January 22, 2016

Darrah Morgan, Advice Tariff Manager
Southern California Edison Company
P.O. Box 800
8631 Rush Street
Rosemead, CA 91770

SUBJECT: Energy Division Staff Disposition of SCE’s Advice Letter 3316-E

Dear Ms. Morgan:

On November 20, 2015, Southern California Edison Company (SCE) filed Advice Letter (AL) 3316-E requesting authorization to establish an El Niño Preparedness Memorandum Account (ENPMA) to be effective December 30, 2015. The purpose of the ENPMA is to record the incremental Operation and Maintenance expenses and capital-related revenue requirement associated with SCE’s preparation for the storms accompanying an unusually strong El Niño weather event during the 2015-2016 winter and spring seasons. Energy Division rejects this advice letter and directs SCE to record and request recovery of these El Nino preparation costs using cost recovery mechanisms already in place such as the Z-factor mechanism authorized in SCE’s 2015 general rate case. Should the Governor declare this El Niño weather event as a state of emergency, SCE will record El Niño preparation costs in its Catastrophic Event Memorandum Account (CEMA).

In the advice letter, SCE proposes to request recovery of the costs in the annual ERRA Review proceeding. SCE states that it will only request recovery of costs that are in excess of amounts authorized in SCE’s 2015 General Rate Case. Additionally, if the Governor declares this El Niño weather event as a state of emergency, SCE will record future El Niño preparation costs in its Catastrophic Event Memorandum Account (CEMA) and not in the ENPMA.

Protests to Advice Letter: The Office of Ratepayer Advocates (ORA) filed a protest on the advice letter on December 14, 2015. The Utility Reform Network (TURN) filed a conditional protest on the advice letter on December 18, 2015.

ORA recommends that the Energy Division reject this advice letter. In its protest, ORA argues that the costs of SCE’s preparation for severe winter weather are covered by General Rate Case base revenues. ORA states that the establishment of recovery mechanisms for emergency events such as the current El Nino weather event is more appropriately addressed in a General Rate Case proceeding.
TURN's conditional protest recommends that the Commission direct SCE to do the following:

- Adopt stringent cost recording and tracking practices to demonstrate that ENPMA recorded costs were incremental to GRC-authorized costs or CEMA-record costs.
- Explain the process SCE used in selecting its chosen mitigation and response strategies, when applying for recovery of these costs.
- To recover these costs in a separate application and not an ERRA Review proceeding.

Finally, TURN argues this advice letter is more appropriately filed as a Tier 3 advice letter. If all the above conditions were met, TURN would not oppose the establishment of the ENPMA.

**SCE Reply to the Protests:** On December 29, 2015, SCE replied to ORA's and TURN's protests. In response to ORA's arguments, SCE states that it was not able to include costs for El Nino preparations in its 2015 General Rate Case because it could not have predicted the impending severe El Nino season in 2012 when it prepared the forecasts for the 2015 General Rate Case. In response to TURN's conditional protest, SCE recommends cost recovery of the ENPMA in a separate application if ENPMA records $10 million or more, but incremental costs less than $10 million be reviewed in an annual ERRA review proceeding.

**Energy Division Disposition:** Energy Division rejects this advice letter and directs SCE to record and request recovery of these El Nino preparation costs using cost recovery mechanisms already in place such as the Z-factor mechanism authorized in SCE's 2015 general rate case. Should the Governor declare this El Niño weather event as a state of emergency, SCE will record El Niño preparation costs in its Catastrophic Event Memorandum Account (CEMA).

In SCE's Test Year 2015 GRC, the Commission granted SCE the continuation of the Z-factor mechanism, which allows SCE to record and request recovery of costs that have a significant financial impact caused by an external event that happened after the implementation of the 2015 GRC decision and is outside the control of SCE management. D.15-11-021 states,

"SCE requests to continue its Z-factor mechanism. Currently, the Z-Factor mechanism allows SCE to seek recovery of extraordinary costs caused by exogenous events (Z-factors) that are outside of management's control and that are incurred during the post-test years. Z-factors are defined as events that cause a significant financial impact of more than $10 million. Either SCE or ORA can identify a Z-Factor event by submitting a Letter of Notification to the Executive Director. The Z-Factor mechanism provides SCE with the assurance that there is a clear process for it to request cost recovery for unanticipated events that have a significant financial impact on SCE."¹

As the above excerpt from D.15-11-021 shows, the Z-factor mechanism incorporated in the GRC decision assures SCE with a process to record and seek recovery of extraordinary costs incurred resulting from an unforeseen event outside of management's control during the post-test years.

¹ D.15-11-021, page 385.
Given the nature of the costs as described by SCE, it appears that the costs of the extra storm preparations fit the description of the "Z" factor definition. Should the Governor declare this El Niño weather event as a state of emergency, the Catastrophic Event Memorandum Account (CEMA) mechanism is available to SCE to record and seek recovery of these costs. Given the above reasons, Energy Division concludes that it is more appropriate for SCE to record storm preparation costs resulting from the 2015-2016 El Niño event under the Z-factor recovery mechanism or in Catastrophic Event Memorandum Account (CEMA) if the Governor declares a state of emergency.

One of the criteria for SCE's Z-factor mechanism, as laid out in D.94-06-011, is that the costs must be reasonably incurred. As such, when seeking recovery, SCE will need to present its mitigation and response strategies for this preparedness to demonstrate that the costs were reasonably incurred. The recovery of these costs should be requested in a separate formal proceeding and not in the ERRA proceeding because these are infrastructure related costs and not fuel and purchased power costs. Further, the ERRA proceeding uses a lower standard of review than the Z-Factor analysis that would be inappropriate for expenses that have not been subject to Commission review.

Sincerely,

Edward Randolph
Director, Energy Division
**ADVICE LETTER (AL) SUSPENSION NOTICE**

**ENERGY DIVISION**

<table>
<thead>
<tr>
<th>Utility Name: Southern California Edison</th>
<th>Date Utility Notified: 12/10/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Number/Type: U 338-E</td>
<td>[ x] E-Mailed to: <a href="mailto:Darrah.Morgan@sce.com">Darrah.Morgan@sce.com</a>, <a href="mailto:advicetariffmanager@sce.com">advicetariffmanager@sce.com</a></td>
</tr>
<tr>
<td>Advice Letter Number(s) 3316-E</td>
<td>ED Staff Contact: You-Young Clover Lee</td>
</tr>
<tr>
<td>Date AL(s) Filed) 11/30/2015</td>
<td>ED Staff Email: <a href="mailto:YL2@cpuc.ca.gov">YL2@cpuc.ca.gov</a></td>
</tr>
<tr>
<td>Utility Contact Person: Darrah Morgan</td>
<td>ED Staff Phone No.: (415) 703-1544</td>
</tr>
<tr>
<td>Utility Phone No.: (626) 302-2086</td>
<td></td>
</tr>
</tbody>
</table>

[X] INITIAL SUSPENSION (up to 120 DAYS from the expiration of the initial review period)

This is to notify that the above-indicated AL is suspended for up to 120 days beginning December 31, 2015 for the following reason(s) below. If the AL requires a Commission resolution and the Commission’s deliberation on the resolution prepared by Energy Division extends beyond the expiration of the initial suspension period, the advice letter will be automatically suspended for up to 180 days beyond the initial suspension period.

[ ] A Commission Resolution is Required to Dispose of the Advice Letter

[ ] Advice Letter Requests a Commission Order

[X] Advice Letter Requires Staff Review

The expected duration of initial suspension period is 120 days

[ ] FURTHER SUSPENSION (up to 180 DAYS beyond initial suspension period)

The AL requires a Commission resolution and the Commission’s deliberation on the resolution prepared by Energy Division has extended beyond the expiration of the initial suspension period. The advice letter is suspended for up to 180 days beyond the initial suspension period.

If you have any questions regarding this matter, please contact You-Young Clover Lee at <YL2@cpuc.ca.gov.>

cc:
EDTariffUnit

* Note: reference – Decision D.02-02-049, dated February 21, 2002, and Rule 7.5 in appendix A of D.O7-01-024
November 30, 2015

ADVICE 3316-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Request to Establish the El Niño Preparedness Memorandum Account

Southern California Edison Company (SCE) hereby submits for approval the following changes to its tariffs. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

This advice letter requests California Public Utilities Commission (Commission) approval of a modification to SCE’s Preliminary Statement, Part N, Memorandum Accounts, to reflect the establishment of the El Niño Preparedness Memorandum Account (ENPMA).

BACKGROUND

The responsible governmental agencies and scientists, including the Climate Prediction Center and the National Weather Service, have predicted an unusually strong El Niño season this winter, which is expected to severely affect electric service for SCE’s customers. The scientific community and government agencies have predicted a severe rainy season, with likely flooding, mud and landslides, exacerbated by climate change and California’s drought. In anticipation of the predicted extreme weather, SCE is actively engaged in preparation activities to enable the company to be in a better position to restore power to affected customers in the event of a storm related outage. These activities will exceed the routine preparation and expense SCE customarily experiences for inclement weather in its service territory. Because there is a need for SCE to act quickly to prepare for these risks, SCE is requesting the establishment of a new memorandum account, the ENPMA, to record any incremental costs associated with these critical El Niño preparation activities. This preparation will allow SCE the opportunity to recover any incremental costs found reasonable by the Commission upon review in a future formal application.
EL NIÑO PREPAREDNESS

In preparing for the El Niño and the prospect of severe weather this winter and spring, SCE has completed a hazard analysis and developed stepped-up mitigation and response strategies. The mitigation strategies include: increased inspections of the highest risk electric system infrastructure; providing refresher training to personnel; restocking and repairing emergency and electrical equipment; implementing an El Niño Communications Plan; and active coordination with County Emergency Management officials. In addition, SCE plans to implement a contingent generator strategy at the system’s most vulnerable locations, whereby SCE will lease and pre-stage mobile generators to serve essential load in the event of transmission or distribution emergency. By pre-staging the generators, SCE expects to incur incremental costs associated with leasing, engineering and site preparation. Below is a table with SCE’s estimate of costs for a generator strategy that would provide approximately 58 MWs of mobile generation in the Goleta, Isla Vista and Gaviota area of SCE’s service territory.

<table>
<thead>
<tr>
<th>El Niño Generators Estimate</th>
<th>($ Millions)</th>
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<tbody>
<tr>
<td>Site Prep</td>
<td>7.3</td>
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<tr>
<td>Rental Standby Chg.</td>
<td>7.9</td>
</tr>
<tr>
<td>Contingency (10%)</td>
<td>1.5</td>
</tr>
<tr>
<td>Relays, Transformer, etc.</td>
<td>1.5</td>
</tr>
<tr>
<td>Total</td>
<td>18.2</td>
</tr>
</tbody>
</table>

In addition to leasing the emergency generators as a short-term solution, SCE has also been working with the California Independent System Operator (CAISO) to have the Ellwood Peaker readied for immediate service. SCE underscores this is only a short-term solution. SCE is also committed to addressing the long-term reliability challenges of the Santa Barbara region through a combination of cost-competitive Preferred Resources and improvements to the existing 66 kV transmission lines from Ventura to Carpinteria.

SCE recognizes that this pre-El Niño generator strategy is temporary and necessary for this predicted event. SCE is working on a longer term solution to meet the needs of the Santa Barbara and surrounding communities, and comports with the state’s Greenhouse Gas policies. The cost of this longer term solution will not be recorded in the ENPMA.
PROPOSED TARIFF CHANGES

SCE proposes a modification to its Preliminary Statement, Part N, Memorandum Accounts, to reflect the establishment of the ENPMA. SCE will use the ENPMA to record any incremental capital-related (i.e., depreciation, property taxes, income taxes, and return on rate base), and O&M-related costs associated with the work described above.

It is appropriate to establish the ENPMA through an advice letter because there is a need for SCE to act quickly to prepare for El Niño. ENPMA is not an authorization of any or all of the funds recorded in the account, and SCE must file a formal application to recover funds. The Commission is fully authorized by General Order 96-B to approve SCE’s request to establish ENPMA under these circumstances.¹ ²

Similar to all Commission-approved memorandum accounts, the ENPMA will protect against retroactive ratemaking concerns, although it will not guarantee recovery in rates of any of the recorded costs prior to Commission review and approval. After the costs have been incurred, SCE will provide the Commission and other parties review of the costs in an annual ERRA Review proceeding. In that application, SCE will request recovery of only those costs associated with the El Niño preparedness work that are in excess of amounts authorized in SCE’s 2015 General Rate Case.

Should this El Niño cause the Governor to declare a state of emergency, any costs associated with restoring power for customers as a result of rain and wind storms will be recorded in a Catastrophic Event Memorandum Account (CEMA). SCE will not record any of those CEMA-related costs, after the CEMA is activated in response to a Governor declaration, in the ENPMA. The ENPMA will be used to record only those incremental costs incurred in preparation for the storms as discussed above.

TIER DESIGNATION

SCE respectfully requests this advice letter be designated as a Tier 2, as SCE is not seeking cost recovery at this time but merely requests the establishment of a

¹ See e.g., D.14-12-028, finding that General Rule 1.3 of GO 96-B permits the CPUC “to authorize an exception to the operation of the General Order where appropriate,” including when there is a need to act quickly.

² Alternatively, the Commission should authorize the use of CEMA for any incremental costs of El Niño risk mitigation measures. In Resolution ESRB-4, issued June 12, 2014, the Commission directed the electric IOUs to take remedial steps to reduce fire-related risks associated with climate change and California’s drought, and authorized the use of CEMA for the incremental costs of such remediation. The Commission found that it “vital to implement mitigation measures against wildfire risk caused by the current drought and climate change.” Similarly, it is vital for SCE to implement mitigation measures against El Niño risks caused by the current drought and climate change.
memorandum account that will allow SCE to record incremental costs associated with preparing for the predicted El Niño.

**EFFECTIVE DATE**

This advice filing will become effective on December 30, 2015, the 30th calendar day after the date filed.

**NOTICE**

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be submitted to:

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, California 94102  
E-mail: EDTariffUnit@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Russell G. Worden  
Managing Director, State Regulatory Operations  
Southern California Edison Company  
8631 Rush Street  
Rosemead, California 91770  
Facsimile: (626) 302-4829  
E-mail: AdviceTariffManager@sce.com

Michael R. Hoover  
Director, State Regulatory Affairs  
c/o Karyn Gansecki  
Southern California Edison Company  
601 Van Ness Avenue, Suite 2030  
San Francisco, California 94102  
Facsimile: (415) 929-5544  
E-mail: Karyn.Gansecki@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and must be received by the deadline shown above.
In accordance with General Rule 4 of GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B service list. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-4039. For changes to all other service lists, please contact the Commission’s Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing at SCE’s corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE’s web site at https://www.sce.com/wps/portal/home/regulatory/advice-letters.

For questions, please contact Douglas Snow at (626) 302-2035 or by electronic mail at Douglas.Snow@sce.com.

Southern California Edison Company

/s/ Russell G. Worden
Russell G. Worden

RGW:ds:jm
Enclosures
Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type:
- ELC
- PLC
- GAS
- HEAT
- WATER

Contact Person: Darrah Morgan
Phone #: (626) 302-2086
E-mail: Darrah.Morgan@sce.com
E-mail Disposition Notice to: AdviceTariffManager@sce.com

**EXPLANATION OF UTILITY TYPE**

<table>
<thead>
<tr>
<th>ELC  = Electric</th>
<th>GAS = Gas</th>
<th>PLC = Pipeline</th>
<th>HEAT = Heat</th>
<th>WATER = Water</th>
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</table>

Advice Letter (AL) #: 3316-E
Tier Designation: 2
Subject of AL: Request to Establish the El Niño Preparedness Memorandum Account
Keywords (choose from CPUC listing): Compliance, Memorandum Account
AL filing type: ☑ One-Time

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? ☑ Yes ☐ No
If yes, specification of confidential information:
Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/access to confidential information:

Resolution Required? ☑ Yes ☐ No
Requested effective date: 12/30/15
No. of tariff sheets: -3-
Estimated system annual revenue effect (%):
Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statement Part N and Table of Contents

Service affected and changes proposed1:

Pending advice letters that revise the same tariff sheets: 3314-E

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1 Discuss in AL if more space is needed.
Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Russell G. Worden
Managing Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Michael R. Hoover
Director, State Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5544
E-mail: Karyn.Gansecki@sce.com
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<tr>
<td>Revised 58057-E</td>
<td>Preliminary Statement Part N</td>
<td>Revised 51211-E</td>
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<td>Revised 58058-E</td>
<td>Preliminary Statement Part N</td>
<td>Revised 57917-E</td>
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<td>Antelope Transmission Projects Memorandum Account</td>
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<td>(35)</td>
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<td>El Niño Preparedness Memorandum Account</td>
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<td>(36)</td>
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<td>Wireless Fidelity Costs Memorandum Account</td>
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<td>Residential Service Disconnection Memorandum Account (RSDMA)</td>
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<td>(38)</td>
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<td>Tax Accounting Memorandum Account (TAMA)</td>
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<td>Renewables Portfolio Standard Costs Memorandum Account</td>
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<td>Mohave SO2 Allowance Revolving Fund Memorandum Account (MSARFMA)</td>
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<td>Energy Division Director's Peer Review Group Memorandum Account (PRGMA)</td>
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<td>SONGS Technical Assistance Memorandum Account (STAMA)</td>
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<td>(53)</td>
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<td>Fire Hazard Prevention Memorandum Account (FHPMA)</td>
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<td>San Onofre Nuclear Generating Station Outage Memorandum Account (SONGSOMA)</td>
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<td>Green Tariff Shared Renewables Administrative Costs Memorandum Account</td>
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<td>Green Tariff Marketing, Education &amp; Outreach Memorandum Account</td>
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<td>(60)</td>
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<td>Enhanced Community Renewables Marketing, Education &amp; Outreach Memorandum Account</td>
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<td>(61)</td>
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<td>Residential Rate Implementation Memorandum Account (RRIMA)</td>
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* Interest shall accrue monthly to interest-bearing Memorandum Accounts by applying the Interest Rate to the average of the beginning and ending balance.
N. MEMORANDUM ACCOUNTS (Continued)

35. El Niño Preparedness Memorandum Account

a. Purpose

The purpose of the El Niño Preparedness Memorandum Account (ENPMA) is to record the incremental Operation and Maintenance (O&M) expenses and capital-related revenue requirement associated with SCE’s preparation for the storms that are predicted for the 2015/2016 winter and spring seasons. SCE will not record any Catastrophic Events Memorandum Account (CEMA) eligible costs in the ENPMA.

b. Operation of the ENPMA

Monthly entries to the ENPMA shall be determined as follows:

(1) Debit entries equal to the recorded incremental capital-related revenue requirement (i.e. depreciation, property taxes, income taxes, and return on rate base).

(2) Debit entries equal to the recorded O&M expenses associated with preparing for EL Niño storms (e.g., leasing of generators, site preparation, relays, and transformers); and

(3) Debit entry to record interest expense by applying the Interest Rate to the average monthly balance in the ENPMA.

c. Review and Disposition

SCE may seek recovery of any incremental costs tracked in the ENPMA in a future annual ERRA Review Proceeding application.
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                                    ............................................................................................................................ 42864-53822-53823- 51235-45920-51236-42870-58058-42872-42873-50421-46539-E
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(Continued)