

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

[Item # 3 \(Rev. 1\)](#)

Agenda ID # 20699

RESOLUTION E-5217

August 4, 2022

ENERGY DIVISION

R E S O L U T I O N

Resolution E-5217. Adopts procedures for the large energy utilities' annual year-end consolidated electric revenue and rate change filings.

PROPOSED OUTCOME:

- This Resolution establishes uniform procedures to standardize the large energy utilities' annual end-of-year consolidated electric revenue for January 1 rate change advice letter filings to provide a more efficient process.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- There are no costs associated with this resolution.

By the California Public Utilities Commission's own motion.

SUMMARY

This Resolution revises existing requirements for Pacific Gas and Electric (PG&E) and adopts new requirements for Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E) to standardize their respective annual end-of-year consolidated electric revenue and January 1 rate change advice letter (AL) filings. These requirements are needed to establish uniform filing procedures for these utilities to provide a more efficient process to implement revenue requirement changes previously approved by the California Public Utilities Commission (Commission) and the Federal Energy Regulatory Commission (FERC), and for the amortization of regulatory accounts. This Resolution requires these utilities to file a Tier 2 AL by November 15 of the year prior to

the January 1 rate change with initial estimated revenue requirement amounts, and then subsequently update these forecasts with the actual amounts that were authorized in a separate Tier 1 AL to be filed by December 31.

BACKGROUND

PG&E, SCE, and SDG&E generally implement electric rate changes two to three times per year. For the January 1 electric rate change each year, each utility files a series of ALs in the later part of the prior year, requesting to consolidate revenue requirement changes authorized by the Commission and FERC, and to amortize regulatory account balances. In these year-end filings, the utilities typically provide initial estimates of the revenue requirements and/or account balances in the first AL and then update those forecasts at the end of the year with authorized amounts and latest recorded account balances in either a supplemental AL or in another separate AL. However, each utility uses a different filing procedure, including schedule, tier designations, and content.

Moreover, PG&E is the only utility with a specified filing date and other requirements that were adopted via Commission Resolutions¹. These Resolutions require that PG&E file an annual electric true-up (AET) AL by September 1 of the year prior to when rates become effective, while SCE and SDG&E have discretion on the timing and generally file their comparable consolidated ALs later in the year.

In recent years (2019-2021), PG&E has consistently requested an extension from the Commission's Executive Director to file its preliminary Tier 2 AET AL. Last year, PG&E requested and received an approval to extend the filing of its preliminary Tier 2 AET AL to November 15, 2021. PG&E's preliminary AET AL (6408-E), included Commission and FERC authorized and pending revenue requirement changes and costs recorded in regulatory accounts through October 31, 2021, and forecasted balances in those accounts for November and December for amortization on January 1, 2022. Subsequently, PG&E submitted a supplemental AET AL (6408-E-A) on December 10, 2021, to update its forecast of the revenue requirement and rate changes to reflect more recent activity in various proceedings. PG&E's preliminary AL 6408-E and supplemental AL 6408-E-A were approved by Energy Division disposition letter on December 16, 2021. Then on December 30, 2021, PG&E filed a second supplemental AET AL (6408-E-B), with the

¹ For many years, a Commission Resolution was issued to address and authorize PG&E's annual consolidated electric revenue and January 1 rate change ALs. The last one was Resolution E-4808 for rates effective January 1, 2017.

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designation changed to Tier 1 to update its regulatory account forecasts with recorded balances through November 30, 2021, and forecasted balances through December 2021, as well as updated the AL to include only those revenue changes adopted by the Commission by the end of 2021. Thereafter on January 10, 2022, PG&E filed a third supplemental Tier 1 AET AL (6408-E-C), which superseded the 2nd supplemental AL (6408-E-B) in part and corrected a rate on a specific tariff schedule. These last two Tier 1 supplemental ALs went into effect without the issuance of another Energy Division disposition letter.

SCE filed an initial Tier 2 AL (AL 4651-E), known as “the annual consolidated true-up advice letter” on November 23, 2021, to implement revenue requirement changes authorized or expected to be authorized by the Commission and FERC by the end of 2021, along with regulatory account balances recorded through October 2021, and forecasted balances for November and December for amortization on January 1, 2022. On December 13, 2021, SCE filed a supplemental Tier 2 AL (4651-E-A) to provide revised tariff sheets for the changes stemming from AL 4651-E. SCE's AL 4651-E and supplemental 4651-E-A were approved by Energy Division on December 30, 2021, for the rate changes to go into effect on January 1, 2022.

SDG&E filed a Tier 2 AL (3881-E) on October 29, 2021, to describe electric rate adjustments and provide projected year end balances of certain regulatory accounts for amortization on January 1, 2022. This AL is referred to as the “Annual Electric Regulatory Account Update”. Energy Division approved AL 3881-E on November 29, 2021, by disposition letter. On December 30, 2021, SDG&E filed a separate Tier 1 AL (3928-E) to implement its January 1, 2022, electric rates with consolidated revenue and rate changes authorized by the Commission and FERC through various ALs and decisions through the end of the year (including the amortization of regulatory account balances approved in AL 3881-E). This AL is generally known as “SDG&E's Electric Consolidated Advice Filing”. SDG&E filed two supplemental ALs (3928-E-A and 3928-E-B) to revise some tariff schedules on January 7 and January 28, 2022, respectively. SDG&E's ALs 3928-E, supplemental 3928-E-A, and supplemental 3928-E-B were approved by Energy Division disposition letter on February 25, 2022.

DISCUSSION

While PG&E, SCE, and SDG&E seek to accomplish the same goal of implementing a consolidated electric revenue requirement and rate change on January 1 every year through the filings of end-of-year ALs, each utility submits their respective ALs on

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different timelines, files separate ALs and/or supplemental ALs to update information, uses varying tier designations, and includes different content. This results in an inefficient review and approval process at the Commission and provides little transparency to the public. Therefore, it is necessary to establish uniform procedures to standardize the end-of-year annual filings to provide a better, more-efficient process. Both staff and interested parties reviewing these ALs for end of year rate changes will benefit from a uniform process.

In addition, PG&E's recent extension requests show that the September 1 filing date established by prior Commission Resolutions has presented challenges to the utility.²

While each utility files different types of ALs at various times to implement its annual January 1 consolidated rate change, there are merits with each utility's method. Energy Division has evaluated each of the utility's practices to develop a balanced and attainable process for all three utilities as discussed below.

AL Filing Schedule:

As discussed above, between 2019 and 2021, PG&E was not able to meet its preliminary AET AL filing deadline of September 1. PG&E expressed that "there is a tremendous amount of uncertainty in making a forecast in September for the rate changes that are anticipated to be implemented by the end of the year. In recent years, this uncertainty has grown due to changes in rate design stemming from ratesetting proceedings" and other proceedings.³ PG&E also indicated that SDG&E and SCE do not file their similar ALs until October and November, respectively. The Commission has granted PG&E's extension requests over the last few years and recognizes PG&E's challenge in trying to get an accurate forecast in September while the outcomes from various proceedings have not been determined. Therefore, it is reasonable to permanently extend its preliminary AL filing date to allow PG&E the time needed to obtain a more reliable forecast as the proceedings are being resolved.

² Energy Division may place a draft Resolution modifying a prior Resolution on the Commission's agenda at any time (see General Order (GO) 96-B, General Rule 8.2).

³ PG&E's Request to Extend the Filing Date of Its Annual Electric True-Up Advice Letter from September 1, 2021, to November 15, 2021.

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SCE files a preliminary AL in November requesting to consolidate revenue requirement changes authorized by the Commission and FERC, and to amortize projected regulatory account balances for a January 1 rate implementation, and provides updated, final information regarding the consolidated rate increase in mid-December. With limited exception, SCE typically does not implement revenue changes from Commission decisions approved in December in its January 1 consolidated revenue requirement and rate change advice letter due to the length of time it takes SCE to implement rate changes in its billing system. Decisions or cost recovery advice letters not approved in time for inclusion in the January 1 rate change are included in SCE's next regularly scheduled rate change.

SDG&E files an AL in October with its projected year-end regulatory account balances for amortization on January 1, but does not include any consolidated revenue requirement changes in this AL. Instead, it files another AL at the end of December requesting to consolidate revenue requirement changes authorized by the Commission and FERC, and to amortize the regulatory account balances from the previous AL. This consolidated AL filing takes effect on January 1 before Energy Division and other parties have an opportunity to review the comprehensive AL and before the protest period expires.

Therefore, to allow Energy Division and other parties adequate time to verify the information, perform discovery, follow up on any protests, and issue a non-standard disposition letter, if necessary, a "preliminary" annual consolidated Tier 2 AL should be filed by November 15 in the year prior to the January 1 rate increase.

Thereafter, each utility should file a second and distinct "final" Tier 1 AL by December 31 to update the information provided in the original, "preliminary" AL to reflect the revenue requirement changes authorized by the Commission and FERC, and to update balances in the regulatory accounts to amortize for January 1 rates.

Separate or Supplemental ALs, and Tier Designation:

There is a lack of standardization between the three utilities' AL filing practices and tier classification of their annual end-of-year AL filings. PG&E's 2021 AET consists of a Tier 2 AL filed in November, followed by updates in a supplemental Tier 2 AL, and additional updates in two supplemental Tier 1 ALs. As discussed above, PG&E designated different tiers between its original and supplemental ALs.

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SDG&E, on the other hand, filed a Tier 2 AL in late October 2021 for its amortizations of regulatory account balances and then filed a separate Tier 1 AL in late December 2021 to consolidate its rate adjustments. SDG&E also filed two supplements to this AL to revise some tariff schedules thereafter. The level of information provided in a consolidated rate change AL requires a Tier 2 designation.

SCE filed a Tier 2 in late November 2021 to consolidate authorized and expected revenue changes and regulatory account balances and provided updates in mid-December through a Tier 2 supplemental AL. Approval of Tier 2 ALs require Energy Division's disposition before the rate change can go into effect on January 1.

The utilities' various filing practices present a challenge to the Commission's evaluation and approval process. Both SCE's and SDG&E's end-of-year consolidated filings are not constrained by any Commission orders, which result in different level of information presented in each utility's filings and Energy Division's response to the filings. PG&E's supplemental AL tier designation does not match its preliminary/original AL tier designation. This violates General Rule 7.5.1 of GO 96-B, which requires that supplemental information is "submitted and served in the same manner...as the advice letter."⁴

While SDG&E's filing practices conform to the CPUC's General Rules, the information provided in SDG&E's preliminary end-of-year AL is limited to regulatory account balances. As discussed in the previous section, SDG&E did not file its consolidated rate change AL until December 30, 2021, with a Tier 1 designation. The level of information presented in a consolidated filing warrants a Tier 2 designation to allow adequate time for Energy Division to evaluate the information and formulate a response before SDG&E implements the rate change on January 1.

PG&E and SCE have correctly provided their preliminary consolidated revenue AL filings with a Tier 2 classification. This allows Energy Division to evaluate the information, perform discovery, give parties an opportunity to file protests, and allows Energy Division to issue a non-standard disposition letter, if necessary, before the rate

⁴ General Rule 7.5.1 states "[A] substitute sheet or supplement shall be submitted and served in the same manner and on the same persons as the advice letter, plus any other persons who have filed a protest or response. A supplement shall bear the same identifying number as the advice letter but shall have a letter suffix ("A" for the first supplement, "B" for the second supplement, etc.)." In this case, "same manner" implies same tier.

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changes go into effect. Therefore, it is necessary to maintain a Tier 2 designation for the preliminary consolidated AL filing.

Since the preliminary consolidated revenue AL contains projected revenue changes that the utilities expect the Commission and FERC to authorize by the end of the year and forecasted regulatory account balances, the utilities need to provide an update of the revenue amounts that the Commission and FERC actually approve to go into January 1 rates. It is necessary to wait until the end of the year to update the revenue numbers to get the most accurate information for implementation on January 1 while allowing rate changes to go into effect on January 1. This can only be accomplished with a Tier 1 classification, which would allow the rate change to go into effect prior to ED's disposition.

Therefore, the utilities should file two separate ALs to implement their consolidated rate changes in lieu of filing a supplement of a different tier designation to the original AL. This avoids violating the CPUC's General Rules governing advice letter supplements.

Summary of Uniform AL Filing Requirements:

As discussed above, PG&E, SCE, and SDG&E have provided the necessary information to implement their consolidated rate change for January 1 at different times and through different filings. It is necessary to standardize the process for all three utilities to promote efficiency and transparency. The following process should be adopted:

1. Preliminary Consolidated Rate Change AL (Tier 2) by November 15

As currently employed by PG&E and SCE, the preliminary consolidated rate change AL filing should provide an estimated rate change which incorporates all electric rate adjustments that have been authorized or expected to be authorized by the Commission and FERC through various ALs and decisions to be effective January 1 of the following year. This AL should also include amortizations of the projected year end balances in each regulatory account expected to be approved for recovery by the end of the year. Regulatory account balances should include recorded data through October 31, and projected November and December balances.

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This requirement will have the most impact on SDG&E because the utility needs to provide a preliminary estimate of the consolidated rate change along with its amortizations of projected regulatory account year-end balances in November.

2. Updated Consolidated Rate Change AL (Tier 1) by December 31

The utilities should file a separate Tier 1 AL to reflect the rate and revenue changes authorized by the Commission and FERC with revised tariffs effective January 1. The AL should include recorded regulatory account balances through November 30 and forecasted account balances through December 31.

3. Minimum Information Required

The consolidated annual AL filings from the utilities have included the following information in the past, and therefore, should continue to provide them in future consolidated filings:

- a. A summary of each revenue requirement component, the current revenue requirements, January 1 revenue requirements, change in revenue requirements, and associated authority for change.
- b. A summary of each revenue requirement for individual unbundled rate components.
- c. An explanation for each revenue requirement change.
- d. Estimated rate and residential bill impacts without climate credit.
- e. Workpapers supporting rate change and revenue allocation in native format within five calendar days upon request, including confidential information to parties that have executed a non-disclosure agreement (NDA).
- f. Revised tariffs schedules. (Limited to Updated Tier 1 AL)

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced.—

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On June 27, 2022, PG&E, SDG&E, SCE, the Public Advocates Office (Cal Advocates), and the California Community Choice Association (CalCCA) filed comments to Draft Resolution E-5217. While parties generally support a uniform procedure for the utilities' end-of-year consolidated filings, parties requested a filing date change for the Preliminary AL and clarifications of certain information required for the filings which are discussed below.

1. Preliminary Consolidated Rate Change AL (Tier 2)

- a. *Filing Date*

In their comments, the utilities expressed that they are unable to provide the October 31 regulatory account balances by November 5 due to the time it takes to reconcile and validate the data. The utilities proposed that the November 5 filing date should only include September 30 recorded account balances. SCE alternatively proposed that the Commission extend the Preliminary AL filing date to November 15, which would allow the utility enough time to provide October 31 recorded account balances and perform a more accurate estimate of its post-test year revenue requirement using newly released IHS Markit escalation rates. To allow the utilities more time to process the October 31 regulatory account balances and provide more accurate post-test year revenue requirement information, we change the filing date for the Preliminary AL to November 15.

- b. *Disposition of Preliminary AL*

Both PG&E and SDG&E requested ED's disposition of their Preliminary AL by December 5 (or 30 days after filing) for the utilities to implement their January 1 rates due to the time it takes to make changes to their billing systems. The utilities expressed concerns that protests and suspensions of their Preliminary AL will result in delaying implementation of already approved revenue requirements. Although ED must consider any valid protests and cannot guarantee disposition within 30 days should it receive a protest made on proper grounds (as set forth in General Rule 7.4.2 of GO 96-B), ED is mindful that receiving disposition in a timely manner would allow utilities to have the certainty needed to implement the changes to their billing systems to be effective January 1. Also, the process in this resolution allows the utilities to maintain the same lead time to make billing system changes as their current practice when filling their supplemental AL. In addition, the Updated Consolidated Rate Change Tier 1 AL allows the utilities to place rates into effect on January 1 as

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scheduled and the utilities can implement a refund or adjustment at the next rate change, if needed.

c. Annual Regulatory Accounts Update and Non-Fuel Generation Balancing Account (NGBA) Tier 2 ALs

SDG&E stated that it files two separate annual ALs; one to provide an update of their regulatory account balances and the other to provide a forecast of NGBA revenue requirement, essentially providing the same information as required in the Preliminary AL. We find that it is not necessary for SDG&E to continue this practice and concur with SDG&E's request to eliminate these annual filings with the adoption of this Resolution.

2. Updated Consolidated Rate Change AL (Tier 1)

SCE stated that 4-6 weeks lead time is needed for changes to its billing system requiring it to finalize its revenue requirements for the January 1 rate change in early December. This sometimes results in SCE not including recorded regulatory account balances through November 30 and/or final Commission decisions adopted from the December voting meetings in the January 1 rate change. SCE proposes that the information required in the Tier 1 AL is limited to the actual revenue requirement changes authorized and recorded regulatory account balances that were included in the January 1 rates. We find it reasonable that the Tier 1 AL should only include information to support the changes taking effect on January 1, and thus have made changes to clarify this.

3. Minimum Information Required

a. Estimated Rates and Bill Impacts Information

SCE requests that this requirement is limited to the Updated Consolidated Rate Change Tier 1 AL because its rate and bill impacts are based on final rates instead of revenue requirement changes. This process requires more time and would delay the availability of rate and bill impacts information beyond November 15. However, SCE is able to provide preliminary rate and bill impacts information using revenue requirement changes although the data would be less precise and would not account for any sales changes from the January 1 implementation of its Energy Resource Recovery Account (ERRA) Forecast final decision. First of all, recent January 1 revenue and rate changes have not included the ERRA final decision. Secondly, while it is important for SCE and the other utilities to identify the components of their consolidated rate change for January 1 in the Tier 2 AL, the accompanying rate and bill impacts information would be more meaningful and relatable for

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the public to see, however preliminary. Therefore, we require that SCE, PG&E, and SDG&E include estimated rate and residential bill impacts information in both the Preliminary AL (Tier 2) and the Updated Consolidated AL (Tier 1).

b. Workpapers

SDG&E stated that it submits workpapers upon request and proposes to continue this practice with the request specifying the workpapers needed.

SCE indicated that it has not provided workpapers with its rate change ALs primarily because SCE's rates are calculated with an internal rate design model that includes confidential bundled sales information. SCE proposes eliminating the need to provide workpapers or preclude the need to provide confidential information. In addition, SCE stated that its workpapers for the calculation of the actual rates and revenue allocation would not be available at the time of the Preliminary AL filing because its rates would not be finalized by November 5 or 15. While SCE may not have provided "workpapers" in the past, SCE has provided supporting documents such as monthly account balances for each of its regulatory accounts, Power Charge Indifference Adjustment (PCIA) rates, revenue allocation information. We expect SCE to continue to provide this information.

CalCCA stated that having access to data that support the rate changes would help parties better understand rate changes and reduce the administrative burdens to resolve protests which typically resulted from a lack of access to the data. While parties have the ability to request the information, the current process does not allow parties such as CalCCA enough time to evaluate the information because the utilities are allowed 10-business days to respond to data requests. CalCCA proposes that the Commission require the utilities to provide public workpapers in their native format (e.g. an Excel spreadsheet) and confidential workpapers to parties with executed NDA within five calendar days of the request.

We agree with CalCCA that utilities should provide workpapers/supporting documents in their native format within five calendar days upon request and confidential workpapers should also be made available to parties that have executed an NDA within five calendar days upon request.

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c. Tariff Sheets

PG&E, SCE, and SDG&E stated that the production of tariff sheets is a time-consuming process and only should be required when rates are finalized. We agree that the utilities should only submit tariff sheets with the Updated Consolidated AL (Tier 1).

d. Electric Rate and Revenue Tracker

Cal Advocates proposes that the Commission require the utilities to include the electric rate tracker (Tracker) and its recent quarterly output in their Consolidated Rate Change AL filings. Cal Advocates stated that providing stakeholders with information on rate trends is needed to achieve the goals of the Affordability Order Instituting Rulemaking, promote transparency, and assist stakeholders in the review process. The development, requirements, and availability of the Tracker are being considered in Phase 2 of the Affordability Rulemaking (R.)18-07-006 and beyond the scope of this Resolution. Therefore, we will rely on the outcome from that proceeding for direction to the utilities on the applicability and accessibility of the Tracker.

FINDINGS

1. It is necessary for PG&E, SCE, and SDG&E to annually file ALs in November and December to consolidate electric revenues into their prospective January 1 rate changes.
2. PG&E is the only utility whose annual end-of-year filing requirements are adopted via Resolutions with a filing date of September 1.
3. In recent years, PG&E has requested an extension to its filing date to obtain a more accurate estimate of its rate change.
4. It is necessary to set a later filing date to allow PG&E to have a more accurate estimate from all the proceedings that take effect by the end of the year.
5. Both SDG&E and SCE do not have an existing Resolution or Order governing their annual consolidated revenue and rate change filings.
6. Currently, there is a lack of standards for annual consolidated electric revenue and rate change filings, which results in an inefficient review and approval process.
7. It is necessary to establish a uniform, consistent, and transparent filing process for the large three energy utilities to implement their consolidated electric revenue and rate changes.

THEREFORE IT IS ORDERED THAT:

1. PG&E, SCE, and SDG&E shall each file a Tier 2 AL by November 15 in the year prior to its January 1 consolidated electric revenue requirement and rate change, as follows:
 - a. The Tier 2 AL shall provide an estimated electric rate change resulting from adjustments that have been authorized or expected to be authorized by the Commission and FERC by the end of the year.
 - b. The Tier 2 AL shall provide the projected year-end balances in each of the regulatory accounts related to electric revenue requirement, with recorded balances through October 31 and projected balances for November and December.
2. PG&E, SCE, and SDG&E shall file a separate Tier 1 AL by December 31 to update the preliminary consolidated electric revenue requirement and rate change estimates with actual rate and revenue requirement changes authorized by the Commission and FERC that were included in the revenue requirements used to calculate January 1 rates.
3. The updated Tier 1 ALs shall include recorded regulatory account balances for electric revenue accounts through either October 31 or November 30 based on the available recorded data included in the revenue requirements used to calculate January 1 rates, and projected balances through December 31.
4. At a minimum, the consolidated electric rate change ALs shall include the following information:
 - a. A summary of each revenue requirement component, the current revenue requirements, January 1 revenue requirements, change in revenue requirements, and associated authority for change.
 - b. A summary of each revenue requirement for individual unbundled rate components.
 - c. An explanation for each revenue requirement change.
 - d. Estimated rate and residential bill impacts without climate credit.
 - e. Workpapers supporting rate change and revenue allocation in native format within five calendar days upon request, including confidential information to parties that have executed an NDA.
 - f. Revised tariffs schedules (Limited to Updated Tier 1 AL).

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This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 4, 2022; the following Commissioners voting favorably thereon:

Rachel Peterson
Executive Director