GENERAL RATE CASE CYCLE WORKSHOP
January 10, 2017

SCE RESPONSES AND COMMENTS

• Challenges to the Timely Processing of GRCs within the current RCP

1. Does the current Rate Case Plan schedule allow sufficient time for the utilities, all intervening parties, and Commission staff to process GRC proceedings in a timely manner? If not, why not?
   - Meeting the deadlines has not been an issue for utilities, but it does take a lot of resources.
   - Elimination of the NOI was helpful.
   - The impact of RAMP is not completely understood.
   - The past few GRC decisions have not been issued by 1/1 of Test Year even if the rest of the dates were adhered to by all parties. Decisions delayed despite a more narrow scope than most states - cost of capital, rate design, etc. excluded from California GRCs.
   - The challenge with a lengthy delay in a GRC decision towards the end of the Test Year means Test Year budget or spending cannot be based on authorized amounts. The Test Year for one GRC is also the base year for the next GRC, and is often the basis for much of the forecast in the following Test Year. It is often hard to base Test Year forecasts on Base year recorded levels because the Base Year budgets are not set using authorized amounts, but represents the utility's estimate of what may be authorized or constrained as the company awaits a decision.
   - Since the Energy Crisis GRCs have become increasingly litigious as evidenced by the exponential growth in data requests, year over year. For SCE, the volume of data requests has grown by nearly 50% from Test Year 2009 to Test Year 2015 GRC Applications. Perhaps establishing beginning and ending dates for discovery might stem the growth.
   - Moreover, as we move to accountability reports and more reporting of authorized versus recorded amounts, incurring recorded amounts largely spent before authorized levels are known, impedes meaningful comparisons.

2. Are there ways to reduce the complexity of GRC proceedings and streamline GRC filings? What are they?
   - Instead of litigating every single activity, some could be stipulated to. For example, storm expenses and capital expenditures are forecast by the utility using historical 5-year averages, and has been adopted by the Commission repeatedly given the nature of the drivers of storm expenditures. Yet, at least one party issues several data requests and litigates this activity in every GRC. There are many such "base operations" activities that are based upon transparent forecasts of multi-year averages and can be set aside as long as the forecast methodology is the same as what was adopted in previous GRCs, and there are no significant issues that arose since the last GRC. In this way, all parties and Commission personnel can focus on the new, changing or large activities.

   - Secondly, different branches of the CPUC could potentially coordinate discovery in some areas of common interest such as safety-related spending. This could be part of the Master Data Request or the utility can host a meeting prior to filing to gather and synthesize similar questions from various parties and provide a comprehensive response at one time.

   - The Master Data Request questions need to be rationalized. It takes a lot of time to compile responses which are often not used by most parties.

   - SCE found hosting the workshops useful as it provided a neutral setting to discuss substantive issues of the case.

   - Some parties have a narrow set of issues, but take up disproportionate resources of the utility and the Commission. Their issues are important, and perhaps we can explore a different way to address issues raised by parties representing one or a very small group of customers.

3. What are other areas needing improvement within the current Rate Case Plan?

Currently there is no clear mechanism to bring forward emergent issues that may have a substantial impact on revenue requirement. The GRC requests are a snapshot in time prepared nearly two years prior to the Test Year. Almost every forecast will be influenced by emergent needs which are different than the authorized levels in the Test Year. But in some cases there are large shifts due to unanticipated factors. The update phase only permits narrow changes in law or such specified adjustments as postage rate changes. Moreover, trying to incorporate emergent issues can further delay GRCs because of the need to establish an evidentiary record. Maybe there is a different mechanism to deal with emergent issues that meet a certain threshold on a separate track.

4. Are there things the utilities or parties can do to assist the Commission to review GRC filings more efficiently? If so, what are they?
    - The RO Model, Taxes, Depreciation, etc. are complex technical issues. The utilities can have sessions with Commission analysts to establish a common understanding of the issues, models, calculations, etc.
    - The Joint Comparison Exhibit can be standardized with every party responsible for providing input for their position to be reviewed by other parties.

- **Exploring the pros and cons of a 3-year vs 4-year GRC cycle**

1. Does a 4-year GRC cycle relieve constrained resources issues (Commission staff – ALJ, ED, SED, ORA, parties)? What resources would be freed up with the 4-year cycle that are currently constrained by the 3-year GRC cycle?

If we adhere to the current rate case plan, it frees up one year in between, but does not really free up resources during a particular utility's GRC, or time between GRCs for different utilities. So, for example, the table below shows that moving to a 4 year cycle will free up Commission time somewhat in 2019 (only the PG&E GRC instead of PG&E GRC and SCE RAMP) and similarly in 2023. The workload would be the same in the years in between.

PROCEEDING	DATES WITH # YEAR CYCLE	DATES WITH 4 YEAR CYCLE
SCE GRC	Sep, 2016 to Dec, 2017	Sep, 2016 to Dec, 2017
Sempra RAMP	Nov, 2016 to mid-2017	Nov, 2016 to mid-2017
Sempra GRC	Sep, 2017 to Dec, 2018	Sep, 2017 to Dec, 2018
PG&E RAMP	Nov, 2017 to mid-2018	Nov, 2017 to mid-2018
PG&E GRC	Sep, 2018 to Dec, 2019	Sep, 2018 to Dec, 2019
SCE RAMP	Nov, 2018 to mid-2019	Nov, 2019 to mid-2020
SCE GRC	Sep, 2019 to Dec, 2020	Sep, 2020 to Dec, 2021
Sempra RAMP	Nov, 2019 to mid-2020	Nov, 2020 to mid-2021
Sempra GRC	Sep, 2020 to Dec, 2021	Sep, 2021 to Dec, 2022
PG&E RAMP	Nov, 2020 to mid-2021	Nov, 2021 to mid-2022
PG&E GRC	Sep, 2021 to Dec, 2022	Sep, 2022 to Dec, 2023
SCE RAMP	Nov, 2021 to mid-2022	Nov, 2023 to mid-2024
SCE GRC	Sep, 2022 to Dec, 2023	Sep, 2024 to Dec, 2025

2. What processes and/or procedures are improved with a 4-year GRC cycle?

There is a higher probability of having authorized amounts prior to Test Year spending which is a benefit for utilities and for the Commission to evaluate the utility decisions compared to authorized amounts.

3. What other benefits does a 4-year GRC cycle bring?

N/A

4. **What issues does a 4-year cycle create that would not occur in a 3-year cycle?**

Currently forecasts have to be developed 2-5 years ahead (taking into account the Attrition years). Moving to a 4-year cycle would require forecasting 2-6 years ahead, with an additional Attrition year. Since the utility industry is going through significant change and there are many emergent issues, forecast error will be magnified and managing the 4th year with authorized revenue requirement may prove challenging. It will require exploring more effective post-test year or Attrition mechanisms. Decisions might have to be either deferred for an additional year before it can be brought in front of the Commission or separate filings have to be initiated to address emergent issues.

5. **Why should the Commission pursue or not pursue a 4-year GRC cycle? What assurances are there that a 4-year cycle wouldn't suffer the same delays as the 3-year cycle currently experience?**

While, clearly extending the GRC cycle by an additional year would result in saving resources, especially those at the Commission, it would assign to the Commission a greater tolerance for forecast error and acceptance of recorded expenses and capex that departed more markedly from authorized levels. Further, the Commission would have to address the utilities' burden of proof for capital expenditures incurred in the three Attrition years and added to authorized rate base in the next test year. For example, if SCE's currently-pending 2018 GRC had three Attrition years, then the testimony submitted as part of the 2022 GRC would have to include testimony demonstrating the reasonableness of cap ex incurred in 2019 – 2021, when seeking to adjust the test year 2022 rate base. This could have the unintended consequence of making GRC's even more burdensome on all parties as the volume of testimony would necessarily increase.