

Decision 19-10-039 October 24, 2019

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, 2017 Complied with its Adopted Procurement Plan; for Verification of its Entries in the Energy Resource Recovery Account and Other Regulatory Accounts; for Refund of \$36.208 Million Recorded in Three Accounts; and Review of Proposal to Return \$17.644 million in Unspent Demand Response Funds to Customers

Application 18-03-016

**DECISION ADDRESSING SOUTHERN CALIFORNIA EDISON COMPANY'S
ENERGY RESOURCE RECOVERY ACCOUNT COMPLIANCE APPLICATION
FOR RECORD YEAR 2017**

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**DECISION ADDRESSING SOUTHERN CALIFORNIA EDISON COMPANY'S
ENERGY RESOURCE RECOVERY ACCOUNT COMPLIANCE APPLICATION
FOR RECORD YEAR 2017**

Summary

This decision resolves the issues of Southern California Edison Company's (SCE) Energy Resource Recovery Account Compliance Application for Record Year 2017. We make the following determinations: SCE prudently administered and managed its utility-owned generation facilities and outages; we defer the review of the two Mountainview Station outages to Record Year 2018. SCE prudently administered and managed its qualifying and non-qualifying facility contracts. With the exception of the El Segundo data entry error, SCE achieved Least Cost Dispatch of its energy resources and economically triggered demand response programs. We disallow \$159,443 accrued by SCE in the 2017 Record Year for the El Segundo data entry error. SCE's entries made in its memorandum and balancing accounts are reasonable. We grant SCE's requested net revenue requirement decrease of \$54.477 million. We find SCE's greenhouse gas procurement activity for Record Year 2017 to be reasonable and in accordance with its approved Procurement Plan. Relatedly, we memorialize the informal agreement between SCE and the Public Advocates Office regarding direct and tolling contract greenhouse gas costs. Last, we grant SCE recovery of \$0.488 million in net resource cost for its Tehachapi Storage Project during the 2017 Record Year.

Application 18-03-016 is closed.

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, and a schedule for annual ERRA applications. Subsequent decisions regarding the ERRA balancing account adopted minimum standards of conduct regulated energy utilities must follow in performing their procurement responsibilities and have also established the standard of a compliance review as opposed to a reasonableness review of the matters. An ERRA compliance review examines whether a utility has complied with all applicable rules, regulations, decisions, and laws in implementing the most recently approved applicable Long-Term Procurement Plan, including managing utility-owned generation, prudently administering contracts, and ensuring least-cost dispatch.¹

On March 9, 2018, Southern California Edison Company (SCE) filed an application requesting compliance review of its procurement-related and other operations; verification of entries in the ERRA and other regulatory accounts; refund of \$36.208 million recorded in three other accounts; and review of a proposal to return \$17.644 million in unspent demand response funds to customers for the record period January 1 through December 31, 2017 (Application). Simultaneously, SCE served testimony to support its Application and requested relief. The Public Advocates Office of the Public Utilities Commission (Public Advocates Office) filed a protest to the Application on May 4, 2018 and SCE filed a reply to the protest on May 17, 2018.

¹ Public Utilities Code Section 454.5(d)(2).

A prehearing conference was held on August 8, 2018 to discuss the issues of law and fact and determine the need for hearing and schedule for resolving the matter. Pursuant to Public Utilities Code Section 1701.1 and Article 7 of the Commission Rules of Practice and Procedure (Rules), on August 30, 2018, the assigned Commissioner issued an *Assigned Commissioner's Scoping Memo and Ruling* (Scoping Memo) setting forth the category, issues to be addressed and schedule of the proceeding.

The Public Advocates Office served its prepared direct testimony on October 31, 2018 and SCE served its rebuttal testimony.

On January 10, 2019, the Commission adopted Resolution E-4954, which directed SCE to serve supplemental testimony in this proceeding to address the question of whether the Commission should allow cost recovery of SCE's 2017 Tehachapi Storage Project's (Tehachapi) operating expenses for any time Tehachapi was offline.² The Commission also directed SCE to explain in the supplemental testimony why Tehachapi was not operated for 11 months in 2017 and include a description of efforts to avoid non-operation.³

Parties notified the Administrative Law Judge on January 16, 2018 that SCE and the Public Advocates Office were still engaged in discovery and planned to meet in an effort to narrow the issues in dispute for briefing but that SCE and the Public Advocates Office agreed that a hearing is no longer necessary, thereby waiving cross-examination of all witnesses. On January 17, 2019, the Administrative Law Judge issued a ruling cancelling the evidentiary

² Resolution E-4954, January 10, 2019 at 9-10.

³ *Ibid.*

hearing and instructing the calendar clerk to take the hearing off the calendar.

Pursuant to the Administrative Law Judge's January 17, 2019 Ruling, parties filed opening briefs on February 15, 2019. No party filed reply briefs.

2. Issues Before the Commission

Pursuant to the Scoping Memo for this proceeding and Resolution E-4954, the issues to be determined are:

1. Whether SCE prudently administered and managed its utility-owned generation facilities;
2. Whether SCE prudently administered and managed its qualifying facility and non-qualifying facility contracts for generation and power purchase agreements in accordance with the contract provisions and otherwise followed Commission guidelines relating to those contracts and their amendments;
3. Whether SCE achieved least-cost dispatch of its energy resource and economically triggered demand response programs;
4. Whether SCE's entries made in the Department of Energy Litigation Memorandum Account, the Project Development Division Memorandum Account, the Purchase Agreement Administrative Costs Balancing Account, and the Demand Response Program Balancing Account for 2017 are reasonable;
5. Whether SCE prudently managed its utility retained generation outages and associated fuel costs, specifically what values (generally, replacement costs of energy and capacity) and adjustments to those values (generally, avoided costs) pertain to imprudently managed outages, if any;
6. Whether SCE's Greenhouse Gas Compliance Instrument procurement and its entries are consistent with Commission and state policies and laws;
7. Whether SCE's administrative costs entries for its Greenhouse Gas Compliance Instrument procurement are reasonable and accurate, and whether SCE met its burden of proof regarding its claim for these entries; and

8. Whether the Commission should allow cost recovery of SCE's 2017 Tehachapi operating expenses for any time Tehachapi was offline.

3. Overview of SCE's ERRA Compliance Application and Protested Issues

SCE requests the Commission find that during the 2017 Record Year:

1) SCE's dispatch of generation resources and related spot market transactions complied with its Procurement Plan and Standard of Conduct No. 4;⁴ 2) SCE's utility-owned generation outage management operations and contract administration activities were reasonable; and 3) SCE appropriately operated various balancing and memorandum accounts, and that its recorded entries in these accounts are appropriate, correctly stated, and in compliance with Commission decisions. SCE also requests approval to refund to customers approximately \$54.477 million, which is: a) SCE's share of the net proceeds from the federal government for costs incurred by SCE during the 2014-2015 period from the Department of Energy's failure to meet its legal obligation to store used nuclear fuel; b) excess funds (overcollections) in two authorized SCE accounts: the Project Development Division Memorandum Account and the Purchase Agreement Administrative Costs Balancing Account; and c) unspent and uncommitted funds from the 2016-2017 funding period included in the Demand

⁴ Standard of Conduct No. 4 states that prudent contract administration includes administration of all contracts within the terms and conditions of those contracts, to include dispatching dispatchable contracts when it is most economical to do so. In administering contracts, the utilities have the responsibility to dispose of economic long power and to purchase economic short power in a manner that minimizes rate payer costs. Least-cost dispatch refers to a situation in which the most cost-effective mix of total resources is used, thereby minimizing the cost of delivering electric services. The utility bears the burden of proving compliance with the standard set forth in its plan. (See D.02-12-074 at Ordering Paragraph 24.b.)

Response Program Balancing Account. We further describe these elements below.

3.1. Dispatch of Resources

SCE asserts it consistently followed prudent procurement and bidding processes and practices to satisfy Standard of Conduct No. 4. SCE states it provided qualitative and quantitative documentation that its actions met the Commission's Least Cost Dispatch Compliance Standard and is also in compliance with D.15-05-007 requirements. SCE contends that its work papers fully document all key Least Cost Dispatch related activities and spot market transactions SCE made during the record period. In implementing the Least Cost Dispatch standard, SCE explains that it evaluates the economics of its dispatchable resources⁵ before submitting bids and schedules to the California Independent System Operator (CAISO). SCE provides summary reports on its annual exception rates, stating that in no case did it fail to offer available dispatchable thermal resources to the CAISO market. During the record period, SCE submitted 557,787 bids, with 151 (0.03 percent of the total) found to have a variance due to two discrete errors. An additional 854 bids indicate a variance due to system errors. Of the 1,005 total variances, only 162 bids were impactful. With respect to demand response resources, SCE states that its economically triggered demand response resources (921 megawatts (MW)) were available for CAISO market dispatch.

⁵ Resources include utility-owned generation, utility-contracted resources, and spot market transactions in the day-ahead, hour-ahead, and real-time market.

3.2. Utility-Owned Generation Outage Management and Contract Administration

SCE contends it reasonably managed its 33 hydroelectric (hydro) generating plants with an aggregate 1,176 MW of nameplate generating capacity,⁶ 5 natural gas fired peaking generating plants with an aggregate 245 MW of generating net capacity,⁷ one combined cycle gas-fired power plant (Mountainview) with a total nominal capacity of 1,104 MW,⁸ 25 solar photovoltaic facilities with a total of 67.5 MW,⁹ two fuel cells generating facilities with a combined capacity of 1.6 MW,¹⁰ and Palo Verde, a nuclear generating station.¹¹

With respect to outages, SCE hydro facilities experienced a total of 32 unscheduled or forced outages, 27 of which affected a total generation capacity of less than 25 and/or had a duration of less than 24 hours.¹² SCE's peaker plants experienced 46 unscheduled outages but only six outages exceeded 24 hours in duration.¹³ Mountainview experienced five forced outages but only two exceeded 24 hours, both of which endured from October 2017 to

⁶ The 33 hydroelectric generating plants include 33 dams, 43 stream diversions, and approximately 143 miles of tunnels, conduits, flumes, and flow lines. *See* SCE-01 at 33.

⁷ SCE-01 at 53.

⁸ *Id.* at 61.

⁹ *Id.* at 72.

¹⁰ *Id.* at 81.

¹¹ SCE owns 15.8 percent of Palo Verde Nuclear Generating Station Units 1, 2, and 3. *See* SCE-01 at 85.

¹² SCE-01 at 47.

¹³ *Id.* at 58-59.

January 2018.¹⁴ SCE's photovoltaic facilities experienced 4 forced outages exceeding 24 hours for a total outage of over 3,000 hours.¹⁵ Palo Verde experienced only scheduled outages for maintenance.¹⁶

SCE states that it purchased 48,266 barrels of diesel fuel and burned approximately 48,940 barrels of diesel fuel for electric generation on Santa Catalina Island at a cost of \$5.335 million.¹⁷ SCE spent \$38.1 million for its share of nuclear fuel at Palo Verde, equivalent to \$7.46/megawatt hour (MWh).¹⁸

The administration and management of energy contracts is separated into four resource categories: 1) Behind-The-Meter contracts; 2) Conventional and Natural Gas Products; 3) Public Utility Regulatory Policies Act of 1978 (PURPA) and Combined Heat and Power (CHP); and 4) Renewables Portfolio Standard. During the record period, SCE managed 32 energy efficiency, 15 demand response, 13 renewable generation, and 16 permanent load shifting contracts for a total of 76 Behind-The-Meter contracts. During the record period, SCE administered a total of 57 conventional contracts, equaling 282.2 MW, which include tolling confirmations, resource adequacy confirmations, transmission contracts, gas transportation contracts, gas storage contracts, energy storage contracts, demand response resource purchase agreements and power purchase agreements. All transactions were either approved through the Quality

¹⁴ *Id.* at 68-68.

¹⁵ *Id.* at Table V-26.

¹⁶ *Id.* at 89-93.

¹⁷ *Id.* at 70.

¹⁸ *Id.* at 94.

Compliance Review or through separate advice letter or application filings.¹⁹ SCE states that it purchased 5.62 billion kilowatt hours (kWh) from 94 active PURPA contracts with contracted costs of \$386 million, 5.02 billion kWh from nine active CHP contracts with contracted-related costs of \$155.89 million,²⁰ and 18.02 billion kWh from 241 Renewables Portfolio Standard contracts with recorded payments of \$1.766 billion.²¹ SCE contends that its contract development and administration activities were reasonable.

3.3. Expenses Recorded Through the Ratemaking Accounts

SCE states that its testimony contains summaries and documentation, including descriptions of Commission-authorized transfers, to support that it appropriately operated the following regulatory accounts and that the entries in these accounts are appropriate, correctly stated, and in compliance with Commission decisions:

- ERRA Balancing (Bal) Account (Acct)
- Base Revenue Requirement Bal Acct
- Nuclear Decommissioning Adjustment Mechanism
- Public Purpose Programs Adjustment Mechanism
- California Alternate Rates for Energy Bal Acct
- New System Generation Bal Acct
- Medical Programs Bal Acct
- Pension Costs Bal Acct
- Post-Employment Benefits Other Than Pensions Bal Acct

¹⁹ *Id.* at 131 and Table VII-A.

²⁰ *Id.* at 157.

²¹ *Id.* at 181.

- Results Sharing Memorandum (Memo) Acct
- Statewide Marketing, Education & Outreach Bal Acct
- Energy Settlements Memo Acct and Litigation Costs Tracking Acct
- Charge Ready Program Bal Acct
- Green Tariff Marketing, Education, & Outreach Memo Acct
- Green Tariff Shared Renewables Administrative Costs Memo Acct
- Green Tariff Shared Renewables Bal Acct
- Department of Energy Litigation Memo Acct
- Project Development Division Memo Acct
- Purchase Agreement Administrative Costs Bal Acct
- Pole Loading and Deteriorated Pole Programs Bal Acct
- Demand Response Program Bal Acct

Collectively, SCE requests a revenue requirement decrease of \$54.477 million in 2019, including Franchise Fees and Uncollectibles expenses, which are associated with four of the accounts. See Table 1 below.

Table 1 Summary of 2019 Revenue Requirement Change (\$000)	
Balancing (Bal) / Memorandum (Memo) Accounts	Revenue Change
Department of Energy Litigation Memo Acct	(33,094)
Project Development Division Memo Acct	(2,734)
Purchase Agreement Administrative Costs Bal Acct	(380)
Net Over-Collected Balance	(36,208)
Demand Response Program Balancing Account (return of unspent/uncommitted funds)	(17,644)
Total	(53,852)
Franchise Fees and Uncollectibles	(625)
Total Revenue Requirement Change	\$(54,477)

3.4. Supplemental Testimony on Tehachapi

As part of the American Recovery and Reinvestment Act of 2009, SCE was awarded \$25 million in funding from the United States Department of Energy to modernize the electric grid. In Resolution E-4355, the Commission approved recovery of SCE's cost share of the project, approximately \$25 million. The Commission stated that Tehachapi is attractive from a cost perspective since it provides SCE with the "opportunity to make investments and have only 50 percent of the cost (or less) fall to ratepayers."²²

On April 2, 2018, SCE submitted Advice Letter 3779-E to explain why Tehachapi's continued operations as a resource is beneficial for grid reliability and is economically feasible. Resolution E-4954 approved SCE's request to continue operations of Tehachapi. However, in the resolution, the Commission questioned why Tehachapi was offline for 11 months in 2017 and no revenue was generated during this time. Resolution E-4954 required SCE to serve supplemental testimony in this proceeding to justify the recovery of costs for Tehachapi operating expenses during the time it was offline. SCE complied with this directive and included an explanation of why Tehachapi was offline for 11 months during 2017 and a description of its efforts to minimize this time.

In its supplemental testimony, SCE explains that the original Department of Energy contract for preventive maintenance and systems of Tehachapi expired on December 31, 2016. SCE had begun contract negotiations 13 months prior, hoping to complete the new contract before the expiration date. SCE asserts that the delays in contract negotiations were beyond its control. SCE states that

²² SCE Opening Brief citing E-4355 at 1.

delays were caused by a need to modify the existing contract to remove language related to the Department of Energy, a determination to draw up a new master services agreement, creation of a safety standard program, the inability to use a pre-qualified vendor,²³ and the timing of the negotiations between the two vendors.

SCE maintains its decision to take Tehachapi offline during the contract negotiations was prudent despite the costs. SCE explains that because LG Chem and ABB had proprietary system knowledge, malfunctions of Tehachapi without a support contract in place could jeopardize the safety and integrity of the battery system, the operating substation, and the safety of SCE personnel.²⁴

SCE contends the 2017 costs and operating expenses of an offline Tehachapi were reasonable. SCE states it incurred Department of Energy project closeout expenses of \$364,828²⁵ and ongoing operations costs of \$161,470²⁶ (a large percentage of which was an Interconnection Facilities Maintenance Fee, which must be paid whether the resource participates in the market or not).²⁷ SCE underscores that, in 2017, Tehachapi only recorded a month of market

²³ This was because of the proprietary nature of the battery system, and because LG Chem and Asea Brown Boveri, Ltd. (ABB) were the only two vendors qualified to work on their respective equipment while preserving the warranty protections for Tehachapi.

²⁴ See SCE-08.

²⁵ SCE-06 at 4, lines 1-6.

²⁶ *Id.* at 5, lines 1-18.

²⁷ SCE-14.

participation, which caused costs to exceed market benefits.²⁸ SCE argues that “cost is not the sole criteria in assessing the reasonable of the utility’s conduct.”²⁹

4. Overview of Public Advocates Office’s Intervenor Testimony

According to its testimony, the Public Advocates Office makes several recommendations for the 2017 Record Year.

- A. With respect to least-cost dispatch, the Public Advocates Office recommends: i) the Commission should order SCE to collaborate with the Public Advocates Office to select an independent load and price forecasting expert to review SCE’s forecast models and methods; ii) SCE erred in an El Segundo startup cost data entry of \$159,443 and the Commission should disallow this entry; iii) the Commission should formally acknowledge that the potential costs of a December 16, 2017 to March 15, 2018 software issue, which prevented accurate transition costs from being included in the bid calculation of several of SCE’s units, should be considered in the 2018 ERRA Compliance application; and iv) the Commission should host two workshops – one to establish new reporting requirements for renewable economic curtailment and energy storage dispatch and one workshop to review the reporting standards for least-cost dispatch in ERRA.
- B. On the subject of utility-owned hydroelectric generation, the Commission should order SCE to provide information regarding whether there are any other outages that SCE will need to report to the Commission at a later time and when testimony for those pending outages would be submitted. The Commission should also require SCE to provide more comprehensive and precise information on outages.
- C. On the subject of utility-owned natural gas generation, the Public Advocates Office recommends: i) the Commission should

²⁸ SCE Opening Brief at 24.

²⁹ *Ibid.*

- approve SCE's request to defer the review of two Mountainview Station outages to the 2018 ERRAs; and ii) the Commission should disallow recovery of the costs for installation of an improperly-wired power transmitter, which caused the May 11, 2017 Barre Peaker outage.
- D. With respect to contract administration, the Public Advocates Office recommends the Commission approve SCE's contract administration related requests.
 - E. Regarding greenhouse gas compliance, the Public Advocates Office recommends a disallowance for direct and tolling contract greenhouse gas costs and a directive that SCE include its weighted average cost calculation for the record period in all future ERRAs compliance and forecast applications.
 - F. On the subject of whether the ERRAs and other Balancing and Memorandum Accounts were appropriately operated and entries appropriate, the Public Advocates Office recommends the Commission direct SCE to provide more legible supporting workpapers and more detailed support documentation for general ledger entries in the future.

5. Review of SCE's ERRAs Compliance Application

Upon review of the record of this proceeding, we make the following findings: SCE prudently administered and managed its utility-owned generation facilities and outages; we defer the review of the two Mountainview Station outages to Record Year 2018. SCE prudently administered and managed its qualifying and non-qualifying facility contracts. With the exception of the El Segundo data entry error, SCE achieved Least Cost Dispatch of its energy resources and economically triggered demand response programs. Accordingly, we disallow \$159,443 accrued by SCE in the 2017 Record Year for the data entry error. SCE's memorandum and balancing account entries are reasonable. Hence, we grant SCE's requested net revenue requirement decrease of \$54.477 million. We find SCE's greenhouse gas procurement activity for Record Year 2017 to be

reasonable and in accordance with its approved Procurement Plan. Relatedly, we memorialize the informal agreement between SCE and the Public Advocates Office regarding direct and tolling contract greenhouse gas costs. Last, we grant SCE cost recovery of \$0.488 million in net resource cost for its Tehachapi Storage Project during the 2017 Record Year. We discuss each of these below.

5.1. SCE Prudently Administered and Managed Its Utility-Owned Generation Facilities and Outages

With the exception of the two Mountainview Station outages, we reviewed SCE's utility-owned facilities and outages presented in its application and associated testimony. We find that SCE prudently administered and managed these facilities (including hydroelectric, natural gas, nuclear and other generation facilities) and the associated outages.

First, we conclude the Commission should defer the review of two Mountainview Station outages (Unit 3 on October 18, 2017 and Unit 4 on October 31, 2017) until the 2018 ERRRA Compliance filing, which was filed on April 1, 2019. This will allow SCE to complete its investigation. The Public Advocates Office and SCE agree on this action. Because the outages occurred over the course of two record years, it is more efficient to address the two Mountainview Station outages once during the latter of the two record years, after SCE has completed its investigation.

Of SCE's utility-owned generators, the Barre Peaker's outage is the only remaining issue in dispute. The Public Advocates Office recommends the Commission disallow cost recovery of \$16,146 "because SCE installed an improperly-wired power transmitter" causing the Barre Peaker May 11, 2017

outage.³⁰ As described below, we find that SCE prudently managed the outage and appropriately addressed corrective actions. As the Barre Peaker outage is the only issue in dispute with respect to utility-owned generation, we find that SCE prudently managed its utility-owned generation and all related outages during the 2017 Record Year. Accordingly, we decline to grant the Public Advocates Office's recommended disallowance of \$16,146 for the Barre Peaker May 11, 2017 outage.

SCE states that the Barre Peaker had experienced ten false alarms between June 24, 2015 and May 4, 2017, all determined to be false alarms of a generator rotor electrical ground fault alarm being triggered within the Barre Peaker control system. In the case of these 10 events, no actual generator rotor electrical generator fault occurred, no outage was needed, and "the trouble shooting found what was believed to be (at the time) the cause of the false alarms."³¹ SCE explains that, upon the May 10, 2017 incident, SCE determined that additional investigation was warranted, which required the engagement of an outside technical expert and led to the eight-day outage. SCE further explains that the first six days of the outage was spent investigating the new technical expert's safety plan and track record, while the actual problem diagnosis, repair, and testing took approximately 10 hours.³² SCE's actions show that they operated the Barre Peaker outage as a reasonable manager based upon the facts known at the time.

³⁰ Cal PA-01 at 4-20.

³¹ SCE Opening Brief at 5.

³² *Id.* at 6 citing SCE-05 at 18.

Public Advocates Office asserts that SCE installed an improperly wired power transmitter that caused the May 11, 2017 Barre Peaker outage and the Commission should disallow cost recovery of \$16,146. Public Advocates Office explains that SCE should be responsible for the costs of the outage since a reasonable manager would have verified, at the time of commissioning, that the power transmitter was functioning correctly. SCE explains that the wiring error likely occurred at the manufacturer since power transmitters are pre-wired.³³ Further, as described by SCE, the improperly wired power transmitter did not cause the outage, it only caused a generator rotor electrical ground fault alarm to be triggered. After 11 incidents of this alarm being triggered, SCE, acting as a reasonable manager, determined that further investigation was necessary, which required the outage. Therefore, we decline to grant a disallowance for the outage.

The Public Advocates Office recommends the Commission require SCE to implement the corrective actions recommended in the Apparent Cause Evaluation Report for the Barre Peaker outage. SCE asserts implementation of all eight corrective actions to the Barre Peaker. SCE notes that implementation of three corrective actions which apply to four other SCE peakers will be completed “during the next opportunity when this level of equipment disassembly is already being performed for other required maintenance work.”³⁴ We find this a reasonable course of action because, as explained by SCE, the corrective actions require outage time, disassembly can introduce additional risks, and only one of

³³ Cal PA-01 at 4-11.

³⁴ SCE Opening Brief at 7.

the four peaker plants has displayed any indication that it may have the same wiring error.³⁵ We agree with SCE that the proposed plan to address the three corrective actions at the four other peaker plants will minimize risks and costs to customers.

5.2. SCE Prudently Administered and Managed Its Qualifying Facility and Non-Qualifying Contracts

We reviewed the record regarding SCE's administration and management of the contracts for its qualifying and non-qualifying facilities. Based on the record of this proceeding, we find that SCE prudently administered and managed its qualifying and non-qualifying facility contracts.

In its testimony, SCE states that its contracts were administered in accordance with the terms of the contracts and that contract disputes were, or are in the process of being, reasonably resolved.³⁶ Further, SCE asserts that it administered all contracts in a manner consistent with Commission decisions.³⁷

Public Advocates Office reviewed contracts "that underwent execution, modification, dispute, or termination during the Record Period."³⁸ Public Advocates Office asserts that, with respect to the one new contract, the contract was competitively priced and the Commission should approve the letter confirmation. For amendments and modifications, Public Advocates Office maintains that SCE met the following criteria: a) did SCE adequately justify the

³⁵ *Ibid.*

³⁶ SCE-01 at 108.

³⁷ *Ibid.*

³⁸ Cal PA-01 at 5-2.

rationale for the contract amendment; b) is the amendment necessitated by operational needs; c) is the amendment in the best interest of SCE's ratepayers; d) does SCE provide the actual and or notional value of the amendment; and e) does SCE account for the actual and notional value of the amendment in its expense and/or revenue account. Public Advocates Office asserts SCE's contract amendments are reasonable. Public Advocates Office also reviewed 52 contract terminations or allowed expirations and found no concerns.

Noting that its review is guided by D.02-10-062 and D.02-12-074, the Public Advocates Office asserts that SCE properly administered its contracts during Record Year 2017 and prudently supported the execution of a new contract subject to approval through the ERRR process.³⁹ We find that the record supports a finding that SCE prudently administered and managed its qualifying and non-qualifying facility contracts in accordance with the contract provisions and otherwise followed Commission guidelines relating to those contracts and their amendments pursuant to Standard of Conduct No. 4.

5.3. SCE Achieved Least-Cost Dispatch of its Energy Resources and Economically-Triggered Demand Response Programs

As described below, the record of this proceeding indicates one area of dispute – that of a data entry error related to the El Segundo Units 5/6 and 7/8, which resulted in the CAISO committing both resources more frequently than would otherwise have been the case. As described further below, we find that SCE failed as a reasonable manager in the matter of the El Segundo data error.

³⁹ *Ibid.*

Accordingly, we disallow \$159,443 accrued by SCE in the 2017 Record Year. Aside from the El Segundo data error, the record indicates that SCE followed Standard of Conduct 4 and the Commissions Least Cost Dispatch protocols. Additionally, we decline to adopt Public Advocates Office's recommendations for the Commission to: 1) authorize SCE to hire an independent load and price forecasting expert or 2) host a workshop to develop new ERRA reporting standards. We discuss these items individually below.

We begin with a discussion of the El Segundo data error. SCE states that in its Record Year 2016 ERRA review, it fully disclosed a commitment cost exception affecting two Multi-Stage Generation resources: El Segundo Units 5/6 and 7/8.⁴⁰ SCE explains that SCE inadvertently excluded a fixed start-up cost component in a bidding software field.⁴¹ The software automatically entered a zero in the field, which resulted in SCE submitting daily bids that understated the startup costs and led to CAISO committing both resources more frequently than would otherwise have been the case.⁴² The error lasted from December 2016 to January 2017 when it was identified and corrected. The affected El Segundo units accrued an estimated cost impact of \$159,443 in startup costs for the month of January 2017.⁴³

Public Advocates Office recommends the Commission disallow this amount, contending the error could have been avoided if appropriate

⁴⁰ SCE-01 at 22-23.

⁴¹ *Id.* at 23.

⁴² SCE Opening Brief at 10-11.

⁴³ *Id.* at 8. See also SCE-01 at Table II-4.

operational or administrative protocols had been in place.⁴⁴ SCE maintains that while it made an error, its actions were reasonable and consistent with Standard of Conduct 4, which does not require perfection.⁴⁵ SCE argues that it could not anticipate the point of failure based upon facts that were known, as required by Standard of Conduct 4. SCE contends that just because it knew that the software would assume a \$0 value if an input was not entered, does not mean that there would be one blank field and SCE did not know an error had been made.⁴⁶

SCE further defends its error by underscoring that it reported this error in its prior ERRA Compliance filing, as the error occurred during December 2016 and January 2017, covering two record periods. In D.18-01-031, the Commission disallowed the El Segundo startup cost exception error (for December 2016) stating that SCE failed to act prudently before it implemented the corrective action.⁴⁷ SCE provides no evidence that the January 2017 error should be treated any differently from the December 2016 error. However, SCE argues that the Commission is free to apply or ignore prior precedent, or both, and recommends the Commission now ignore the outcome in D.18-01-031 and find that SCE acted as a reasonable manager. SCE underscores that the Commission “may legally depart from precedent so long as the circumstances particular to the given situation justify such departure.”⁴⁸ However, there are no different circumstances here, this is the exact same error one month later. The

⁴⁴ Cal PA-01 at 2-14.

⁴⁵ SCE Opening Brief at 9 citing D.17-03-016 at 8.

⁴⁶ *Id.* at 11.

⁴⁷ D.18-01-031 at 9.

⁴⁸ SCE Opening Brief at 13 citing D.93-12-046.

Commission should disallow \$159,443 for the El Segundo startup cost data entry error accrued by SCE in the 2017 Record Year.

With respect to all other Least Cost Dispatch activities, SCE contends that it “consistently followed prudent procurement and bidding processes and practices to satisfy Standard of Conduct 4.”⁴⁹ Further, SCE maintains its actions met the Commission’s Least Cost Dispatch compliance standards and D.15-05-007 requirements.⁵⁰ Public Advocates Office compared SCE’s performance and actions with the Commission’s Least Cost dispatch standard and, with the exception of the El Segundo data entry error, Public Advocates Office supports SCE’s stance that SCE achieved Least Cost Dispatch of its generation resources during the 2017 Record Period.⁵¹ The record of this proceeding shows that, aside from the El Segundo data entry error, SCE’s Least Cost Dispatch-related activities complied with applicable Commission standards.

We now turn to the recommendations of the Public Advocates Office for the Commission to: a) direct SCE to hire an independent forecast expert; and b) facilitate ERRRA reporting standards workshops between the three utilities (SCE, Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E)) and the Public Advocates Office.

The Public Advocates Office offers that “an accurate price forecast allows SCE to make energy bids that will minimize ratepayer costs.”⁵² As part of its review of SCE’s Least Cost Dispatch activities, the Public Advocates Office states

⁴⁹ SCE-01 at 32.

⁵⁰ *Ibid.*

⁵¹ Cal PA-01 at 2-1 and 2-27.

⁵² *Id.* at 2-4.

that it used SCE data to find different measurements of the mean absolute percentage error and variance of SCE's forecast.⁵³ Asserting that its ability to evaluate SCE's price and load forecast accuracy is limited due to a lack of an accurate benchmark (other than SCE's historical mean absolute percentage error and forecast variance), the Public Advocates Office contends this inaccuracy could be improved by an independent evaluation of SCE's forecasting models.⁵⁴

SCE opposes the Public Advocates Office recommendation that SCE hire a load and price forecast expert. SCE argues that the Public Advocates Office provides no need for such an assessment. SCE highlights that the Public Advocates Office's own testimony describes SCE's load forecasting accuracy as "improved compared to the previous Record Period" and SCE's load variance as "relatively small, resulting in minimal costs to ratepayers."⁵⁵ We agree that the Public Advocates Office testimony indicates SCE's load forecasting is improved and has minimal errors.

Public Advocates Office references forecasting assessment efforts currently underway or being explored with PG&E and SDG&E. SCE argues that these efforts should not be a precedent for applying the same requirement to SCE. Noting the Public Advocates Office made this same recommendation in A.16-04-001, SCE cites D.18-05-007 whereby the Commission, in denying the recommendation, found that "the fact that PG&E agreed to an independent review of its forecasting process offers no basis necessarily to order such a review

⁵³ *Id.* at 2-5.

⁵⁴ *Id.* at 2-7 to 2-9.

⁵⁵ SCE Opening Brief at 14.

for SCE.”⁵⁶ The Public Advocates Office provides no evidence in this proceeding that SCE should be required to engage in an assessment of its forecasting model.

Lastly, the Public Advocates Office recommends the Commission facilitate a workshop or series of workshops between Public Advocates Office and the three utilities with the purpose of improving ERRR Least Cost Dispatch reporting requirements in three areas: a) renewable economic curtailment; b) energy storage dispatch; and c) demand response dispatch. SCE opposes the recommendation, calling it premature, and asserts that the Public Advocates Office does not demonstrate that SCE’s showing is lacking substantive information to demonstrate its burden of proof.⁵⁷

We find merit in these requests. However, the other two utilities (PG&E and SDG&E) are not parties to this proceeding and have not been afforded due process required to compel the three utilities to meet with Public Advocates Office through a decision in *this* proceeding. The Public Advocates Office could request a petition for modification of the ERRR reporting standards adopted by the Commission in D.15-05-005, D.15-05-006, and D.15-05-007. As described below, the additional reporting requirements requested by Public Advocates Office could provide additional value in reviews of future ERRR Compliance applications.

In testimony, the Public Advocates Office points to a dearth of renewable curtailment information. When requested to provide such information, Public Advocates Office states that SCE called the request burdensome, despite

⁵⁶ *Id.* at 16 citing D.18-05-007 at 11-12.

⁵⁷ SCE Opening Brief at 17.

providing such information in a prior ERRA Compliance proceeding.⁵⁸ The Public Advocates Office contends the data is critical to understanding the integration of renewables in California's grid and designing curtailment strategies to minimize ratepayer costs. Calling the request premature, SCE argues that the Public Advocates Office does not address any new requirements or demonstrate that SCE's showing is lacking information to demonstrate its burden of proof.⁵⁹

As noted by the Public Advocates Office, the CAISO reports that curtailment of solar and wind resources is increasing each year as more of these resources are added to the grid.⁶⁰ Without the curtailment data, the Commission cannot ensure that SCE is acting as a reasonable manager to track the frequency of renewable curtailment, ensure those resources have contractual ability to curtail generation, and properly compensate the resources for curtailment or penalize them for failure to do so. We find that requiring curtailment data reporting in ERRA Compliance proceedings could result in a more thorough review of renewable resources.

Similarly, the Public Advocates Office recommends new reporting requirements for energy storage dispatch. Public Advocates Office submits that the energy storage dispatch strategies are not in the current scope of the ERRA Least Cost Dispatch review but should be.⁶¹ SCE also considers this

⁵⁸ Cal PA-01 at 2-19.

⁵⁹ SCE Opening Brief at 17-18.

⁶⁰ Cal PA-01 at 2-19 citing a CAISO report.

⁶¹ *Id.* at 2-21.

recommendation to be premature.⁶² We disagree. There is an increasing use of energy storage by the utilities, as demonstrated by D.13-10-040 wherein the Commission adopted a total energy storage procurement target of 1,325 MW, allocated to each of the investor-owned utilities in four biennial solicitations through 2020. As we are reaching the 2020 mark and energy storage procurement target required by D.13-10-040, the issue of developing reporting requirements for energy storage dispatch in ERRA Compliance filings is ripe.

We now turn to the subject of demand response dispatch. The Public Advocates Office asserts that SCE generally administered its demand response programs well. However, Public Advocates Office contends that the absence of bidding information, makes it difficult to determine whether a lack of dispatch is due to insufficient program design or market processes, especially with respect to the Summer Discount Plan.⁶³ We agree that bidding information could help determine whether a lack of dispatch in the Summer Discount Plan is due to insufficient program design or market process. We find that the bidding data should be valuable information in an ERRA Compliance review.

5.4. SCE's Entries Made in its Memorandum and Balancing Accounts for 2017 Are Reasonable

In its testimony, SCE provided an overview of each memorandum and balancing account requiring review in this ERRA compliance proceeding. For each of the accounts, SCE provided the regulatory background, the operational aspects of the account during the Record Year 2017, and a request to find the recorded entries appropriate, correctly stated, and in compliance with

⁶² SCE Opening Brief at 17-18.

⁶³ Cal PA-01 at 2-26.

Commission decisions.⁶⁴ SCE requests a revenue requirement decrease of \$54.477 million, including Franchise Fees and Uncollectibles expenses, associated with the Department of Energy Litigation Memorandum Account, the Project Development Division Memorandum Account, the Purchase Agreement Administrative Costs Balancing Account, the Demand Response Program Balancing Account, as shown in Table 1 above.

The Public Advocates Office performed an onsite audit of the accounts using the following procedures:

- Review of SCE's application testimony, exhibits, workpapers, and data request responses;
- Review of applicable Advice Letters and Commission decisions;
- Analytical review of monthly entries, including reviews of monthly balances recorded for each of the balancing and memorandum account tariff line items during the 2017 Record Year, and evaluating monthly and annual fluctuations;
- Sampling of balancing and memorandum account monthly and tariff line items to determine whether adequate support exists.
- Review of monthly interest rates used and the interest amount calculations;
- Review recorded revenues and costs to determine appropriate and correct entries;
- Review for compliance with applicable Commission decisions and advice letter resolutions; and
- Review of 2017 internal audit reports related to balancing account administration.⁶⁵

⁶⁴ SCE-02 at Chapter XI.

⁶⁵ Cal PA-01 at 7-7 to 7-8.

This is an uncontested issue. Both SCE and the Public Advocates Office assert that SCE appropriately operated the balancing and memorandum accounts during the Record Year 2017. SCE and the Public Advocates Office also support a Commission finding that all record entries in the balancing and memorandum accounts are reasonable, appropriate, correctly stated, and in compliance with Commission decisions. Further, the Public Advocates Office agrees that the SCE requested total net revenue change of a decrease of \$54.477 million is supported by its testimony and correctly stated. The record indicates all record entries in the balancing and memorandum accounts are reasonable, appropriate, correctly stated, and in compliance with Commission decisions. Hence, the record supports approval of SCE's requested net revenue requirement decrease of \$54.477 million.

Relatedly, the Public Advocates Office relays its concerns that certain supporting workpapers of SCE's were not legible, which required additional supporting documents to verify the entries.⁶⁶ Further, some illegible entries did not have adequate supporting documentation, which required follow up with SCE personnel.⁶⁷ While Public Advocates Office offers that SCE was generally responsive to these follow ups, Public Advocates Office contends the presence of the illegible entries requires additional time and effort from both parties, which Public Advocates Office asserts is not an efficient use of the discovery process.⁶⁸ Public Advocates Office requests the Commission direct SCE to provide more

⁶⁶ Cal PA-01 at 7-09.

⁶⁷ *Id.* at 7-09 to 7-10.

⁶⁸ *Ibid.*

legible supporting testimony workpapers and keep available all supporting documentation for general ledger entries in regulatory accounts.⁶⁹

We find Public Advocates Office's request reasonable, as time and effort spent by parties performing what result in repetitive tasks is not an efficient use of ratepayer funds. SCE is directed to ensure that supporting testimony workpapers are legible and to maintain supporting documentation for regulatory account entries. These practices should result in a more efficient regulatory process and, therefore, a more cost-effective regulatory process for ratepayers.

5.5. SCE's Greenhouse Gas Compliance Issues

We discuss all issues related to SCE's greenhouse gas compliance in this section. First, as described below we find reasonable the informal agreement between SCE and Public Advocates Office regarding direct and tolling contract greenhouse gas costs and we direct SCE to provide the agreed upon data in future ERRA Compliance filings. Furthermore, we find SCE's greenhouse gas procurement activity for Record Year 2017 reasonable and in accordance with its approved Procurement Plan in its Bundled Procurement Plan.

In Opening Briefs to this proceeding, SCE and the Public Advocates Office request the Commission to approve an informal agreement between the two parties regarding greenhouse gas costs with the following terms:

1. SCE will provide the following data in future ERRA Compliance review proceedings:
 - a. The greenhouse gas weighted average cost in dollars per metric ton of carbon dioxide equivalent (\$/MTCO₂e) that is applied to any quantities of emissions volume used to calculate monthly greenhouse gas emissions compliance

⁶⁹ *Id.* at 7-10.

costs.⁷⁰ and the supporting evidence as to when and how the greenhouse gas weighted average cost in \$/MTCO₂e was derived;

- b. Itemized detailing of the components used to calculate SCE's revenue requirement for direct and tolling contract greenhouse gas costs, including but not limited to those from the ERRA balancing account, New System Generation Balancing Account, carrying costs, and delivery service;
 - c. A demonstration of greenhouse gas compliance for its ERRA Compliance Record Year 2018 using the reporting parameters detailed in the draft petition for modification of D.15-01-024 in proceeding A.13-08-002 submitted by the joint utilities on August 1, 2018. SCE agreed to make any subsequent ERRA Compliance Record Period filings as directed in the decision issued on the petition for modification; and
2. In return for the agreement to submit the data listed in a through c above, the Public Advocates Office retracts its recommended disallowance to SCE's 2017 revenue requirement request for direct and tolling contract greenhouse gas costs.

In its Opening Brief, Public Advocates Office explains that it and SCE agree that greenhouse gas compliance in ERRA is confusing due to contradictory language in D.14-10-033, which is the Commission decision that incorporated greenhouse gas compliance into the ERRA review process. Public Advocates Office and SCE have differing interpretations of provisions of D.14-10-033, which adds to this confusion.⁷¹ These provisions relate to the practices of accrual accounting and the handling of emissions and compliance costs. Public

⁷⁰ In the "SCE-ORA Settlement Agreement" for SCE's 2014 Record Year ERRA Review Phase proceeding (Application (A.) 15-04-002), SCE and then ORA (the Office of Ratepayer Advocates is the former name of the Public Advocates Office) agreed that SCE would provide this information in that proceeding.

⁷¹ Public Advocates Office Opening Brief at 7.

Advocates Office suggests that SCE's accrual accounting method has inconsistencies with the requirements in D.14-10-033.⁷² Public Advocates Office believes that the data SCE has agreed to provide will resolve many of the past challenges experienced in the discovery process for greenhouse gas compliance in ERRA.⁷³ Public Advocates Office requests the Commission memorialize this agreement and direct SCE to provide the agreed-upon data in all future ERRA Compliance reviews.

A petition for modification of D.14-10-033 in A.13-08-002 has been filed by the joint utilities to address accrual accounting practices; the filing is supported by the Public Advocates Office (with modifications).⁷⁴ Accordingly, we do not address the question of the differing interpretations of D.14-10-003. However, we agree that the additional data should provide for better understanding of SCE's practices and methods with respect to accrual accounting. Hence, requiring SCE to provide the agreed upon data is reasonable.

With respect to SCE's greenhouse procurement activity for the 2017 Record Year, SCE states that it has demonstrated compliance with its 2014 Bundled Procurement Plan requirements in its 2017 Bundled Procurement Plan Compliance Reports.⁷⁵ The Public Advocates Office reviewed workpapers and SCE's testimony, responses to data requests, and weighted average cost data. Public Advocates Office states that it is satisfied that SCE procured greenhouse gas compliance instruments in accordance with its approved Greenhouse Gas

⁷² *Id.* at 8.

⁷³ *Id.* at 9.

⁷⁴ See Public Advocates Office Opening Brief at 8-9.

⁷⁵ SCE-02 at 128.

Procurement Plan within SCE's Bundled Procurement Plan.⁷⁶ The record supports a finding that SCE procured greenhouse gas compliance instruments in accordance with its approved Greenhouse Gas Procurement Plan within SCE's Bundled Procurement Plan.

5.6. The Commission Should Allow Cost Recovery of SCE's 2017 Tehachapi Operating Expenses During the Time Tehachapi was Offline

As described below, both SCE and the Public Advocates Office assert that the Tehachapi operating expenses were unavoidable during the time Tehachapi was offline. In our review of the record, we find that SCE acted as a reasonable manager with respect to taking Tehachapi offline during contract negotiations despite the unavoidable but reasonable costs to do so. We also find that the contract negotiation time was not a result of improper management by SCE. Accordingly, SCE is granted recovery of the \$0.488 million in net resource cost for Tehachapi during the 2017 Record Year.

SCE maintains that Tehachapi has provided customer benefits in enhancing grid performance and integrating renewable resources.⁷⁷ SCE underscores that because Tehachapi received federal funds, ratepayers have enjoyed these benefits at half the cost of construction.⁷⁸ SCE maintains its decision to take Tehachapi offline during the contract negotiations was prudent despite the costs. Further, SCE contends operating Tehachapi without a support contract in place could jeopardize the safety and integrity of the battery system,

⁷⁶ Cal PA-01 at 6-2.

⁷⁷ SCE Opening Brief at 25.

⁷⁸ *Ibid.*

the operating substation, and the safety of SCE personnel. SCE asserts that Tehachapi's offline expenses were only a short-term problem that will allow continuation of the project and its benefits.

Public Advocates Office agrees that the costs incurred during the time Tehachapi was offline were "reasonable and necessary to ensure public safety and resource readiness."⁷⁹ Specifically, Public Advocates Office describes the Department of Energy closeout costs of \$364,828 as costs that "were required for gaining initial funding" and the Project Management Costs \$51,470 as ensuring "the resource's safety and capability to generate."⁸⁰ Further, Public Advocates Office asserts that the Interconnection Fee of \$110,000 is also reasonable as "it would have been counterproductive to disconnect the resource from the grid, and ultimately more costly to undergo the reconnection process."⁸¹

We find that the costs described by SCE were reasonable. Incurring these costs during the 2017 Record Year saved ratepayers funds and has increased the safety and reliability of Tehachapi both now and in the future.

The Commission directed SCE to explain why Tehachapi was offline for 11 months during 2017 and describe its efforts to minimize this time. SCE asserts that the delays in contract negotiations were beyond its control, ranging from the need to create a new master services agreement to the timing of negotiations between vendors. Public Advocates Office agrees that SCE's explanation of the delays "is sufficient evidence that the negotiation length was not a result of

⁷⁹ Public Advocates Office Opening Brief at 11.

⁸⁰ *Ibid.*

⁸¹ *Ibid.*

unreasonable conduct or contract administration by SCE.”⁸² We agree that the circumstances for the delays in the Tehachapi contract negotiations were not a result of any inappropriate actions by SCE. We find that SCE acted as a reasonable manager with respect to the contract negotiation length for Tehachapi. Accordingly, the Commission should grant the recovery by SCE of a net resource cost for the 2017 Record Year of \$0.488 million, after accounting for revenue generated by Tehachapi.

6. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Hymes 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 7, 2019 by SCE; no one filed reply comments. In its comments, SCE states that it considers the proposed decision balanced and has no recommended changes.

7. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Kelly A. Hymes is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The two Mountainview Station outages (Unit 3 on October 18, 2017 and Unit 4 on October 31, 2017) endured over the course of two record years, from October 2017 through January 2018.

⁸² *Id.* at 14.

2. It is more efficient to address the two Mountainview Station outages once during the latter of the two record years, after SCE has completed its investigation.

3. The Barre Peaker outage is the only issue in dispute with respect to utility-owned generation.

4. The record indicates that SCE prudently managed its utility-owned generation and all related outages during the 2017 Record Year.

5. SCE experienced ten false alarms of a generator rotor electrical ground fault alarm being triggered within the Barre Peaker control system.

6. For all ten false alarms experienced by SCE within the Barre Peaker control system, no generator fault occurred, no outage was needed, and the trouble shooting found what was believed to be the cause of the alarm.

7. Upon an eleventh incident of a false alarm, SCE determined that further investigation was warranted, which required an eight-day outage.

8. The first six days of the May 11, 2017 Barre Peaker outage was spent investigating the proposed contractor's safety plan and track record.

9. The Barre Peaker problem diagnosis, repair and testing took approximately 10 hours.

10. SCE's actions show that it operated the Barre Peaker outage as a reasonable manager based upon the facts known at the time.

11. The improperly wired power transmitter in the Barre Peaker did not cause the Barre Peaker May 11, 2017 outage.

12. The improperly wired power transmitter in the Barre Peaker caused a generator rotor electrical ground fault alarm to be triggered.

13. After 11 incidents where the generator electrical ground fault alarm was triggered, SCE determined that further investigation was necessary, which required an outage on the Barre Peaker.

14. SCE acted as a reasonable manager in furthering the investigation of the generator electrical ground fault alarm and requiring the outage on the Barre Peaker.

15. SCE asserts it implemented all eight corrective actions to the Barre Peaker.

16. SCE plans to implement the three corrective actions that apply to four other SCE peakers when the equipment disassembly is already being performed for other required maintenance.

17. According to SCE, the corrective actions to the four peakers will require outage time.

18. Disassembly to peakers can introduce additional risks.

19. Only one of the four peakers needing corrective actions has displayed any indication that it may have the same wiring error.

20. SCE's plan, to implement the three corrective actions when previously planned work on the four peakers is being done, is a reasonable course of action as it will minimize risks and costs to customers.

21. SCE asserts its contracts were administered in accordance with terms of the contracts and in a manner consistent with Commission decisions.

22. The Public Advocates Office reviewed SCE's contract administration and contends SCE properly administered contracts during the 2017 Record Year and prudently support the execution of a new contract.

23. The record of this proceeding supports a finding that SCE prudently administered and managed its qualifying and non-qualifying facility contracts in accordance with the contract provisions and otherwise followed Commission

guidelines relating to those contracts and their amendments pursuant to Standard of Conduct No. 4.

24. SCE inadvertently excluded a fixed startup cost component in a bidding software field.

25. The bidding software automatically entered a zero in the field, which resulted in SCE submitting daily bids that understated the startup costs and led to CAISO committing both resources more frequently than would otherwise have been the case.

26. The error lasted from December 2016 to January 2017, when it was identified and corrected.

27. The bidding software error led to \$159,443 in startup costs for the month of January 2017 for record year 2017.

28. SCE was aware that the software automatically entered a zero in the field when left blank.

29. D.18-01-031 disallowed the costs for the software error for the month of December 2016 for Record Year 2016.

30. SCE provides no evidence that the January 2017 error should be treated any differently from the December 2016 error.

31. There are no different circumstances between the error in December 2016 and the error in January 2017, this is the exact same error one month later.

32. SCE contends it consistently followed prudent procurement and bidding processes and practices to satisfy Standard of Conduct 4, the Commission's Least Cost Dispatch compliance standards, and requirements of D.15-05-007.

33. Public Advocates Office reviewed SCE's Least Cost Dispatch activities and, aside from the data entry error, found them in compliance with Commission standards.

34. The record of this proceeding shows that, aside from the El Segundo data entry error, SCE's Least Cost Dispatch related activities complied with applicable Commission standards.

35. The Public Advocates Office testimony indicates SCE's load forecasting is improved and has minimal errors.

36. The Public Advocates Office provides no evidence in this proceeding that SCE should be required to engage in an assessment of its forecasting model.

37. The issue of the reasonableness of SCE's entries made in its memorandum and balancing accounts for 2017 is an uncontested issue.

38. Both SCE and the Public Advocates Office assert that SCE appropriately operated the balancing and memorandum accounts during the Record Year 2017.

39. SCE and Public Advocates Office support a finding that all record entries in the balancing and memorandum accounts are reasonable, appropriate, correctly stated and in compliance with Commission decisions.

40. The record indicates all entries in the balancing and memorandum accounts are reasonable, appropriate, correctly stated, and in compliance with Commission decisions.

41. Public Advocates Office contends certain supporting SCE work papers were not legible, which required additional supporting documents to verify the entries.

42. Public Advocates Office submits the illegible entries leads to additional time and effort from both Public Advocates Office and SCE.

43. Time and effort spend by parties performing repetitive tasks is not an efficient use of ratepayer funds.

44. Directing SCE to ensure that supporting testimony work papers are legible and to maintain supporting documentation for regulatory account entries should

result in a more efficient regulatory process and a more cost-effective regulatory process for ratepayers.

45. Public Advocates Office's request, to direct SCE to ensure that supporting testimony work papers are legible and to maintain supporting documentation for regulatory account entries, is reasonable.

46. A petition for modification of D.14-10-033 in A.13-08-002 has been filed by the joint utilities to address accrual accounting practices.

47. It is not necessary for the Commission to address the question of differing interpretations of D.14-10-033 in this proceeding.

48. The additional data agreed to by the Public Advocates Office and SCE should provide a better understanding of SCE's practices and methods with respect to accrual accounting.

49. SCE contends it demonstrated compliance with its 2014 Bundled Procurement Plan requirements in its 2017 Bundled Procurement Plan Compliance Reports.

50. The Public Advocates Office is satisfied that SCE procured greenhouse gas compliance instruments in accordance with its approved greenhouse gas procurement plan within SCE's Bundled Procurement Plan.

51. The record of this proceeding supports a finding that SCE procured greenhouse gas compliance instruments in accordance with its approved Greenhouse Gas Procurement Plan within SCE's Bundled Procurement Plan.

52. The Tehachapi operating costs incurred by SCE during the time Tehachapi was offline were reasonable.

53. Incurring the Tehachapi operating costs during the time Tehachapi was offline saved ratepayer funds and increased the safety and reliability of Tehachapi now and in the future.

54. The circumstances for the delays in the Tehachapi contract negotiations were not a result of any inappropriate actions by SCE.

55. SCE acted as a reasonable manager with respect to the contract negotiation length for Tehachapi.

Conclusions of Law

1. The Commission should defer the review of the two Mountainview Station outages until the 2018 ERRR Compliance filing.

2. SCE should implement the corrective actions that apply to the four other SCE peakers when the equipment disassembly is already being performed for other required maintenance.

3. The Commission should not approve a disallowance of \$16,146 for the Barre Peaker May 11, 2017 outage.

4. The Commission should disallow \$159,443 for the El Segundo startup cost data entry error accrued by SCE in the 2017 Record Year.

5. The Commission should not require SCE to engage in an assessment of its forecasting model and hire an independent forecast expert.

6. The Commission should approve SCE's requested net revenue requirement decrease of \$54.477 million.

7. SCE should ensure that supporting testimony work papers in all future ERRR Compliance applications are legible and maintain readily accessible supporting documentation for regulatory account entries.

8. SCE should provide the agreed upon data regarding its practices and methods with respect to accrual accounting in its future ERRR Compliance filings.

9. The Commission should grant the recovery by SCE of a net resource cost of \$0.488 million for the 2017 Record Year, after accounting for revenue generated by Tehachapi.

O R D E R

IT IS ORDERED that:

1. The Application of Southern California Edison Company, Application 18-03-016 for Record Period January 1 through December 31, 2017 is approved consistent with the ordering paragraphs below.

2. Southern California Edison Company is authorized to refund to customers \$54.477 million as indicated in Table 1 of this decision.

3. Recovery of \$159,443 accrued by Southern California Edison Company in the 2017 Record Year for the El Segundo Units 5/6 and 7/8 startup cost data error in January of 2017 is disallowed.

4. Southern California Edison Company shall ensure that all supporting workpapers to verify general ledger entries for future Energy Resource Recovery Account Compliance Applications are legible and supporting documentation for regulatory general ledger entries are maintained and readily accessible.

5. In recognition of an informal agreement between Southern California Edison Company (SCE) and the Public Advocates Office, SCE shall provide the following data in future Energy Resource Recovery Account (ERRA) Compliance review proceedings:

- a. The greenhouse gas weighted average cost in dollars per metric ton of carbon dioxide equivalent (\$/MTCO₂e) that is applied to any quantities of emissions volume used to calculate monthly greenhouse gas emissions compliance costs, and the supporting evidence as to when and how the greenhouse gas weighted average cost in \$/MTCO₂e was derived;

- b. Itemized detailing of the components used to calculate SCE's revenue requirement for direct and tolling contract greenhouse gas costs, including but not limited to those from the ERRA balancing account, New System Generation Balancing Account, carrying costs, and delivery service; and
- c. A demonstration of greenhouse gas compliance for its ERRA Compliance Record Year 2018 using the reporting parameters detailed in the draft petition for modification of Decision 15-01-024 in Application 13-08-002 submitted by SCE, Pacific Gas and Electric Company, and San Diego Gas & Electric Company on August 1, 2018. SCE shall make any subsequent ERRA Compliance Record Period filings as directed in the decision issued on the petition for modification.

6. Southern California Edison Company is granted recovery of a net resource cost for the 2017 Record Year of \$0.488 million for the Tehachapi Storage Project, as approved in Resolution E-4355.

7. No later than 30 days from the issuance of this decision, Southern California Edison Company shall file a Tier One Advice Letter to implement the authority granted herein. The tariff sheets filed in the Advice Letter shall be effective on, or after, the date filed, subject to the Commission's Energy Division determining the tariff sheets comply with this decision.

8. Application 18-03-016 is closed.

This order is effective today.

Dated October 24, 2019, at Redding, California.

MARYBEL BATJER

President

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

Commissioners