

Application No.: A.24-10-002

Exhibit No: SBUA-01

Date: July 15, 2025

Witness: Ariel Strauss

**REBUTTAL TESTIMONY OF ARIEL STRAUSS
ON BEHALF OF SMALL BUSINESS UTILITY ADVOCATES**



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1 **I. IDENTIFICATION & QUALIFICATIONS**

2 **Q: Mr. Strauss, please state your name, occupation, business address and professional**
3 **education and experience.**

4 A: My name is Ariel Strauss. I am regulatory counsel at Small Business Utility Advocates
5 (“SBUA”), and my business address and qualifications are stated on Attachment 1.

6 **Q: Have you testified previously in utility proceedings?**

7 A: Yes.

8 **Q: On whose behalf are you testifying?**

9 A: I am testifying on behalf of SBUA. SBUA’s mission is to represent the utility concerns of
10 the small business bundled customer class.¹ As of 2023, Southern California Edison (“SCE”)
11 serves approximately 530,000 small business customers.

12 Small businesses in California face high and rising electricity costs driven by complex rate
13 structures, wildfire mitigation expenses, and policy mandates, which strain margins and
14 reduce competitiveness. Many lack the resources to invest in alternatives like solar or energy
15 efficiency, making it difficult to manage costs or adapt to frequent regulatory changes. It is
16 vital to small businesses that rate allocation and rate treatment are fair to all energy
17 consumers.

18 **Q: What is the scope of your testimony?**

19 A: The scope of my testimony is rebuttal to the testimony presented by Michael Gorman on
20 behalf of Energy Producers and Users Coalition (“EPUC”) with respect to the following
21 issues from the Assigned Commissioner’s Scoping Memo and Ruling:

22 2. Whether it is just and reasonable for SCE to recover in rates the costs sought in
23 the Application?

¹ See, SBUA website at www.utilityadvocates.org.

1 7. Whether SCE’s cost recovery proposal should be adopted, including its proposal
2 to quantify the additional claims and associated costs as part of its rebuttal
3 testimony, true up estimated financing costs in a subsequent financing order to be
4 issued in a separate securitization application proceeding, and use a Tier 2 Advice
5 Letter for claims and associated costs not reviewed in this Application (giving
6 effect to the \$250 million of claims waived in the Administrative Consent Order
7 entered into between SCE and the Commission’s Safety and Enforcement Division
8 in connection with the Woolsey Fire)?

9 II. REBUTTAL TESTIMONY

10 **Q: Do you agree with Mr. Gorman’s recital of the prudence standard stated in SCE’s**
11 **testimony?**²

12 A: No. Mr. Gorman’s testimony appears to potentially adopt SCE’s characterization of the
13 conventional prudent manager test,³ which is stated as though utility liability must be an all-
14 or-nothing proposition and does not take into consideration the magnitude of the burden
15 placed on ratepayers. By data response, EPUC clarified that Mr. Gorman’s summary was not
16 intended as an endorsement of SCE’s position but nevertheless continued to reflect that the
17 “prudent manager standard” as conventionally applied would be the applicable test here as
18 well.⁴

19 However, Public Utilities Code section 451 does not by its language dictate that a single,
20 prudent manager standard must be applied across all cost-recovery scenarios, but rather
21 requires that all costs passed to ratepayers be just and reasonable in all instances. SCE’s
22 proposed test is not contextualized to consider whether it would be “just and reasonable” for
23 ratepayers to pay \$5.4 billion in costs if the Commission determines they are a direct result
24 of SCE’s violation of the Commission’s safety-focused rules, such as General Order 95. For
25 instance, if the Commission determined that SCE’s conduct was a sub-“optimum practice”

² EPUC-01 at 8-9.

³ See SCE-01 at 1.

⁴ See, Attachment 2, SBUA-EPUC-001, Q1.

1 on the “spectrum of possible practices”,⁵ rather than customers bearing all costs, it could be
2 more “just and reasonable” for SCE’s investors to also share a significant portion of the cost.

3 **Q: Do you agree with Mr. Gorman that, essentially, there are two issues with SCE’s**
4 **financing methodology?**⁶

5 A: No. SCE also proposes to include a rate of “return for O&M” that is “SCE’s weighted
6 average cost of capital.”⁷ In response to a data request seeking clarification, Mr. Gorman
7 seemed to suggest that a rate of return could be included in a financing order under Public
8 Utilities Code section 850(b)(10).⁸ However, paragraph 10 of subsection (b) lists five
9 categories of recovery costs, none of which include a rate of return. Additionally, O&M costs
10 are pass-through and, in contrast with capital expenditures, do not generate any rate of
11 return.⁹ Finally, it is not clear why O&M, or how much, should be included in the financing
12 order at all given that O&M is associated with Catastrophic Event Memorandum Accounts
13 (CEMA) restoration costs and is a relatively small portion of the Application.¹⁰

14 **Q: Mr. Gorman’s opposes SCE’s request to update its filing to quantify additional costs.**
15 **Do you agree with Mr. Gorman’s reasoning for this opposition?**

16 A: Not entirely. Mr. Gorman states that updating is not appropriate because “SCE has not
17 demonstrated that it acted reasonably and prudently in operating its equipment to avoid the
18 ignition of the Woolsey Fire.”¹¹ This is an incomplete answer. Even if SCE did operate its
19 equipment reasonably, it would not inherently be the case that any judgement against SCE
20 in suits by the California Governor’s Office of Emergency Services, Mountains Recreational

⁵ SCE-01 at 1.

⁶ EPUC-01 at 49-50.

⁷ SCE-09 at 28.

⁸ See, Attachment 2, SBUA-EPUC-001, Q2(b).

⁹ See, <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/cost-of-capital>.

¹⁰ See, Application at 1; SCE-08 at 24-28.

¹¹ EPUC-01 at 51.

1 Conservation Authority and individual plaintiffs, are costs that can reasonably be passed on
2 to customers.¹² The reasonableness of those costs would depend on the SCE's conduct of the
3 lawsuits. Additionally, the reasonableness of customer responsibility for claims that may be
4 brought by the U.S. Forest Service and National Park Service under a statute of limitations
5 tolling agreement entered into by SCE would also depend on whether SCE acted reasonably
6 in allowing these entities to toll the statute of limitations and other factors specific to the
7 cases.

8 **III. CONCLUSION**

9 **Q. Does this conclude your rebuttal testimony?**

10 A: Yes. Legal or policy issues beyond the scope of this testimony may be addressed by SBUA
11 in legal briefings.

¹² SCE-09 at 15.

Attachment 1

ARIEL STRAUSS

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EXPERIENCE

REGULATORY COUNSEL, *Small Business Utility Advocates*- San Francisco, CA 2019 - present

ASSOCIATE ATTORNEY, *Levy, Levy & Levy*- San Rafael, CA 2013 - 2019

COUNSEL, *Geoptions, LLC*, San Jose, CA 2015 - 2017

JUDICIAL CLERK TO JUSTICE U. VOGELMAN, *Supreme Court of Israel*- Jerusalem, Israel 2014

PUBLIC LAW ASSOCIATE, *Meyers, Nave, Riback, Silver & Wilson*- Sacramento, CA 2012 - 2013

LAW CLERK, *Los Angeles City Attorney's Office, Airports Division*- Los Angeles, CA 2011 - 2012

LAW CLERK, *Los Angeles County Counsel, Real Property Division*- Los Angeles, CA Summers 2009/2010

EXTERN TO JUDGE K. M. WARDLAW, *U.S. Court of Appeals for the Ninth Circuit*- Pasadena, CA Summer 2008

EDUCATION

UCLA SCHOOL OF LAW, Los Angeles, CA
Juris Doctorate, *David J. Epstein Program in Public Interest Law & Policy*, June 2011.

UCLA SCHOOL OF PUBLIC AFFAIRS, Los Angeles, CA
Masters of Arts in Urban Planning, *Design & Development Focus*, June 2011.

BRANDEIS UNIVERSITY, Waltham, MA
Bachelors of Arts, *cum laude*, in Politics and History. Minors in Economics, Legal Studies and Social Policy, May 2007.

BAR ADMISSIONS: California, New York, Washington State (inactive).

Attachment 2

**Application of Southern California Edison Company for Authority to
Recover Costs Related to the 2018 Woolsey Fire Recorded in the
Wildfire Expense Memorandum Account and Catastrophic Event
Memorandum Account**

A. 24-10-002

**Energy Producers and Users Coalition Response to Data Request by Small
Business Utility Advocates, SBUA-EPUC-001**

To:	Small Business Utility Advocates
Recipient Name	Ariel Strauss (ariel@utilityadvocates.org)
Responding Party	Energy Producers and Users Coalition
Request Number	SBUA-EPUC-001
Request Date	June 27, 2025
Due Date	July 15, 2025

Data Request No. SBUA-EPUC-001

Question:

1. On pages 8 and 9 of the direct testimony on behalf of EPUC, Mr. Gorman summarizes SCE's recitation of the "Commission's prudent standard." The recitation does not include any discussion of whether violations of GO 95 rules intended to prevent ignitions creates presumptions of unreasonableness or when violating such standards may be accepted as within the reasonable "spectrum of possible practices". By providing this summary, is it EPUC's intention to endorse SCE's characterization of the Commission's standard for determining cost reasonableness under Public Utilities Code section 451?

Response:

Mr. Gorman's testimony does not endorse SCE's characterization of the prudent manager standard. The discussion on pages 8 and 9 of EPUC's Direct Testimony is intended only to provide a summary of SCE's interpretation of the prudent manager standard. Referencing SCE's interpretation should not be read as an endorsement of, or agreement with, SCE's position on the prudent manager standard.

Mr. Gorman concludes that SCE has the obligation to prove its prudence, noting that SCE has not disputed that obligation. It is not EPUC's intention to adopt or limit the prudence definition or limit SCE's obligation to meet the Commission's prudent manager standard in seeking cost recovery of the Woolsey Fire damage claims and related costs.

Question:

2. On page 49 of the direct testimony on behalf of EPUC, after objecting to recovery, Mr. Gorman states “if the Commission finds some amount of wildfire damage claims are reasonable from customers, then I also take issue with the methodology SCE is using in order to estimate financing charges.” SCE is also requesting “[t]he allowed rate of return for O&M is SCE’s weighted average cost of capital.” (SCE-09 at 28.) This rate of return is not discussed in EPUC’s testimony.
 - a. Is this intended to reflect EPUC not taking issue with SCE’s proposed rate of return?
 - b. Is it EPUC’s position that a rate of return may be included within a financing order under Public Utilities Code section 850(b)(10)?

Response:

- a. No. The carry charge rate should be based on the commercial paper rates specified for memorandum accounts.
- b. In a Financing Order issued pursuant to Assembly Bill 1054, the authorized rate of return is used to demonstrate that issuance of the Recovery Bonds will reduce customer rates on a present value basis compared to traditional utility financing mechanisms. In addition, after payment of principal and interest on the Recovery Bonds and all other Financing Costs, the utility may be permitted to receive a rate of return on its equity contribution equal to the weighted average interest rate on the Recovery Bonds.

Question:

3. Concerning SCE’s proposal to allow recovery of claims paid after August 31, 2024, via Tier 2 advice letter, on page 51 of direct testimony on behalf of EPUC, Mr. Gorman testifies in opposition to recovery stating: “SCE has not demonstrated that it acted reasonably and prudently in operating its equipment to avoid the ignition in the Woolsey Fire.”
 - a. Is it EPUC’s position that if the Commission finds that SCE acted prudently, it would be appropriate to allow SCE to collect via Tier 2 Advice Letter the costs associated with lawsuits by California Governor’s Office of Emergency Services, Mountains Recreational Conservation Authority and individual plaintiffs, as well as any claims that may be brought by the U.S. Forest Service and National Park Service under a statute of limitations tolling agreement entered into by SCE? (SCE-09 at 15.)
 - b. Would a Tier 2 Advice Letter be the appropriate means of determining reasonableness of those costs under Public Utilities Code section 451 in light of the factual questions that may arise regarding the reasonableness of SCE’s tolling agreements, settlement opportunities or litigation strategy and other relevant information that is not presented in the current record?

Response:

- a. No, the Tier 2 Advice Letter process would be inappropriate to consider the reasonableness and prudence of costs associated with other lawsuits. Those costs should receive the same scrutiny and review as the initial costs requested in SCE's Application. Tier 2 Advice letters are reserved for ministerial requests. Applying the prudent manager standard in a Tier 2 Advice letter goes well beyond ministerial and thus review of SCE's other litigation costs cannot be reviewed by Commission staff in the Advice Letter process.
- b. See answer above.