August 31, 2018

ADVICE 3856-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Notification that Southern California Edison’s Energy Resource Recovery Account Balance Surpassed the Four Percent Trigger Point in May 2018 and Surpassed the AB 57 Five Percent Threshold in July 2018

PURPOSE
Southern California Edison Company’s (SCE) hereby notifies the California Public Utilities Commission (Commission) that its Energy Resource Recovery Account (ERRA) balance has surpassed the four percent Trigger Point as of May 31, 2018. Additionally, SCE has surpassed the Assembly Bill (AB) 57 five percent Threshold as of July 31, 2018. However, as discussed below, SCE is not seeking a change in rates at this time.

BACKGROUND
Decision (D.)02-10-062 established an ERRA trigger mechanism that required SCE to file an expedited application for Commission approval to adjust its rates within 60 days from the filing date whenever the ERRA balance reaches four percent of its prior year’s recorded generation revenues (over or under), excluding revenues collected for the California Department of Water Resources (DWR), and when it is forecast to exceed the five percent AB 57 Threshold. For 2018, the four percent Trigger Point amount is $197.179 million and the five percent AB Threshold amount is $246.473 million.1

The trigger mechanism was modified in D.06-06-051 to allow SCE to notify the Commission through advice letters instead of expedited applications when the ERRA balance exceeds the four percent Trigger Point and SCE does not seek a change in rates if the ERRA balance will self-correct above/below the Trigger Point within 120

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1 As approved in Advice 3751-E, submitted February 23, 2018, by the Commission’s Energy Division with an effective date of March 26, 2018.
days of submitting. Expedited applications shall continue to be used when rate changes are necessary to amortize ERRA balances.

**STATUS OF ERRA BALANCE**

Table 1 below shows the calculation of the trigger each month during 2018 based on recorded ERRA activity through July and forecast ERRA activity from August to December. The Commission issued D.17-12-018 which required SCE to collect the estimated under-collected balance of $393 million ($389 million excluding Franchise Fees and Uncollectibles (FF&U) expense) in the ERRA balancing account as of December 31, 2017. Since the Commission has already determined the disposition of this under-collection, SCE has excluded it from the 2018 trigger calculation.

As of May 31, 2018, SCE’s ERRA recorded balance was an under-collection of $489 million resulting in a recorded trigger of a positive 4.7 percent. As of June 30, 2018, SCE’s ERRA recorded balance was reduced to an under-collection of $452 million resulting in a recorded trigger of positive 4.4 percent. As of July 31, 2018, SCE’s ERRA recorded balance was an under-collection of $560 million resulting in a recorded trigger of positive 7.4 percent. At this time, SCE does not forecast that the ERRA balance will self-correct below the AB 57 Threshold by year-end.

Table 1

**Southern California Edison Company**

**2018 Recorded/Estimated ERRA Balancing Account Balance and Trigger Calculation ($millions)**

<table>
<thead>
<tr>
<th>2018 Trigger Calculation</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg Year Balance-amortized in rates effective 1/1/18 less FF&amp;U (Prior Period Adjustment)</td>
<td>$388,520</td>
<td>$356,143</td>
<td>$323,767</td>
<td>$291,390</td>
<td>$259,013</td>
<td>$226,637</td>
<td>$194,260</td>
<td>$161,883</td>
<td>$129,507</td>
<td>$97,130</td>
<td>$64,753</td>
<td>$32,377</td>
</tr>
<tr>
<td>Trigger Balance (Line 1 - Line 2)</td>
<td>$25,091</td>
<td>$93,263</td>
<td>$178,244</td>
<td>$215,381</td>
<td>$229,584</td>
<td>$225,227</td>
<td>$365,870</td>
<td>$514,498</td>
<td>$518,370</td>
<td>$570,072</td>
<td>$608,641</td>
<td>$670,062</td>
</tr>
<tr>
<td>Trigger - % of Generation Revenues</td>
<td>0.51%</td>
<td>1.89%</td>
<td>3.62%</td>
<td>3.35%</td>
<td>4.66%</td>
<td>4.47%</td>
<td>7.83%</td>
<td>10.44%</td>
<td>10.52%</td>
<td>11.53%</td>
<td>12.31%</td>
<td>13.61%</td>
</tr>
</tbody>
</table>

2 D.06-06-051, Ordering Paragraph (OP) 10.
3 Although the ERRA balancing account triggered in May 2018, SCE waited on submitting this advice letter because it anticipated that the balance would self-correct in the following months.
4 The primary driver behind the triggering of the ERRA Balancing Account (ERRA BA) in May and June 2018 is the difference between actual recorded December 2017 ERRA BA activity versus estimated December 2017 ERRA BA activity that was used to set January 1, 2018 generation rate levels.
5 The primary driver behind the triggering of the ERRA BA in July 2018, with no self-correction expected by year-end, is the dramatic increase in gas and electric wholesale market prices that were experienced in late July 2018 and early August 2018.
NO TRIGGER RATE CHANGE AT THIS TIME

Although SCE’s ERRA balance has exceeded the Trigger Point amount in June 2018 and the AB 57 Threshold amount in July 2018, SCE is not requesting to amortize this under-collection in rates at this time. On May 1, 2018, SCE filed its 2019 ERRA Forecast of Operations Application (A.18-05-003). In this application, SCE proposes to collect the under-collected balance in the ERRA as of December 31, 2018 in its January 1, 2019 rates. Consistent with SCE’s Preliminary Statement, Part ZZ, ERRA, SCE consolidates the year-end balance recorded in the ERRA in rates on an annual basis. As such, SCE will include in its 2019 ERRA proceeding revenue requirement the December 31, 2018 under-collected balance in the ERRA to be collected in generation rates upon a final Commission decision in A.18-05-003. It is important to note that while the “trigger” mechanism only applies to the balance in the ERRA balancing account, costs recorded in other balancing accounts (e.g., the New System Generation Balancing Account for CAM resources) also will lead to rate changes on January 1, 2019.

The 2018 ERRA under-collection was incurred to serve all of SCE’s 2018 bundled service customer load. In 2019, approximately 10% of that load is expected to depart SCE’s bundled procurement service in order to take retail service from Community Choice Aggregators (CCAs). Sections 366.2 (AB 117) and 366.3 (SB 350) of the Public Utilities Code prohibit cost shifts resulting from the formation of CCAs. Accordingly, in order to uphold the statutory indifference requirement, and pursuant to Section 366.2(f)(1), SCE intends to include the 2018 year-end final ERRA under-collection in the portfolio costs for the 2019 vintage used to calculate the Power Charge Indifference Adjustment (PCIA). Doing so will ensure that all of SCE’s 2018 bundled service customers will pay a pro-rata share of the 2018 ERRA under-collection. SCE’s November Update testimony in A.18-05-003 will discuss this in further detail.

As described above, SCE is not requesting any Commission rate action in this advice letter. This advice letter will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

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6 SCE’s forecast was subsequently updated on June 1, 2018 to account for updated CCA load.
7 See A.18-05-003, Exhibit SCE-3 at pp. 8-9 and 16-18.
**TIER DESIGNATION**

Pursuant to General Order (GO) 96-B, Energy Industry Rule 5.2, this advice letter is submitted with a Tier 2 designation.

**EFFECTIVE DATE**

This advice letter will become effective on September 30, 2018, the 30th calendar day after the date submitted.

**NOTICE**

Anyone wishing to protest this advice letter 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 letter. 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:

- Gary A. Stern, Ph.D.
- Managing Director, State Regulatory Operations
- Southern California Edison Company
- 8631 Rush Street
- Rosemead, California 91770
- Telephone (626) 302-9645
- Facsimile: (626) 302-6396
- E-mail: AdviceTariffManager@sce.com
Laura Genao  
Managing 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 submit 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 letter to the interested parties shown on the attached GO 96-B, A.17-05-006, and A.18-05-003 service lists. 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 submitting and keeping the advice letter at SCE’s corporate headquarters. To view other SCE advice letters submitted 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 John Montanye at (626) 302-2308 or by electronic mail at John.Montanye@sce.com.

Southern California Edison Company

/s/ Gary A. Stern, Ph.D.  
Gary A. Stern, Ph.D.

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

Utility type:  
- ☑ ELC  
- □ GAS  
- □ PLC  
- □ 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>
</tr>
</thead>
</table>

Advice Letter (AL) #: 3856-E  
Tier Designation: 2

Subject of AL: Notification that Southern California Edison’s Energy Resource Recovery Account Balance Surpassed the Four Percent Trigger Point in May 2018, June 2018, and Surpassed the AB 57 Five Percent Threshold in July 2018

Keywords (choose from CPUC listing): Compliance

AL type:  
- □ Monthly  
- □ Quarterly  
- □ Annual  
- ☑ One-Time  
- □ Other

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

- Decisions 02-10-062 and 06-06-051

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: 9/30/18  
No. of tariff sheets: -0-

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: None

Service affected and changes proposed1:  

Pending advice letters that revise the same tariff sheets: None

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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 submittal, 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

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