BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA


SOUTHERN CALIFORNIA EDISON COMPANY’S (U 338-E)
REPLY COMMENTS ON PROPOSED DECISION

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I. **D.18-10-019 APPLIES PROSPECTIVELY AND A BROWN POWER TRUE-UP WOULD NOT BE APPLICABLE TO 2018 BUNDLED SERVICE CUSTOMERS**

A. **Decision (D.)18-10-019 (PCIA Decision) is Prospective, not Retroactive, and a 2018 Brown Power True-Up Will Result in an Unlawful Cost Shift**

CPA argues that the Commission “should condition [SCE’s] amortization on implementation of the ‘brown power’ true-up for 2018, as mandated by D.18-10-019.” CPA is incorrect that D.18-10-019 authorizes a brown power true up for 2018. Instead, a careful reading of the PCIA Decision provides that the revised PCIA methodology is to be prospectively applied effective 2019. In addition to there being no discussion in D.18-10-019 about potential retroactive application of some or all its directives, its ordering paragraphs (OPs) make clear that the brown power true-up is to be put in place simultaneously with the necessary *mechanism* to effectuate that true-up. That mechanism, per the decision OPs, is to be implemented in 2019 via separate (and still currently pending) Tier 2 advice letters that the IOUs have submitted.

In addition, truing up the 2018 PCIA only for brown power prices would cherrypick the modifications to the PCIA methodology adopted in D.18-10-019 solely *for purposes of benefitting departing load customers at the expense of bundled service customers*. It would ignore all of the other modifications in D.18-10-019 to the PCIA the Commission determined must be implemented to eliminate cost shifting, such as the pro-rata recovery from departing load customers of the above-market costs of SCE’s fossil-fueled utility-owned generation (UOG) and energy storage contracts, the former of which was excluded from the 2018 PCIA based on prior decisions overturned in D.18-10-019, along

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1 CPA Opening Comments on PD, p. 2.
2 D.18-10-019, at OP 7-8, ordering creation of a Portfolio Allocation Balancing Account (PABA) to effectuate the brown power true-up mechanism.
3 *Id.* at OP 8.
4 SCE’s AL-3914-E, PG&E’s AL-5440-E, SDG&E’s AL-3318-E.
with true-ups of all three market price benchmarks (not just the brown power benchmark). If the Commission directs SCE to true-up the 2018 PCIA for the brown power benchmark, it must also direct SCE to include previously-excluded 2018 UOG costs; and also true up the costs, quantities, and billed revenues making up the PCIA, and the Resource Adequacy (RA) and Renewable Energy Credits (RECs) benchmarks for 2018, as well, particularly because pursuant to D.18-10-019, the RA and REC benchmarks were substantially overstated in the 2018 PCIA.\(^5\) A complete true-up of the 2018 PCIA consistent with D.18-10-019 would demonstrate that in 2018 departing load customers actually substantially underpaid 2018 PCIA rates.

B. **The 2018 ERRA Undercollection Amount is Not a Forecast that Requires Truing Up; It Reflects the Actual 2018 ERRA Undercollection Based on Actual ERRA Costs and Revenues in 2018**

CPA is incorrect in alleging that the Undercollection must be “trued up” in order to be recoverable from departing load customers,\(^6\) and its Comments demonstrate confusion on the operation of SCE’s ERRA Balancing Account (BA). The final 2018 ERRA Undercollection Amount of $815.432 million\(^7\) is not a forecasted amount that requires truing up. To the contrary, it is a net number that reflects the actual costs and revenues recorded in SCE’s ERRA BA for 2018, including the actual costs and revenues for brown power.\(^8\) As such, all 2018 bundled service customers will pay their pro-rata share of the actual (not forecasted) 2018 Undercollection Amount.

The 2018 Undercollection Amount has no bearing on, or relation to, the 2018 PCIA rate, despite CPA’s claims to the contrary.\(^9\) The 2018 Undercollection Amount does not apply to customers that paid the 2018 PCIA. This is because, as SCE explained in its briefs,\(^10\) the 2018 Undercollection Amount is

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\(^5\) See D.18-10-019, at OP 1(b) and 1(c), setting the RPS Adder based on the October 2018 Platts PCC 1 REC index, and setting the RA Adder based on the 2017 CPUC RA Report. Both of these revised values are substantially lower than the previous corresponding values that were used to set 2018 PCIA rates.

\(^6\) See CPA’s comments, pp. 4-6.

\(^7\) SCE acknowledges that the final year-end 2018 ERRA Undercollection balance is not part of the official record in this proceeding. See January 24, 2019 email ALJ Procedural Communication Regarding Southern California Edison Company’s Updated Energy Resource Recovery Account Balance. However, the Commission may take official notice of this year-end number pursuant to Rule 13.9, as it was officially (and publicly) submitted to the Commission on January 22, 2019, in the Monthly ERRA Report required by D.02-12-074 (submitted to Energy Division and served on all parties to the service list of R.01-10-024, as required).

\(^8\) SCE Opening Brief, at p. 15.

\(^9\) See CPA’s Opening Comments, at pp. 4-6.

\(^10\) SCE’s Opening Brief, at pp. 10, 13.
an obligation of 2018 bundled service customers, not departing load customers from 2018 or earlier.\textsuperscript{11} Accordingly, CPA is simply incorrect that the Commission must order a brown power true-up for the 2018 PCIA rate in order to authorize the recovery of the 2018 ERRA Undercollection from all 2018 bundled service customers, including those customers that subsequently depart bundled service for CCA or other providers’ services (and thereby become subject to future PCIA rates).\textsuperscript{12}

\section*{II. SCE DID NOT ENGAGE IN ANTI-COMPETITIVE BEHAVIOR}

DACC’s assertion that SCE engaged in “anti-competitive behavior”\textsuperscript{13} is unsupported and without merit. As SCE explained in its Opening Comments, SCE followed a very similar procedural path in addressing the 2018 ERRA Undercollection as it did in 2017 (as well as in past years as set forth below) – without prejudice to any party.\textsuperscript{14} SCE’s trigger-related procedural steps were aimed at conserving resources while ensuring timely notice and expedient resolution of the undercollection by consolidating it with the then-pending ERRA Forecast proceedings,\textsuperscript{15} which is consistent with what SCE has done on ERRA trigger matters in numerous instances in the past.

SCE’s procedural steps reflected its good faith understanding that what it had done in the past would also be acceptable in this instance. In addition to the 2017 example discussed in SCE’s Opening Comments,\textsuperscript{16} SCE followed a similar trigger-related procedural path in 2011\textsuperscript{17} and 2014\textsuperscript{18} with no concerns raised by parties or the Commission.\textsuperscript{19} For example, on April 4, 2014, SCE filed Advice Letter (AL) 3021-E wherein it gave notice that as of January 31, 2014, SCE’s ERRA balancing account exceeded the 5% Trigger Threshold; however, “[a]lthough SCE’s adjusted ERRA balance has exceeded the Trigger Threshold, \textit{SCE is not requesting to amortize this under-collection in rates at this time because SCE’s 2014 ERRA Forecast is currently pending…”\textsuperscript{20} In 2011, similar circumstances led to a similar procedural path. On November 30, 2011, SCE filed AL 2690-E indicating that its ERRA BA

\begin{flushleft}
\textsuperscript{11} \textit{Id.}  \\
\textsuperscript{12} See CPA Opening Comments, at pp. 4-6.  \\
\textsuperscript{13} DACC Opening Comments, at p. 6.  \\
\textsuperscript{14} SCE Opening Comments, at pp. 4-6.  \\
\textsuperscript{15} \textit{Id.}, at p. 8.  \\
\textsuperscript{16} See SCE’s Opening Comments, at pp. 2-7.  \\
\textsuperscript{17} \textit{Infra.}  \\
\textsuperscript{18} See AL 3021-E, filed on April 4, 2014.  \\
\textsuperscript{19} See AL 3635-E, filed on July 21, 2017.  \\
\textsuperscript{20} AL 3021-E, at pp. 3-4 (emphasis added).  \\
\textsuperscript{21} The Commission approved AL 3021-E on June 12, 2014, with an effective date of May 4, 2014.
\end{flushleft}
was overcollected beyond the 4% Trigger and that SCE intended to refund the overcollection in its pending 2012 ERRA Forecast of Operations Application (A.11-08-002).

These past examples demonstrate that SCE actions with respect to the 2018 Undercollection were in good faith, consistent with past practice on ERRA-triggered undercollections, and that SCE had no reason to suspect that deviating from strict compliance with procedural formalities in 2018 would subject it to potential penalties. SCE strongly disputes an allegation of wrongdoing or anti-competitive behavior. As SCE explained in its Opening Comments, any delay in filing this trigger application was minimal at best, and did not harm customers or parties. Also, all Load-Serving Entities (LSEs) experience rate uncertainty for their end-use customers as an inevitable result of energy market volatility, irrespective of whether the 2018 Undercollection’s amortization period would have been November 2018 - November 2019 or will be April 2019 - April 2020. SCE requests that the Commission’s final decision find that a penalty phase is not warranted under the circumstances and clarify its expectation that going forward SCE strictly comply with ERRA procedural trigger and filing requirements unless expressly authorized otherwise.

III. A 12-MONTH AMORTIZATION PERIOD IS REASONABLE

CLECA’s proposal to modify the PD’s recommended 18-month amortization period to a 24-month period should not be adopted. For the reasons discussed in SCE’s Opening Comments, the Commission should adopt a 12-month amortization period for the 2018 Undercollection Amount.

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22 On March 2, 2012, AL 2690-E was approved by the ED, effective February 26, 2012. See, AL 2690-E, filed on January 27, 2012.
23 As more fully set forth in SCE’s Opening Brief, the Undercollection Amount was largely caused by market factors outside of SCE’s reasonable control. SCE Opening Brief, at pp. 15-17.
24 See SCE’s Opening Comments, pp. 7-8. Indeed, had SCE filed this trigger application in August, the earliest it could have expected to place the Undercollection Amount in rates would have been late November or early December 2018, assuming the Commission would not have authorized consolidating the rate change with the 2019 ERRA Forecast rates in early 2019.
25 If SCE’s 2019 ERRA Forecast and this Application’s final decisions are voted out on during the Commission’s February 2019 voting meeting, and SCE’s 12-month amortization proposal is accepted, the amortization period will most likely take place from April 2019 – April 2020.
26 SCE notes the discrepancy within the PD’s language indicating a “second phase [to] consider the impacts of SCE’s failure to comply with the Commission’s ERRA trigger mechanism requirements[,]” and OP 4 stating that a second phase will be opened to “consider any penalties for [SCE’s] failure to comply with the [ERRA] trigger mechanism requirements[,]” which is more conclusory and implies a determination already has been made. PD at p. 7 and OP 4.
27 CLECA Opening Comments, at p. 4.
28 See SCE’s Opening Comments, Section III, at pp. 9-10. See also CPA Opening Comments at pp. 2 and 6, supporting SCE’s 12-month amortization proposal.
IV. **CONCLUSION**

Accordingly, SCE respectfully requests that the Commission’s final decision find that a penalty phase is not warranted under the circumstances, and indicate its expectation that SCE strictly comply with ERRA procedural trigger and filing requirements in the future unless expressly authorized otherwise.

Respectfully submitted,

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January 25, 2019
BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

Expedited Application Of Southern California
Edison Company (U338E) Regarding Energy
Resource Recovery Account Trigger Mechanism.

Application 18-11-009

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission’s Rules of Practice and Procedure, I have this
day served a true copy of SOUTHERN CALIFORNIA EDISON COMPANY’S (U 338-E)
REPLY COMMENTS ON PROPOSED DECISION on all parties identified on the attached
service list for A.18-11-009. Service was effected by transmitting copies via e-mail to ALJ Zita
Kline and all parties who have provided an e-mail address and by placing copies in properly
addressed sealed envelopes and depositing such copies in the United States mail with first-class
postage prepaid to the offices of the assigned ALJ or other addressees.

Executed on January 25, 2019, at Rosemead, California.

/s/ Karen Abarca
Karen Abarca

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Service Lists

PROCEEDING: A1811009 - EDISON - EXPEDITED A
FILER: SOUTHERN CALIFORNIA EDISON COMPANY
LIST NAME: LIST
LAST CHANGED: JANUARY 23, 2019

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