preliminary and Scoping Memo determination regarding hearings to reflect that hearings are not necessary.

4.4. Compliance with the Authority Granted Herein

In order to implement the authority granted herein, SCE must file a Tier 1 Advice Letter within 30 days of the date of this decision.

5. Comments on Proposed Decision

The proposed decision of ALJ Wildgrube 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 October 10, 2018 by SCE, and reply comments were filed on October 15, 2018 by the Public Advocates Office.

The comments and reply comments merely reargue the points raised in earlier filings. As was discussed in Section 3.2.2.1, we hold SCE to a reasonable manager standard, not a standard of perfection. Contrary to SCE's argument, we do not rely on a factual error in reaching this decision. SCE argues the

“PD suggests that SCE’s awareness of a “software issue” is the same thing as knowledge of an actual error.” The decision does not find SCE knew of an actual error before it occurred. The evidence does establish (and SCE’s comments acknowledge) SCE knew that the software would assume a \$0 value if an input was not entered. Given this knowledge, SCE did not act as a reasonable manager when it did not take any steps before the El Segundo startup cost error occurred to ensure a \$0 value would not be assumed if an input was not entered.

Therefore, as discussed in Section 3.2.2.1 we disallow as a ratepayer cost recoverable from the ERRA balancing account the deficit due to SCE’s startup cost bidding error at El Segundo of \$158,777.

6. Assignment of Proceeding

Commissioner Martha Guzman Aceves is the assigned Commissioner and Eric Wildgrube is the assigned ALJ in this proceeding.

Findings of Fact

1. The Commission established the ERRA balancing account mechanism in D.02-10-062 to track fuel and purchased power billed revenues against actual recorded costs of these items. In the same decision, the Commission required regulated electric utilities in California to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism (to address balances exceeding certain benchmarks), and a schedule for semiannual ERRA applications.

2. Subsequent decisions regarding the ERRA balancing account (D.05-01-054, D.05-04-036) and Public Utilities Code Section 454.5(d)(2) have adopted minimum standards of conduct that regulated energy utilities must follow in performing their procurement responsibilities and require that the Commission

perform a compliance review as opposed to a reasonableness review of these items.

3. ORA reviewed SCE's ERRA and other balancing and memorandum accounts in SCE's 2016 ERRA Compliance filing. ORA found no required accounting adjustments and no exceptions to the recovery requirements excepting a startup cost exception for El Segundo Units 5/6 and 7/8 and a commitment cost cap calculation error.

4. SCE knew of the software issue which resulted in the El Segundo startup cost exception and therefore, as a reasonable manager should have acted to ensure the error did not happen.

5. D.18-08-007 found that SCE met the reasonable manager standard and there was no reasonable basis to impose a disallowance concerning the commitment cost cap calculation error.

6. ORA also reviewed SCE's testimony on GHG compliance instruments. From this review, ORA concluded that SCE procured GHG compliance instruments in accordance with its approved GHG Procurement Plan, contained within its Bundled Procurement Plan, and complied with the Commission's reporting requirements for utility procurement of GHG compliance instruments.

7. ORA concluded following its review that SCE managed and administered its contracts and contract settlements reasonably and therefore ORA does not object to SCE's contract administration activities for the Record Year 2016.

8. The maximum disallowance for SCE's violation(s) of SOC 4 for the 2016 Record Year is \$73.172 million.

9. Pursuant to Commission Rules of Practice and Procedure Rule 11.4, SCE filed a motion for leave to file confidential materials under seal, SCE's Exhibits SCE-01C, SCE-02C, SCE-04C and SCE-05C, and Office of Ratepayer

Advocates' filed a motion for leave to file confidential materials under seal, Exhibits ORA-1C, ORA-2C, ORA-3C, and ORA-4C.

10. The materials which SCE and ORA have requested be recognized as confidential meet the guidelines we set forth for confidential information by D.06-06-066, D.08-04-023, and D.14-10-033, as it applies to the confidentiality of electric procurement and GHG data (which may be market sensitive) submitted to the Commission.

Conclusions of Law

1. The determination of Resolution ALJ 176-3396 and the Scoping Memo is revised from hearings are necessary to hearings are not required.

2. During 2016, SCE prudently administered and dispatched its UOG resources and portfolio of contracts, allocated California Department of Water Resources contracts, power purchase agreements, QFs, non-QF resources, and renewable energy resources, in compliance with SCE's Commission-approved procurement plan and otherwise followed Commission guidelines relating to those contracts (pursuant to the Commission's SOC 4) excepting a startup cost exception for El Segundo Units 5/6 and 7/8.

3. There is a violation of SOC 4 due to SCE's startup cost exception for El Segundo Units 5/6 and 7/8 during the Record Year 2016 and cost recovery should be disallowed. The amount disallowed does not exceed the maximum disallowance.

4. Excepting the disallowance for SCE's startup cost exception for El Segundo Units 5/6 and 7/8, the ERRRA entries and related account entries for Record Year 2016 are appropriate, correctly stated, and in compliance with applicable Commission decisions.

5. SCE's GHG compliance instrument procurement activity for Record Year 2016 was reasonable and within SCE's GHG procurement authority and is consistent with the Commission's current directives applicable to those compliance instruments.

6. The balance in SCE's GHG sub-account is appropriate.

7. SCE may return to customers the net over-collected balance of

a. \$3.605 million recorded in the Project Development Division Memorandum Account, the Purchase Agreement Administrative Costs Balancing Account, and the Renewables Portfolio Standard Costs Memorandum Account, and

b. \$79.182 million in unspent, uncommitted funds from prior period Demand Response (DR) funding periods.

8. In order to implement the authority granted herein, SCE should file a Tier 1 Advice Letter within 30 days of the date of this decision. The tariff sheets filed in these Advice Letters should be effective on or after the date filed subject to Energy Division determining they are in compliance with this decision.

9. The motions to seal SCE Exhibits SCE-1C, SCE-2C, , SCE-4C, and SCE-5C and Office of Ratepayer Advocates' Exhibits ORA-1C, ORA-2C, ORA-3C, and ORA-4C and to file under seal SCE and Office of Ratepayer Advocates' briefs should be granted for three years.

10. All rulings of the assigned Commissioner and ALJ should be affirmed.

11. A.17-04-004 should be closed.

O R D E R

IT IS ORDERED that:

1. The entries and calculations in Southern California Edison Company's Energy Resource Recovery Account as of December 31, 2016, excepting the disallowance for Southern California Edison Company's startup cost exception for El Segundo Units 5/6 and 7/8, are approved.

2. The entries, calculations, and balance of Southern California Edison Company's Greenhouse Gas sub-account as of December 31, 2016 are approved.

3. In order to implement the authority granted herein, Southern California Edison Company shall file a Tier 1 Advice Letter within 30 days of the date of this decision. The tariffs filed in the Advice Letter shall become effective on or after the date filed subject to Energy Division determining they are in compliance with this decision.

4. The motion of Southern California Edison Company to receive into evidence the public and confidential versions of Southern California Edison Company's testimony is granted. The public and confidential versions of the prepared testimony of Southern California Edison Company, Exhibits SCE-1 and SCE-02, public SCE-03, public and confidential versions of SCE-04 and SCE-05, public SCE-06. SCE-07, SCE-01A, SCE-02A, and SCE-03A.

5. The motion of the Office of Ratepayer Advocates to receive into evidence the public and confidential versions of the Office of Ratepayer Advocates' direct testimony is granted. The public and confidential versions of the prepared testimony of the Office of Ratepayer Advocates, Exhibits ORA-1, ORA-2, ORA-3, and ORA-4 and ORA-1C, ORA-2C, ORA-3C, and ORA-4C are identified and received into evidence.

6. The motion of Southern California Edison Company for the Commission to seal portions of the evidentiary record and to treat as confidential Southern California Edison Company Exhibits SCE-1C, SCE-2C, SCE-4C, and SCE-5C is granted. We treat as confidential and seal those portions of the evidentiary record consisting of Southern California Edison Company's Exhibits SCE-1C, SCE-2C, SCE-4C, and SCE-5C. The confidential version of each of these exhibits is and will be denoted by a "C" after the number of the exhibit.

7. The motion of the Office of Ratepayer Advocates for the Commission to seal portions of the evidentiary record and to treat as confidential Office of Ratepayer Advocates' Exhibits ORA-1C, ORA-2C, ORA-3C, and ORA-4C is granted.

8. Southern California Edison's and Office of Ratepayer Advocates' confidential portions of their respective opening and reply briefs are accepted for filing under seal.

9. The information identified as confidential by this decision shall remain sealed and confidential for a period of three years after the date of this order. During this three-year period, this information will remain under seal and confidential, and shall not be made accessible or disclosed to anyone other than the Commission staff or on further order or ruling of the Commission, the assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Law and Motion Judge, the Chief Administrative Law Judge, or the Assistant Chief ALJ, or as ordered by a court of competent jurisdiction. If either party believes that it is necessary for this information to remain under seal for longer than three years, a party may file a new motion stating the justification of further withholding of the information from public inspection. This motion shall be filed at least 30 days before the expiration of this limited protective order.

10. Hearings are not necessary in this proceeding.

11. Application 17-04-004 is closed.

This order is effective today.

Dated October 25, 2018, at San Francisco, California.

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners