

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
I.D. # 9600
RESOLUTION E-4311
July 29, 2010

R E S O L U T I O N

Resolution E-4311. San Diego Gas & Electric Company (SDG&E), Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SoCalGas) request approval to establish Wildfire Expense Memorandum Accounts (WEMA). The purpose of the WEMA is to allow the utilities to record wildfire-related costs incurred while the Commission considers their proposal to establish Wildfire Expense Balancing Accounts (WEBA) in Application (A.)09-08-020.

PROPOSED OUTCOME: This resolution authorizes each utility to establish a memorandum account to record wildfire costs incurred while A.09-08-020 is pending. The Commission will determine the disposition of any amounts recorded in the utilities' memorandum accounts in A.09-08-020. Until the Commission orders otherwise, the amounts recorded in the memorandum accounts shall not be included in rates.

ESTIMATED COST: None at this time.

SDG&E - By Advice Letter 2109-E/1889-G filed on Sept 22, 2009.
PG&E - By Advice Letter 3046-G/3530-E filed on Sept 22, 2009.
SCE - By Advice Letter 2385-E filed on Sept 22, 2009.
SoCalGas - By Advice Letter 4019 filed on Sept 22, 2009.

SUMMARY

The utilities' proposals to establish Wildfire Expense Memorandum Accounts are approved with modifications.

San Diego Gas & Electric Company (SDG&E), Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and Southern California

Gas Company (SoCalGas), (“utilities”) jointly filed A.09-08-020 with the Commission to obtain approval to establish Wildfire Expense Balancing Accounts (WEBA). The proposed WEBA would allow the utilities to record and recover wildfire related costs. After jointly filing A.09-08-020, each utility filed an advice letter to establish a Wildfire Expense Memorandum Account (WEMA), in which they propose to record wildfire costs incurred prior to a decision in A.09-08-020.

This resolution approves the establishment of a WEMA for each utility but requires modifications to the WEMA tariffs proposed by the utilities. The utilities shall record the same wildfire costs in the WEMA as they propose to record in the WEBA, except for incremental debt/equity costs associated with financing the account balance. Disposition of any amounts recorded in the memorandum account shall be established by Commission order in A.09-08-020.

BACKGROUND

The utilities filed a joint application to seek Commission authority to establish Wildfire Expense Balancing Accounts to record and recover wildfire related costs.

In August 2009, SDG&E, PG&E, SCE, and SoCalGas jointly filed A.09-08-020 to obtain Commission approval for each utility to establish a WEBA. The utilities propose to record wildfire costs in the WEBA. These costs include the following categories: a) payments to satisfy wildfire claims including co-insurance and deductibles expense paid by the utilities, but excluding costs already authorized in the utilities’ general rate cases (GRC); b) outside legal expenses incurred defending wildfire claims; c) increases or decreases in wildfire insurance premiums from amounts authorized in the utilities’ GRCs; d) and the cost of financing WEBA balances.

In A.09-08-020, the utilities assert that insurance coverage for wildfires has become inadequate over recent years to shield them from costs caused by wildfires. The utilities state that given the lack of sufficient wildfire insurance

coverage, they face significant financial risks if wildfires were to occur. The utilities explain that the burden of significant wildfire costs can destroy the utilities' financial health, affecting their ability to provide reliable service.¹

The utilities propose to recover the balances recorded in their WEBAs in their annual rate or regulatory account consolidation filings. According to the utilities' proposal in A.09-08-020, balances recorded and recovered through the WEBA would be subject to review through the advice letter process. In the event that the Commission determines through the advice letter review process that some amounts recorded in the WEBA and included in rates are not recoverable, the utilities would make appropriate adjustments to their WEBA balances.

Each utility filed an advice letter, proposing to establish a Wildfire Expense Memorandum Account (WEMA). The WEMA would record wildfire costs while the Commission considers the WEBA in A.09-08-020.

The utilities state in A.09-08-020 that they will each file separate advice letters to request approval of establishing a WEMA.² The WEMA would allow the utilities to record the same wildfire costs that would be recorded and recovered in the WEBA, prior to the establishment of the WEBA. In September 2009, SDG&E, PG&E, SCE, and SoCalGas each filed an advice letter (AL) to seek approval to establish a WEMA.³ In their advice letters, the utilities explain that in order to recover wildfire costs incurred prior to the approval of the WEBA, they must be able to record these costs in a memorandum account. The utilities propose that after the WEBA is established, the balance recorded in the WEMA be transferred to the WEBA for recovery.

¹ A.09-08-020, *Testimony in Support of Joint Application for authority to establish a Wildfire Expense Balancing Account to record for future recovery wildfire-related costs*, Aug 31, 2009, Section I, page 2

² Ibid, Section IV, page 77.

³ On September 22, 2009 SDG&E filed AL 2109-E/1889-G, PG&E filed AL 3046-G/3530-E; SCE filed AL 2385-E, and SoCalGas filed AL 4019.

SDG&E and SCE are also seeking to recover wildfire costs through their Z-factor mechanisms.

In addition to the WEBA and WEMA ratemaking mechanisms, SDG&E and SCE are also seeking to recover wildfire costs through their Z-factor mechanisms. The Z-factor mechanisms allow SDG&E and SCE to adjust rates for unexpected and uncontrollable events.

In accordance with its Z-factor tariff, Preliminary Statement Part IV.D, SDG&E sent a letter to the Commission's Executive Director dated April 22, 2009 to notify the Commission of its intent to designate unforeseen liability insurance premium increases as a Z-factor event. Pursuant to its tariff, SDG&E established a Z-factor memorandum account (ZFMA) to track annual liability insurance premiums above the level authorized for its 2008 GRC in D.08-07-046.

In August 2009, SDG&E filed A.09-08-019 to seek Commission approval to recover unforeseen liability insurance premium and deductible expense increases as a Z-factor event. In that application, SDG&E proposes that if the WEBA is approved in A.09-08-020, the WEBA ratemaking mechanism would supersede its proposed Z-factor ratemaking mechanism. SDG&E states, in its WEMA advice letter, that it would not seek double recovery for wildfire expenses that were recorded in both the Z-factor and WEMA accounts.⁴

By letter that was dated September 22, 2009, SCE notified the Commission's Executive Director that it would establish a ZFMA to record unforeseen wildfire insurance premiums and wildfire claims.⁵ SCE states in its WEMA advice letter and letter of notification that it also would not double recover expenses recorded

⁴ See SDG&E's A.09-08-019 at pp. 9 and 10, and SDG&E AL 2109-E/1889-G at p. 2.

⁵ According to the Z-factor mechanism authorized by D.06-05-016 in SCE's 2006 GRC and SCE's post test year ratemaking tariff, Preliminary Statement part AAA.5., SCE or the Division of Ratepayer Advocates may identify a potential Z-factor by sending a letter of notification to the Commission's Executive Director. Under the mechanism, SCE requests recovery of costs incurred from the Z-factor in an advice letter filing.

in both the WEMA and ZFMA.⁶ According to SCE, it would only recover costs recorded in either the WEMA or the ZFMA account.

NOTICE

Notice of SDG&E's AL 2109-E/1889-G, PG&E's AL 3530-E/3046-G, SCE's AL 2385-E, and SoCalGas' AL 4019-G was made by publication in the Commission's Daily Calendar. SDG&E, PG&E, SCE and SoCalGas state that copies of their advice letters were mailed and distributed in accordance with General Order 96-B.

PROTESTS

No party protested SDG&E's AL 2109-E/1889-G, PG&E's AL 3530-E/3046-G, SCE's AL 2385-E, or SoCalGas' AL 4019-G.

DISCUSSION

Each utility is hereby authorized to establish a Wildfire Expense Memorandum Account, with modifications described in this resolution.

The Commission is currently considering the utilities' proposals to establish WEBAs in A.09-08-020. While A.09-08-020 is pending, the utilities propose to establish WEMAs to record on an interim basis, the same wildfire costs that they are seeking to recover through WEBAs.

Since the Commission has not decided whether to approve the WEBAs in A.09-08-020, it is reasonable to allow the utilities to record such costs in a memorandum account until the Commission issues a decision regarding the WEBA. The approval of the WEMA in this resolution does not prejudice the outcome of A.09-08-020. Although the utilities may each establish a WEMA, they shall modify their proposed WEMA tariffs to comply with the requirements

⁶ See SCE AL 2385-E at p.2, and SCE's September 22, 2009 letter of notification to the Commission's Executive Director at p.2.

described below. The Appendix to this resolution lists the specific tariff revisions required for each utility.

The utilities shall record in the WEMA the same costs they propose to record in the WEBA, with the exception of financing costs.

The utilities shall record in the WEMA the same wildfire costs that they propose to record and recover in the WEBA, with the exception of certain financing costs. The proper financing mechanism for the WEMA is discussed later in this resolution. The utilities shall begin recording wildfire costs in the WEMA on the effective date of this resolution, and shall continue recording such costs until the Commission issues a decision on whether to establish the WEBA in A.09-08-020.

Recovery of costs recorded in the WEMA is dependent on a Commission decision in A.09-08-020.

The WEMA is an interim mechanism for recording wildfire related costs. The disposition of these costs is dependent on the Commission's decision on the utilities' WEBA proposals, pending in A.09-08-020. All amounts recorded in the WEMA shall be subject to disposition provided by a Commission decision in A.09-08-020. The on-going need for the WEMA shall also be addressed by the Commission in A.09-08-020. Absent a Commission decision explicitly allowing recovery of amounts recorded in the WEMA, no utility shall include any amounts recorded in the account in rates.

PG&E's and SCE's proposed WEMA tariffs state that the purpose of the WEMA is to record costs for later recovery. Recovery of any costs in the WEMA, however, shall be subject to the Commission decision in A.09-08-020. Hence, PG&E and SCE shall revise the Purpose section of their WEMA tariff to indicate that the purpose of the WEMA is to record wildfire costs for later recovery of costs, subject to the decision in A.09-08-020.

The utilities' tariffs shall use a separate section to address disposition of costs recorded in the WEMA.

The utilities' proposed WEMA tariffs differ in addressing recovery and disposition of WEMA balances. In SDG&E's and SoCalGas' proposed tariffs, a

separate disposition section states that once the WEBA is established, the WEMA balance will be transferred to the WEBA for cost recovery, as authorized by the procedures adopted in A.09-08-020. PG&E's and SCE's proposed WEMA tariffs do not have a disposition section. Instead, their proposed tariffs include a credit entry to transfer out any amounts that the Commission approves for recovery in rates.

The WEMA tariffs of each utility shall have a separate disposition section that links the recovery of any costs recorded in the WEMA to the Commission's decision in A.09-08-020. The disposition section shall state:

"The disposition of any amounts recorded in the WEMA shall be established by a Commission decision in A.09-08-020."

SDG&E and SoCalGas shall modify the text in the disposition sections of their proposed tariffs so that they read as specified above.

PG&E and SCE shall revise their proposed WEMA tariffs to include a disposition section with the language specified above. PG&E and SCE shall also delete the credit entries that would transfer amounts out of the WEMA for recovery in rates. Those entries are not necessary with the addition of the disposition section that we require.

In addition, PG&E's proposed WEMA tariffs include a section, entitled "Revision Date", which states that PG&E will request disposition of the WEMA account balance in a future advice letter filing. PG&E shall revise the language in this section so that it instead refers to the disposition section of the tariff.

The electric utilities' WEMA tariffs shall include a credit entry for any wildfire costs recovered through revenues authorized by the Federal Energy Regulatory Commission (FERC).

Some portions of the electric utilities' wildfire costs may be related to transmission facilities that are subject to FERC jurisdiction. Hence, electric utilities shall credit to their WEMAs any wildfire costs recovered through revenues authorized by the FERC.

We note that PG&E and SCE have included such credits in their proposed WEMA tariffs. SDG&E shall revise its proposed electric WEMA tariff to include a credit entry for wildfire costs that are recovered through FERC authorized revenues.

Interest on WEMA balances shall accrue at the three month commercial paper rate and shall not include incremental debt/equity costs.

The proposed WEMA tariff of each utility includes a monthly entry to record interest on the average balance. The utilities propose that this interest rate to be based on the three-month commercial paper rate. Tariffs of all the utilities show that the three-month commercial paper rate is the most commonly used to calculate interest on memorandum accounts. Hence, the utilities shall use only this rate to calculate interest on their WEMA balance. Specifically, the utilities shall indicate in their WEMA tariffs that monthly interest is calculated on the average account balance at a rate equal to one-twelfth of the most recent month's interest rate on three-month commercial paper, as published in the Federal Reserve Statistical Release.⁷

SDG&E and SoCalGas propose that interest on balances also include incremental debt or equity costs incurred to finance under-collected balances over a long-term period. In A.09-08-020, the utilities assert that they may need to resort to financing with long-term debt and/or equity to support sizable WEBA balances.⁸ However, long-term financing of WEMA balances is not appropriate because interest on memorandum accounts generally is at the three-month commercial paper rate. As such, SDG&E's and SoCalGas's proposed tariffs shall not reflect any long-term financing. SDG&E and SoCalGas shall revise their proposed WEMA tariffs to delete language stating that interest includes any incremental

⁷ Average balance is calculated based on the balance at the beginning and the end of the month.

⁸ A.09-08-020, *Testimony in Support of Joint Application for authority to establish a Wildfire Expense Balancing Account to record for future recovery wildfire-related costs*, Aug 31, 2009, Section IV, page 78.

debt/equity costs associated with financing the WEMA under-collection balance over a long-term period.

Also, SCE's proposed WEMA tariff includes a "debit entry" for interest on the WEMA balance, while the other utilities' proposed tariffs include an "entry" for interest on the balance. Because the entry for interest could be either positive or negative in a given month depending on the account balance, the appropriate tariff language to record interest is an entry, rather than a "debit" entry. SCE shall revise its WEMA tariff to delete the term "debit" for the interest entry.

The tariff changes required by this resolution also include a correction to the reference in SDG&E's tariffs where the calculation of interest on the average account balance is described.

SDG&E and SCE shall include credit entries in their WEMAs for any wildfire costs recovered through their Z-factor mechanisms.

SDG&E and SCE also seek to recover wildfire related costs under their Z-factor mechanisms. SDG&E states in its WEMA advice letter that in no event will it seek recovery for the same expenses twice. SCE states in its WEMA advice letter that, at the appropriate time, SCE will seek recovery of costs recorded in either, but not both, the WEMA or Z-factor memorandum account.

To ensure against double recovery of any wildfire costs, the WEMA tariffs proposed by SDG&E and SCE shall be modified to include a credit to the WEMA for any costs recorded in the account that are recovered through the Z-factor mechanism.

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 and comment prior to a vote of the Commission. Accordingly, a draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from the date issued for comments.

FINDINGS AND CONCLUSIONS

1. SDG&E, PG&E, SCE, and SoCalGas (“utilities”) jointly filed A.09-08-020 to request Commission authorization to establish Wildfire Expense Balancing Accounts (WEBA) that record and recover wildfire costs.
2. The categories of costs that the utilities propose to record and recover through the WEBAs are: a) payments to satisfy wildfire claims including co-insurance and deductibles expense paid by the utilities, but excluding costs already authorized in the utilities’ general rate cases (GRC); b) outside legal expenses incurred defending wildfire claims; c) increases or decreases in wildfire insurance premiums from amounts authorized in the utilities’ GRCs, and; d) the cost of financing WEBA balances.
3. On September 22, 2009, SDG&E filed Advice Letter (AL) 2109-E/1889-G, PG&E filed AL 3046-G/3530-E, SCE filed AL 2385-E, and SoCalGas filed AL 4019, each requesting Commission authorization to establish a Wildfire Expense Memorandum Account (WEMA).
4. The WEMA would allow the utilities to record in a memorandum account the categories of wildfire costs listed in Findings and Conclusion 2 that are incurred prior to a decision in A.09-08-020.
5. No protests were submitted on any of the utilities’ WEMA advice letters.
6. It is reasonable to allow the utilities to begin recording wildfire costs in WEMAs until the Commission issues a decision in A.09-08-020 regarding the WEBA proposal.
7. The utilities should be authorized to begin recording wildfire costs in their WEMAs on the effective date of this resolution.
8. Pending Commission authorization in A.09-08-020, no costs recorded in the WEMAs should be recovered in rates.
9. Disposition of any amount recorded by the utilities in their WEMA will be established by a Commission decision in A.09-08-020.
10. The utilities’ WEMA tariffs should include a disposition section that links recovery of costs recorded in the WEMA to the Commission’s decision in A.09-08-020.
11. The electric WEMA tariffs should include a credit entry for any wildfire costs recovered through FERC authorized revenues.
12. Interest on WEMA balances should accrue at the 3-month commercial paper rate.

13. SDG&E's and SCE's WEMA tariffs should include credit entries for any wildfire costs recorded in the WEMA that are recovered through their Z-factor mechanisms to ensure that the same wildfire costs are not recovered twice.
14. The approval of the WEMA in this resolution does not prejudice the outcome of A.09-08-020.

THEREFORE IT IS ORDERED THAT:

1. The requests of San Diego Gas & Electric Company (SDG&E), Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SoCalGas) ("utilities") to establish Wildfire Expense Memorandum Accounts (WEMA) are approved with modifications as described in this resolution and specified in the Appendix to this resolution.
2. Within ten days of today's date, SDG&E shall file a supplement to Advice Letter (AL) 2109-E/1889-G, PG&E shall file a supplement to AL 3046-G/3530-E, SCE shall file a supplement to AL 2385-E, and SoCalGas shall file a supplement to AL 4019 to make the revisions to their proposed WEMA tariffs as set forth in the appendix of this resolution. These supplemental advice letters shall replace the original advice letters in their entirety, shall be designated as Tier 1, and shall be effective on today's date, subject to Energy Division's review for compliance with this resolution.
3. The disposition of any amounts recorded in a utility's WEMA and the going-forward need for the WEMA shall be addressed by the Commission in A.09-08-020.
4. Absent Commission authorization in A.09-08-020, no utility shall recover in rates any costs recorded in its WEMA.

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 July 29, 2010; the following Commissioners voting favorably thereon:

Resolution E-4311/ EC2 DRAFT
SDG&E AL 2109-E/1889-G; PG&E AL 3046-G/3530-E;
SCE AL 2385-E; SoCalGas AL 4019

July 29, 2010

Paul Clanon
Executive Director

Appendix

To comply with Resolution E-4311, San Diego Gas and Electric Company, Southern California Edison, Pacific Gas and Electric Company, and Southern California Gas Company shall revise the following sections of their proposed Wildfire Expense Memorandum Accounts (WEMA) tariffs so that they read as specified below. Pursuant to Ordering Paragraph 2 of Resolution E-4311, each utility shall submit a supplement to its individual WEMA advice letter with the revisions.

San Diego Gas and Electric Company (SDG&E)

For the electric tariff:

- Section 4. Accounting Procedures, shall read:
“SDGE shall maintain the WEMA by recording entries at the end of each month as follows:
 - a) A debit entry equal to payments to satisfy wildfire claims, including any deductibles, co-insurance and other incremental insurance expense paid by SDG&E that are not authorized as part of SDG&E’s GRC or any other proceeding;
 - b) A debit entry equal to incremental outside legal costs incurred by SDG&E in the defense of wildfire claims;
 - c) A credit entry each month equal to any reimbursement by insurance companies (i.e. proceeds) or other third parties related to costs recorded in this account;
 - d) A credit entry each month equal to amounts received through FERC authorized transmission rates for the recovery of costs related to wildfire claims;
 - e) A credit entry each month equal to any wildfire related costs recorded in the WEMA that are recovered through the Z-factor mechanism described in Preliminary Statement Part IV.D; and
 - f) An entry each month equal to the interest on the average of the balance during the month, calculated in the manner described in Preliminary Statement, Part III, Description/Listing of Accounts.”
- Section 5. Disposition, shall read:

“The disposition of any amounts recorded in the WEMA shall be established by a Commission decision in A.09-08-020.”

For the gas tariff:

- Section 4. Accounting Procedures, shall read:
“SDGE shall maintain the WEMA by recording entries at the end of each month as follows:
 - a) A debit entry equal to payments to satisfy wildfire claims, including any deductibles, co-insurance and other incremental insurance expense paid by SDG&E that are not authorized as part of SDG&E’s GRC or any other proceeding;
 - b) A debit entry equal to incremental outside legal costs incurred by SDG&E in the defense of wildfire claims;
 - c) A credit entry each month equal to any reimbursement by insurance companies (i.e. proceeds) or other third parties related to costs recorded in this account;
 - d) A credit entry each month equal to any wildfire related costs recorded in the WEMA that are recovered through the Z-factor mechanism described in Preliminary Statement Part VI.D; and
 - e) An entry each month equal to the interest on the average of the balance during the month, calculated in the manner described in Preliminary Statement, Part V, Description/Listing of Accounts.”
- Section 5. Disposition, shall read:
“The disposition of any amounts recorded in the WEMA shall be established by a Commission decision in A.09-08-020.”

Southern California Gas Company (SoCalGas)

- Section 4. Accounting Procedures, shall read:
“SoCalGas shall maintain the WEMA by recording entries at the end of each month as follows:
 - a) A debit entry equal to payments to satisfy wildfire claims, including any deductibles, co-insurance and other incremental insurance expense paid by SoCalGas that are not authorized as part of SoCalGas’ GRC or any other proceeding;
 - b) A debit entry equal to incremental outside legal costs incurred by SoCalGas in the defense of wildfire claims;
 - c) A credit entry each month equal to any reimbursement by insurance companies (i.e. proceeds) or other third parties related to costs recorded in this account;
 - d) An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement , Part I, J.”
- Section 5. Disposition, shall read:
“The disposition of any amounts recorded in the WEMA shall be established by a Commission decision in A.09-08-020.”

Pacific Gas and Electric Company (PG&E)

For the electric tariff:

- Section 1. Purpose, shall read:
“The purpose of the Wildfire Expense Memorandum Account (WEMA-E) is to record for later recovery, subject to a decision in A.09-08-020, the costs of third-party claims resulting from wildfires prior to the approval of PG&E’s Wildfire Insurance Application (A.09-08-020) that would have been covered by insurance, as well as costs that would not have been incurred if insurance were available, including: (1) payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by PG&E, but excluding costs that have already been authorized in the PG&E’s General Rate Case (GRC); (2) outside legal costs incurred in the defense of wildfire claims; (3) premium costs not in rates; and (4) the cost of financing these amounts. Insurance proceeds, as well as any payments received from third parties, will be credited to the WEMA-E as they are received.”
- Section 3. Revision Date, shall read:
“See Disposition Section.”
- Section 5. Accounting Procedure, shall read:
“PG&E shall maintain the WEMA-E by making entries to this account at the end of each month as follows:
 - a. A debit entry each month equal to the electric portion of PG&E’s payments incurred prior to the approval of A.09-08-020 to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by PG&E, premium costs not included in PG&E’s general rate case, and outside legal costs incurred in the defense of wildfire claims, but excluding costs that have already been authorized in PG&E’s GRCs.
 - b. A credit entry each month equal to the electric portion of reimbursement by insurance companies or other third parties.
 - c. A credit entry each month equal to amounts received through FERC authorized transmission rates for the recovery of costs related to wildfire claims.
 - d. An entry each month equal to the interest on the average of the balance in the account at the beginning of the month and the balance in the account after the above entries, at a rate equal to one-twelfth the interest rate on

three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.”

- Add Section 6. Disposition, which shall read:
“The disposition of any amounts recorded in the WEMA shall be established by a Commission decision in A.09-08-020.”

PG&E (continued):

For the gas tariff:

- Section 1. Purpose, shall read:
“The purpose of the Wildfire Expense Memorandum Account (WEMA-G) is to record for later recovery, subject to a decision in A.09-08-020, the costs of third-party claims resulting from wildfires prior to the approval of PG&E’s Wildfire Insurance Application (A.09-08-020) that would have been covered by insurance, as well as costs that would not have been incurred if insurance were available, including: (1) payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by PG&E, but excluding costs that have already been authorized in the PG&E’s General Rate Case (GRC); (2) outside legal costs incurred in the defense of wildfire claims; (3) premium costs not in rates; and (4) the cost of financing these amounts. Insurance proceeds, as well as any payments received from third parties, will be credited to the WEMA-G as they are received.”
- Section 3. Revision Date, shall read:
“See Disposition Section.”
- Section 5. Accounting Procedure, shall read:
“PG&E shall maintain the WEMA-G by making entries to this account at the end of each month as follows:
 - a. A debit entry each month equal to the gas portion of PG&E’s payments incurred prior to the approval of A.09-08-020 to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by PG&E, premium costs not included in PG&E’s general rate case, and outside legal costs incurred in the defense of wildfire claims, but excluding costs that have already been authorized in PG&E’s GRCs.

- b. A credit entry each month equal to the gas portion of reimbursement by insurance companies or other third parties.
 - c. An entry each month equal to the interest on the average of the balance in the account at the beginning of the month and the balance in the account after the above entries, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.”
- Add Section 6. Disposition, which shall read:
“The disposition of any amounts recorded in the WEMA shall be established by a Commission decision in A.09-08-020.”

Southern California Edison (SCE)

- Section 7.a. Purpose, shall read:
“The purpose of the Wildfire Expense Memorandum Account (WEMA) is to record for later recovery, subject to a decision in A.09-08-020, the costs of third party claims resulting from wildfires prior to the approval of SCE’s Wildfire Insurance Application (A.09-08-020) that would have been covered by insurance, as well as costs that would not have been incurred if insurance were available, including: (1) payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by SCE, but excluding costs that have already been authorized in the SCE’s General Rate Case (GRC); (2) outside legal costs incurred in the defense of wildfire claims; (3) premium costs not in rates; and (4) the cost of financing these amounts. Insurance proceeds, as well as any payments received from third parties, will be credited to the WEMA as they are received.”
- Section 7.c. Accounting Procedure, shall read:
“SCE shall maintain the WEMA by making entries to this account at the end of each month as follows:
 - (i) A debit entry each month equal to SCE’s Costs Arising From Wildfires.
 - (ii) A credit entry each month equal to amounts received by SCE from insurance companies or other third parties in respect of Costs Arising From Wildfires.
 - (iii) A credit entry each month equal to amounts received by SCE from transmission customers through FERC authorized transmission rates for the recovery of costs related to wildfire claims.
 - (iv) A credit entry each month equal to any wildfire related costs recorded in the WEMA that are recovered through the Z-factor mechanism described in Preliminary Statement Part AAA.5.
 - (v) An entry to record interest expense calculated by applying the Interest Rate to the average monthly balance in the WEMA.”
- Add Section 7.d. Disposition, which shall read:
“The disposition of any amounts recorded in the WEMA shall be established by a Commission decision in A.09-08-020.”

July 29, 2010

STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 28, 2010

**I.D. #9600
Resolution E-4311
Commission Meeting Date: July 29, 2010**

TO: PARTIES TO DRAFT RESOLUTION E-4311

Enclosed is draft Resolution E-4311 prepared by the Energy Division. It will be on the agenda at the July 29, 2010 Commission meeting. The Commission may then vote on this Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution no later than July 19, 2010.

Comments should be submitted to:

Honesto Gatchalian and Maria Salinas
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Fax: 415-703-2200
jnj@cpuc.ca.gov; mas@cpuc.ca.gov

A copy of the comments should also be submitted to:

Elaine Chan Lau
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
ec2@cpuc.ca.gov

Comments may be served by email. Any comments on the draft Resolution must be received by the Energy Division by July 19, 2010. Those submitting comments must serve a copy of their comments on 1) the entire service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Energy Division, the Chief Administrative Law Judge and the General Counsel, on the same date that the comments are submitted to the Energy Division.

Comments shall be limited to fifteen pages in length plus a subject index listing the recommended changes to the draft Resolution, and an appendix setting forth the proposed findings and conclusions, and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

July 29, 2010

Late submitted comments, and reply comments will
not be considered.

Gurbux Kahlon
Program Manager
Energy Division

Enclosure: Service List
Certificate of Service

July 29, 2010

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution E-4311 on all parties in these filings or their attorneys as shown on the attached list.

Dated June 28, 2010 at San Francisco, California.

Honesto Gatchalian

NOTICE

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

Resolution E-4311/ EC2 DRAFT
SDG&E AL 2109-E/1889-G; PG&E AL 3046-G/3530-E;
SCE AL 2385-E; SoCalGas AL 4019

July 29, 2010

Service List for Draft Resolution E-4311

Akbar Jazayeri, Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, CA 91770
AdviceTariffManager@sce.com

Jane K. Yura, Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177
PGETariffs@pge.com

Megan Caulson, Regulatory Tariff Manager
San Diego Gas & Electric Company
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
mcaulson@semprautilities.com

Sid Newsom, Tariff Manager
Southern California Gas Company
555 West Fifth Street
Los Angeles, CA 90013-1011
snewsom@SempraUtilities.com

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