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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Services and Facilities of Southern California Edison Company and San Diego Gas and Electric Company Associated with the San Onofre Nuclear Generating Station Units 2 and 3.

Investigation 12-10-013
(Filed October 25, 2012)

And Related Matters.

Application 13-01-016
Application 13-03-005
Application 13-03-013
Application 13-03-014

**ADMINISTRATIVE LAW JUDGES' RULING SETTING HEARING
AND REQUIRING SUPPLEMENTAL INFORMATION ON JOINT MOTION
FOR ADOPTION OF SETTLEMENT**

1. Background and Summary

On April 3, 2014 six parties (Southern California Edison Company (SCE), San Diego Gas and Electric Company, Office of Ratepayer Advocates [also known in this proceeding as Division of Ratepayer Advocates], The Utility Reform Network, Friends of the Earth, and Coalition of California Utility Employees, collectively "Settling Parties") filed and served a Joint Motion for Adoption of Settlement Agreement (Motion). The Motion suggests that the Settlement Agreement (Agreement) resolves all issues for proceedings consolidated within this Commission investigation regarding San Onofre

Nuclear Generating Station Units 2 and 3 (SONGS OII). The Motion further requests that the Commission:

- Adopt the Agreement without modification,
- Stay this proceeding and all consolidated proceedings,
- Make certain findings, and
- Not hold evidentiary hearings on the Agreement.

Two parties, Ruth Henricks and Coalition to Decommission San Onofre, have served objections to the Motion. Neither the Motion nor the objections are addressed substantively by this ruling.

Article 12 of the Commission's Rules govern our review procedure for the proposed settlement. This ruling addresses certain initial questions and the procedural steps toward reviewing the Motion and Agreement. These steps are:

- Ordering the Settling Parties to post supporting documents, such as work paper calculations in support or clarification of the Agreement, on SCE's discovery website for this proceeding;
- Ordering provision of supporting information and exhibit(s) sponsored by the Settling Parties;
- Setting an evidentiary hearing on material contested issues of fact asserted by the Settling Parties;
- Extending the deadlines for comments on the Motion; and
- Scheduling a "Community Information Meeting" near SONGS to present and answer questions about the Agreement.

2. Settling Parties Shall Post Supporting Documents

To the extent permitted by the Rules of Practice and Procedure (Rules), particularly Rule 12.6, the Settling Parties shall post relevant documents supporting or clarifying the Agreement on SCE's discovery website for this proceeding. The purpose of this order is to promote all parties sharing an

accurate understanding of the Agreement and being able to respond to it effectively under Rule 12.2 and as further discussed in this ruling.

3. Settling Parties Shall Serve Supporting Testimony

Questions seeking clarification of the provisions of the Agreement, and requesting additional information or support for certain numbers used or referenced in the Agreement, are set forth in Attachment A to this Ruling. On or before May 1, 2014, the Settling Parties shall prepare and serve one or more exhibits as requested, and provide the requested information, to the service list and post the responses on SCE's discovery website for this proceeding. The purpose of these information requests is to clarify the details of the Agreement and its ratemaking impacts. Any work papers and discovery responses related to the responsive exhibit(s) and information (as opposed to the process of developing the Agreement) shall not be covered by the restrictions of Rule 12.6.

4. An Evidentiary Hearing Shall be Held on May 14, 2014

Pursuant to Rule 12.3, the purpose of a hearing on a contested settlement is to take evidence about material contested issues of facts asserted within a settlement agreement. This is not an all-party settlement and some parties have objected to the Agreement. Therefore, the Commission will hold an evidentiary hearing on the Motion and Agreement at 1:30 p.m. on May 14, 2014 at the Commission Auditorium, 505 Van Ness Ave., San Francisco, CA 94102.

The agenda for the hearing will be:

1. Settling Parties shall have up to 20 minutes to present the Agreement.
2. The assigned Administrative Law Judges (ALJs) and Commissioners in attendance may question the Settling Parties about the Agreement.

3. Non-settling Parties shall have up to 75 minutes to examine Settling Parties about the meaning of the language of the proposed Agreement, and any material contested issues of fact arising from the Agreement.
4. Additional questions from the Commissioners and ALJs.
5. Settling Parties may have up to ten minutes to close.
6. These times may be adjusted at the discretion of the ALJ.

Four business days prior to the hearing, the Settling Parties shall serve on the service list, via e-mail, a list of the witness from each party to the settlement who will appear at the hearing. Non-settling parties shall allocate their time amongst themselves as they see fit, and shall serve on the service list, via e-mail, an approximate schedule of cross examination times two business days in advance of the hearing. If any non-settling party seeks to present evidence or testimony on material contested issues of fact, the proposed evidence or testimony must be served five business days prior to the hearing. Non-settling parties are reminded that evidence, testimony, or examination will be not be permitted as to questions of law or policy. These matters, including argument, are suitable for Comments submitted to the Commission on the Motion and Agreement.

The evidentiary hearing will be webcast by Commission staff. No other video or audio recordings will be permitted.

5. Comments and Reply Comments on Agreement

Rule 12.2 provides that parties may file comments contesting all or part of the settlement within 30 days of the date the motion for adoption of settlement was served, and reply comments 15 days later. Comments must specify the portions of the settlement that the party opposes, the legal basis of its opposition, and the factual issues that it contests.

In this instance, in order to allow parties to consider responsive information ordered in this ruling, the schedule will be extended. Opening Comments shall be filed and served on or before May 7, 2014 and Reply Comments shall be filed and served on or before May 22, 2014.

All discovery requests related to the Agreement shall be served by May 15, 2014 and responses concluded by May 20, 2014.

6. Settling Parties Shall Host an All-Party Community Information Meeting on June 16, 2014

In order to inform the public of the Agreement and solicit public participation, the Settling Parties shall host a Community Meeting in SCE's service territory, near the San Onofre Nuclear Generating Station on June 16, 2014. The meeting will be held from 4:00 p.m. to 7:00 p.m. At this meeting, representatives of the Settling Parties shall have up to 20 minutes to present the Agreement, Non-settling parties shall have up to 20 minutes to present their point of view,¹ and then members of the public may ask questions to either group and/or make comments. One or both of the assigned ALJs will attend to facilitate the public question and comment portion of the meetings. One or more Commissioners may attend; however, even if a quorum of Commissioners is present, no action will be taken.

Details of the Meeting:

Date: Monday, June 16, 2014

Time: 4:00 to 7:00 p.m.

¹ To be clear, this means that the Settling Parties as a group have 20 minutes in total to present the Agreement. Non-settling parties then have 20 minutes in total to respond; non-settling parties should divide this time amongst themselves as they see fit.

**Location: Costa Mesa Neighborhood Community Center,
1845 Park Ave., Costa Mesa, CA 92627**

Settling Parties, in coordination with the Commission's Public Advisor's Office, should act to encourage broad participation from communities potentially impacted if the Agreement were to be adopted. In addition to other mechanisms agreed with the Public Advisor, Settling Parties shall coordinate notice of the meeting in at least the following ways: press releases, communications to members, contacts with local governments and community based organizations, and notices in local newspapers, on the websites of the utilities and on www.songscommunity.com, and by contact with local radio, television, and written media, including for low-income and minority communities. In addition, the Commission will notice the meeting on its Daily Calendar.

7. Request for Stay of Proceedings

In their Motion, Settling Parties asked the Commission to refrain from 1) scheduling a PHC or issuing a scoping memo regarding Phase 3; 2) voting on any proposed decision (PD) for any phase of the OII; and 3) issuing any further PDs regarding any phase of the OII. The request is largely unnecessary. Work on the Phase 2 PD is incomplete, the ALJs did not contemplate scheduling a pre-hearing conference regarding Phase 3 prior to issuance of the Phase 2 PD, and the Phase 1 PD is currently on hold.

Nonetheless, it is reasonable to refrain from continuing to work on aspects of the OII which may be resolved as a result of the pending Motion and Agreement. Because utility rates fund Commission, utility, and (in some cases) party activity in our proceedings, it is in the best interests of ratepayers to avoid

duplicative or unnecessary activity until the Commission has had an opportunity to consider the proposed settlement.

IT IS RULED that:

1. Settling Parties shall post documents, to the extent permitted by Rule 12.6, supporting or clarifying the Agreement on SCE's discovery website for this proceeding.

2. On or before May 1, 2014, Settling Parties shall prepare and serve one or more exhibit, and provide the information as requested in response to the questions set forth in Attachment A of this Ruling. The responses shall also be posted on SCE's discovery website for this proceeding

3. On May 14, 2014, the Commission will hold an evidentiary hearing on the Agreement and take evidence about material contested issues regarding facts asserted by the Settling Parties. The hearing will be held at the Commission Auditorium, 505 Van Ness Ave., San Francisco, CA 94102.

a) Four business days prior to the hearing, the Settling Parties shall serve on the service list, via e-mail, the name of the witness from each party to the settlement who will appear at the hearing;

b) Two business days prior to the hearing, non-settling parties shall serve on the service list, via e-mail, an approximate schedule of cross examination time; and

c) A non-settling party which intends to present evidence or testimony on material contested issues of fact, must serve the proposed evidence or testimony five business days prior to the hearing.

4. The evidentiary hearing will be webcast by Commission staff. No other video or audio recordings will be permitted.

5. Opening Comments shall be filed and served on or before May 7, 2014 and Reply Comments shall be filed and served on or before May 22, 2014.

6. All discovery requests related to the Agreement shall be served by May 15, 2014 and responses concluded by May 20, 2014.

7. The Settling Parties shall host an all-party Community Information Meeting on June 16, 2014 as described in Section 6, above.

8. Settling parties shall coordinate with the Public Advisor and notice the Community Meeting, as described in Section 6, above.

Dated April 24, 2014, at San Francisco, California.

/s/ MELANIE M. DARLING

Melanie M. Darling
Administrative Law Judge

/s/ KEVIN R. DUDNEY

Kevin R. Dudney
Administrative Law Judge

ATTACHMENT A

ATTACHMENT A

The following questions and requests for information are to clarify both the meaning of certain language in the Settlement Agreement (Agreement) and the basis for specific amounts of provisionally authorized and recorded expenses set forth as facts in the Agreement.

1. Section 2.6 provides a definition of “Base Plant” as “the Net Book Value of all-SONGS-related capital investments, except the SGRP, in the Utilities’ rate bases....,” including marine mitigation, and excluding Materials and Supplies (M&S), Cash working capital, and Nuclear Fuel Investment.
 - In what ways is this definition consistent or different from the list of weighted SONGS-related capital assets identified in Appendices A and C in exhibit SCE-36 submitted during the Phase 2 hearings in this OII?
2. In §3.48, the Agreement states that the total amount of deferred taxes on SONGS investment (excluding the SGRP) as of February 1, 2012, is \$152 million for SCE, and \$4.5 million for SDG&E.
 - What year dollars are these amounts (e.g., \$2011)?
3. As set forth in §3.36, what portion of SCE’s \$597 million share, and SDG&E’s \$160.4 million share, of the Net Book Value of the SGRP as of February 1, 2012 is CWIP?
4. In §4.2, the Agreement provides that the Capital-Related Revenue Requirement for the SGRP will be terminated as of February 1, 2012, and “the Utilities shall refund to ratepayers all amounts collected in rates as the Capital-Related Revenue Requirement for the SGRP for all periods on or after February 1, 2012.” Further, the Utilities shall not recover in rates the net Book Value of the SGRP as of February 1, 2012.

Settling Parties shall prepare and serve an exhibit which contains the following information in table form for both SCE and SDG&E:

- All amounts collected in rates as the Capital-Related Revenue Requirement for the SGRP through January 31, 2012, from February 1, 2012 through December 31, 2012, and from January 1, 2013 through December 31, 2013.
 - For each time period include a breakdown between the net book value or capital investment and other capital-related revenue requirement.
5. Section 4.3 of the Agreement provides that “the Utilities’ respective shares of Base Plant will be removed from each utility’s respective rate base as of February 1, 2012, but the utilities will retain all amounts collected in rates in respect of Capital-Related Revenue Requirements for Base Plant for periods prior to February 1, 2012.”
 - Explain any difference in the components (e.g. deferred taxes, depreciation expenses, income and property tax, etc.) for Capital-Related Revenue Requirements for Base Plant

prior to February 1, 2012 and for assets removed from rate base as of February 1, 2012 which receive different a different amortization period and rate of return.

6. In §4.3(i), *inter alia*, the Agreement provides that each Utility will “factor in a gross-up for...income tax when calculating its revenue requirement.....In addition, the revenue requirement shall include franchise fees and uncollectibles.” Appendix A provides an example of an adjustment for deferred taxes is applied as of February 1, 2012.

Settling Parties shall prepare and serve an exhibit which contains the following information in table form for both SCE and SDG&E:

- All amounts collected in rates as the Capital-Related Revenue Requirement for the Base Plant (excluding SGRP) from February 1, 2012 through December 31, 2012, and from January 1, 2013 through December 31, 2013.
 - For each time period include a breakdown between the net book value or capital investment and other capital-related revenue requirement.
7. Section 4.3(e) and (f) identify SCE’s 2012 and 2013 reduced rates of return on SONGS Base Plant as 2.95% and 2.62%, respectively. In §4.3(i), the Agreement states these rates do not include gross-ups for taxes on the portion related to preferred equity.

Settling Parties shall prepare and serve an exhibit which contains the following information in table form for both SCE and SDG&E:

- The estimated Capital-Related Revenue Requirement for the Base Plant (excluding SGRP) from February 1, 2012 through December 31, 2012, and from January 1, 2013 through December 31, 2013.
 - For each time period include a breakdown between the net book value or capital investment and other capital-related revenue requirement.
8. In §4.5, the Agreement provides that each utility’s share of the M&S investment as of the last day of the month of the Effective Date shall be amortized as a regulatory asset ratably over the amortization period set forth for Base Plant [February 1, 2012 through February 1, 2022] and earn the reduced rate of return.
 - Clarify whether the amortization period will run through February 1, 2022, or ten years from the last day of the month of the Effective Date.²

² Per §2.14, Effective Date “means the day of the Commission’s decision adopting the ratemaking proposal set forth in this Agreement.”

9. Section §4.8 provides different treatment for “Completed CWIP” and for “Cancelled CWIP.” For Completed CWIP, the Agreement provides that the balance shall include authorized AFUDC applied to the Completed CWIP balance from the date of the first recorded expense until January 31, 2012, and an AFUDC rate equal to the Base Plant reduced rate of return from February 1, 2012 through the last day of the month of the Effective Date.
 - Will the reduced rate of return applied to Completed CWIP after February 1, 2012 be identical to the reduced rate of return applied to Base Plant after February 1, 2012 (e.g., include a gross up for taxes associated with preferred equity, fees, etc.)?
10. For Cancelled CWIP, the Motion states the utilities may recover the authorized AFUDC until February 1, 2012, but “will not be allowed to recover any AFUDC after February 1, 2012, on those CWIP expenditures that are associated with projects that the utilities cancelled after the outages began.” However, in Section 4.8(i) (C) and (D), the Agreement provides the same amortization period and reduced rate of return for Cancelled CWIP as for Completed CWIP, as of the last day of the month of the Effective Date.
 - Clarify whether there is a conflict between these documents as the reduced rate of return stands as a proxy for AFUDC when associated with Completed CWIP.
11. Similar to the question for M&S amortization, clarify whether the amortization periods identified in §4.8(ii) regarding Completed CWIP, and in §4.6(a) regarding Nuclear Fuel Investment , will run through February 1, 2022, or ten years from the last day of the month of the Effective Date.
12. Settling Parties shall prepare and serve an exhibit which identifies the amount of SGRP-related CWIP which is to be removed from the total CWIP balance of each Utility as of February 1, 2012.
13. The Motion states that CWIP excludes SGRP-related projects.³ The amount of SGRP-related CWIP as of February 2012 is not separately stated in the Motion or in the Agreement.⁴ Section 4.8 of the Agreement does not expressly provide that SGRP-related CWIP is excluded from the rate treatment of either Completed or Cancelled CWIP. Identify what language in the Agreement is consistent with the representation in the Motion that SGRP-related CWIP is excluded from rate recovery.
14. Section 4.9(b) of the Agreement provides that SCE will “retain all SONGS-related revenue collected pursuant to the revenue requirement for Non-O&M expenses provisionally authorized

³ Joint Motion at 29.

⁴ In § 3.36 the NBV of each utility’s share of the SGRP, including CWIP, is given as of February 1, 2012.

in D. 12-11-051 for calendar year 2012.” But, SCE will refund to ratepayers any such SONGS-related rate revenues collected in 2012 “that exceed 2012 recorded Non-O&M expenses by more than \$10 million.” Also, at §4.9(c) states that SDG&E will retain rate revenue “sufficient to defray all recorded Non-O&M expenses.” Non-O&M expenses are defined in §2.27 by what they are not, rather than specifically identified.

Settling Parties shall prepare and serve an exhibit which contains the following information in table form for both SCE and SDG&E:

- An itemized list of the referenced Non-O&M expenses (e.g., Pensions, benefits, regulatory, taxes, etc.), the FERC account where the expense is recorded, the 2012 and 2013 provisionally authorized amount for each expense category, and recorded expenses for 2012 and 2013 by expense category, using consistent types of dollars.

Furthermore, it is unclear whether the Agreement anticipates recovery of the \$10 million benchmark in excess of 2012 allowed expenses is to be made against each individual Non-O&M expense category, or in the aggregate of all Non-O&M expense categories.

- Clarify the provision that SCE will refund rate revenues collected in 2012 “that exceed 2012 recorded Non-O&M expenses by more than \$10 million.”⁵

15. For §4.9(f), identify what year dollars are used to measure 2013 Base O&M (e.g., \$2011).

16. Section 4.10(b) provides that the Utilities will recover in rates the entire SONGS-related portion of the under-collected balance in each Utility’s respective ERRRA account as of the last day of the month of the Effective Date, amortized from the first day of the month after the Effective Date through December 31, 2015. The Agreement expressly does not limit the Commission’s ability to review, in an appropriate proceeding, the Utilities’ request to similarly amortize recovery of the non-SONGS-related portion of the under-collected balance.

- Clarify whether the recovered costs are to be based on original cost or other amounts, and whether the Compliance ERRRA proceedings are the appropriate proceedings for review of recovery of under-collected non-SONGS-related power purchases.

17. In §4.11(a), the agreement provides that the SONGS Litigation Balance shall be determined by netting SONGS Litigation Costs from Litigation recoveries. The Utilities will each establish memorandum accounts to track litigation costs and recoveries from both NEIL and Mitsubishi. Section 4.11(b) provides the mechanism for each utility to distribute funds in excess of costs to ratepayers pursuant to identified formulas.

⁵ Settlement Agreement (Agreement) at §4.9(b).

- Is there any language in the Settlement Agreement which identifies when or how the Commission would undertake a reasonableness review of the litigation costs netted from recoveries?

18. In §4.11(g), the Agreement provides, “The Utilities shall promptly notify the CPUC of any such settlement, compromise, or resolution of their claims against NEIL or MHI, provided, however, that :

- (i) The Utilities may provide such notification in a manner that preserves the confidentiality thereof insofar as may be reasonably necessary to further the utilities’ flexibility to settle, compromise, or otherwise resolve such claims;...”

In §4.12, the Agreement provides that any amounts that the Utilities may be required to refund to ratepayers pursuant to the Agreement shall be refunded “via a reduction to each utility’s under-collected ERRR balance as of the last day of the month of the Effective date.”

- Read as a whole, does the Agreement provide that evidence will be submitted in the ERRR proceedings to enable the Commission to confirm the actual amounts of recovery from NEIL and Mitsubishi as part of its review of the application of the ratepayer credit disbursements to the under-collections?
- To the extent that refunds to ratepayers are credited against ERRR under-collections for any year, what language in the Agreement or elsewhere governs the application of credits in excess of under-collections to ratepayers in such circumstances (e.g., credit to BRRBA).

19. Section 4.14 provides that, except as expressly provided in the Agreement,

“all costs recorded in SCE’s SONGSMA, SDG&E’s SONGSBA, and both Utility’s SONGSOMA shall be recovered in rates and shall not be subject to any disallowance, refund, or any form of reasonableness review by the Commission.

Settling Parties shall prepare and serve an exhibit which contains the following information in table form for each account:

- A list of expense categories not expressly provided for in the Agreement which are referenced by this section (e.g., regulatory, seismic, etc.) and recorded 2012 and 2013 expenses by category.
- Reference to where the expenses would otherwise be subject to reasonableness review.

20. In §3.42, the Agreement identifies SCE's share of O&M costs recorded in connection with the U2Cycle 17 Refueling Outage as \$41.1 million, and SDG&E's recorded costs as \$9.3 million, for a total of \$50.4 million.
- What year dollars are used, and explain why this amount is in excess of the \$45 million SCE asserted was provisionally authorized in the 2012 GRC.

(END OF ATTACHMENT A)