Investigation No.:	12-10-013
Exhibit No.:	Joint Settling Parties-001
Witnesses:	SCE - Ron Litzinger SDG&E - Robert M. Schlax, Cynthia Fang ORA - Robert M. Pocta TURN - William Marcus

JOINT TESTIMONY PROVIDING INFORMATION FOR QUESTION NOS. 5, 8-11, 13, AND 15-18 AS DIRECTED IN ADMINISTRATIVE LAW JUDGES' RULING DATED APRIL 24, 2014

Before the

Public Utilities Commission of the State of California

Rosemead, California
May 1, 2014

1 * R. Litzinger, R. Schlax, R. Pocta, W. Marcus

2 ** R. Litzinger, C. Fang, R. Pocta, W. Marcus

3 *** R. Litzinger, R. Schlax, R. Pocta, W. Marcus

4 **** R. Litzinger, C. Fang, R. Pocta, W. Marcus

Question 05:

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.

Response to Question 05:

The components of the Capital-Related Revenue Requirement for Base Plant prior to February 1, 2012 are the same as the components of the amounts allowed to be authorized for Base Plant after February 1, 2012 pursuant to section 4.3, i.e., depreciation, return on the unamortized regulatory asset adjusted for deferred taxes, income taxes, property taxes. However, the amounts to be recovered annually for each of these elements under the settlement agreement would be different from the Capital-Related Revenue Requirement for Base Plant prior to February 1, 2012.

Question 08:

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.

Response to Question 08:

The amortization period for the regulatory asset described in § 4.5(a)—i.e., the M&S Investment—shall begin on February 1, 2012, and shall end on February 1, 2022. Although the Agreement provides that the M&S Investment is to be calculated *as of* the last day of the month of the Effective Date, the Agreement does not state that the amortization period for the M&S Investment shall begin on the Effective Date. Rather, the Agreement states that the M&S Investment shall be amortized "over the amortization period set forth for Base Plant set forth in § 4.3(b)(i) of this Agreement," i.e., February 1, 2012-February 1, 2022.

The Agreement defines "M&S Investment" as the "total Original Cost of materials and supplies investments associated with SONGS." § 2.21. Accordingly, all M&S investments made through the last day of the month of the Effective Date would be recovered, either through the amortization of the M&S Investment described in Section 4.5(a) or through the Nuclear Decommissioning Trusts as described in Section 4.5(d). In addition, Section 4.5(b) provides that, to the extent that the Utilities are able to sell assets associated with the M&S Investment, 95% of the M&S Net Proceeds will be credited to SCE's BRRBA and SDG&E's NGBA; such amounts would not change the amortization of the M&S Investment. This incentive mechanism would apply to all sales of M&S, including those occurring prior to the Effective Date.

Question 09:

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.)?

Response to Question 09:

Yes. During the amortization period for Completed CWIP (February 1, 2012 – February 1, 2022), Completed CWIP shall earn a reduced rate of return identical to the rate applied to Base Plant during this time period.

Question 10:

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.

Response to Question 10:

There is no conflict between the Motion and the Agreement with respect to the rate of return on CWIP. The reduced rate of return does not stand as a "proxy" for AFUDC with respect to Completed CWIP.

According to § 4.8(a)(i)(A)-(B), the Cancelled CWIP balance to be amortized as a regulatory asset will *include* AFUDC that accumulated prior to February 1, 2012. This AFUDC amount will be capitalized and added to the regulatory asset. The Cancelled CWIP balance will *exclude* AFUDC that accumulated after February 1, 2012.

For both Completed CWIP and Cancelled CWIP, the balance to be amortized shall be the balance as of the last day of the month of the Effective Date (plus the relevant AFUDC amount). However, the amortization period for Completed CWIP is different from the amortization period for Cancelled CWIP. Cancelled CWIP shall be amortized over the period from February 1, 2012 – February 1, 2022. Completed CWIP, on the other hand, shall be amortized over a time period beginning on the last day of the month of the Effective Date or the date the associated asset entered service, whichever is earlier, and ending on February 1, 2022.

The Completed CWIP balance to be amortized will include a capitalized amount representing AFUDC that accumulated between February 1, 2012, and the last day of the month of the Effective Date. In contrast, the Cancelled CWIP balance to be amortized shall not include any capitalized amount representing AFUDC that accumulated after February 1, 2012.

Question 11:

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.

Response to Question 11:

The amortization periods for Completed CWIP and Nuclear Fuel Investment shall both run through February 1, 2022.

The amortization period for the regulatory asset described in § 4.8(a)(ii)(C)—i.e., Completed CWIP—shall begin on the last day of the month of the Effective Date or the date the associated asset entered service, whichever is earlier, and shall end on February 1, 2022.

The amortization period for the regulatory asset described in § 4.6(a)—i.e., the Nuclear Fuel Investment—shall begin on February 1, 2012, and shall end on February 1, 2022. Although the Agreement provides that the Nuclear Fuel Investment is to be calculated *as of* the last day of the month of the Effective Date, the Agreement does not state that the amortization period for the Nuclear Fuel Investment shall begin on the Effective Date. Rather, the Agreement states that the Nuclear Fuel Investment "shall be amortized as a regulatory asset ratably over the same amortization period set forth for Base Plant in § 4.3(b)(i) of this Agreement," i.e., February 1, 2012-February 1, 2022. § 4.6(a).

The Agreement defines "Nuclear Fuel Investment" as the "Net Book Value of all nuclear fuel … plus all Fuel Cancellation Costs." § 2.30. Accordingly, all Nuclear Fuel Investments made through the last day of the month of the Effective Date, plus all Fuel Cancellation Costs incurred thereafter (§ 4.6(c)) would be recovered, either through the amortization of the Nuclear Fuel Investment as described in § 4.6(a) or through sales. With respect to sales, Sections 4.7(a) and 4.7(b) provide that 95% of Fuel Net Proceeds will be applied to reduce the amount of Nuclear Fuel Investment to be amortized pursuant to § 4.6(a). This incentive mechanism would apply to all sales of nuclear fuel, including any sales that may occur prior to the Effective Date.

Question 13:

13. The Motion states that CWIP excludes SGRP-related projects. The amount of SGRP-related CWIP as of February 2012 is not separately stated in the Motion or in the Agreement. 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.

Response to Question 13:

Section 3.36 of the Agreement provides that SCE's and SDG&E's share of the Net Book Value of the SGRP includes CWIP. Section 4.2(d) of the Agreement provides that SCE and SDG&E shall not be entitled to recover the Net Book Value of the SGRP as of February 1, 2012. Taken together, these provisions effectuate the parties' mutual intent to exclude rate recovery of SCE's and SDG&E's SGRP-related CWIP.

Southern California Edison
SONGS OII I.12-10-013

DATA REQUEST SET CPUC-ALJ-SCE-001-Attachment-A

To: CPUC
Prepared by: Russell Worden
Title: Director
Dated: 04/17/2014

Question 15:

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

Response to Question 15:

The authorized O&M expense used to quantify any difference compared to recorded 2013 expenses would include authorized escalation to 2013, so the comparison would measure revenue requirement expressed in the same calendar year values as the recorded costs (i.e. 2013 authorized O&M vs. 2013 recorded O&M). If any of the expenses are recovered from the decommissioning trusts, the reimbursement would be funded in an amount equal to the recorded expense in the same year the expense was incurred.

Southern California Edison
SONGS OII I.12-10-013

DATA REQUEST SET CPUC-ALJ-SCE-001-Attachment-A

To: CPUC
Prepared by: Doug Snow
Title: Director
Dated: 04/17/2014

Question 16:

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 ERRA 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 ERRA proceedings are the appropriate proceedings for review of recovery of under-collected non-SONGS-related power purchases.

Response to Question 16:

The recovered costs are to be based on their original cost, as adjusted by the Commission-approved interest rate applicable to all ERRA under- or over-collections. The appropriate proceeding(s) for the review of recovery of under-collected non-SONGS-related power purchase costs is SCE's and SDG&E's ERRA review proceedings. The non-SONGS-related ERRA undercollection balance will be incorporated into rates through each utility's appropriate ERRA proceeding. For SCE this is the 2015 ERRA forecast proceeding (filed in May 2014). For SDG&E, it would be through its ERRA Trigger or year-end balance mechanism. The Commission will review those costs in each utility's 2014 ERRA review proceeding (filed in April/June 2015 for the 2014 Record Year).

Question 17:

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.

- 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?

Response to Question 17:

Section 4.11(a) of the Settlement Agreement provides that SONGS Litigation Costs will be recorded in the memorandum accounts specified in sections 4.11(a)(i) and 4.11(a)(ii). Section 4.11(b) provides that negative balances in such memorandum accounts as of December 31, 2014 and subsequent years shall be distributed in accordance with the formulas set forth in section 4.11(c) and pursuant to the distribution method described in 4.11(d). Each Utility will implement these provisions by proposing a distribution through an advice letter filed pursuant to section 6.2. In reviewing such advice letters, the Commission can verify that the amounts reported as SONGS Litigation Costs were actually incurred. The Settlement Agreement, however, does not provide for Commission review of reasonableness of SONGS Litigation Costs. Such review is unnecessary because the sharing formula set forth in section 4.11(c) aligns ratepayer and shareholder interests in minimizing SONGS Litigation Costs.

Question 18:

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 ERRA 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 ERRA 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 ERRA 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).

Response to Question 18:

As stated in response to question 17, the sharing of the SONGS Litigation Balance shall be implemented through advice letters submitted pursuant to section 6.2. The Commission can confirm the actual amount of SONGS Litigation Recoveries (and SONGS Litigation Costs) through its review of those advice letters. No separate review in ERRA would occur.

Section 4.12 provides that amounts the Utilities may be required to refund pursuant to specifically enumerated sections of the Agreement (sections 4.2(b), 4.3(b)(ii), 4.9(b), 4.9(f), 4.9(g), 4.9(j)(i), and 4.9(j)(iv)) shall be refunded via a reduction to each Utility's respective under-collected ERRA balance as of the last day of the month of the Effective Date. The

litigation sharing provisions in section 4.11 are not included in this list. Section 4.11(d) provides that the ratepayer share of the SONGS Litigation Balance recovered from NEIL will be credited to ERRA, and that recoveries from Mitsubishi will be distributed to BRRBA (for SCE), NGBA (for SDG&E), or specified regulatory assets, depending on the amounts recovered. To the extent that any credit to ERRA exceeds the ERRA balance at the end of the year such credit is recorded, the negative balance will remain in ERRA and be provided as a benefit to ratepayers (via a rate reduction or offset to otherwise-applicable rate increase) through the normal operation of ERRA.

SOUTHERN CALIFORNIA EDISON COMPANY

QUALIFICATIONS AND PREPARED TESTIMONY

OF RONALD L. LITZINGER

Q. Please state your name and business address for the record.

A. My name is Ronald L. Litzinger, and my business address is 8631 Rush Street, Rosemead, California 91770.

Q. Briefly describe your present responsibilities at the Southern California Edison Company.

A. I am President of Southern California Edison Company (SCE).

Q. Briefly describe your educational and professional background.

A. I hold a Bachelor of Science degree in Chemical Engineering from the University of Washington and a Master of Arts degree in Management from the University of Redlands. I joined Southern California Edison in 1986 and held a variety of plant maintenance and engineering positions before transferring to Edison Mission Energy (EME) in 1995. I was elected Vice President of EME in 1998, Senior Vice President of EME's Worldwide Operations in 1999, and Senior Vice President and Chief Technical Officer in 2002. In 2004, I was elected Vice President of Strategic Planning for SCE's parent company, Edison International. In 2005, I was elected Senior Vice President of SCE's Transmission and Distribution Business Unit. In 2008, I was elected Chairman, Chief Executive Officer, and President of Edison Mission Group. I assumed my current position as President of SCE in 2011.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony in this proceeding is to sponsor portions of Joint Exhibit, as identified in the Table of Contents of that exhibit.

Q. Was this material prepared by you or under your supervision?

A. Yes.

Q. Insofar as this material is factual in nature, do you believe it to be correct?

A. Yes, I do.

Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

A. Yes, it does.

Q. Does this conclude your qualifications and prepared testimony?

A. Yes, it does.

Qualifications of William B. Marcus

William B. Marcus has 35 years of experience in analyzing electric and gas utilities.

Mr. Marcus graduated from Harvard College with an A.B. magna cum laude in economics in 1974 and was elected to Phi Beta Kappa. In 1975, he received an M.A. in economics from the University of Toronto.

In July, 1984, Mr. Marcus became Principal Economist for JBS Energy, Inc. In this position, he is the company's lead economist for utility issues.

Mr. Marcus is the co-author of a book on electric restructuring prepared for the National Association of Regulatory Utility Commissioners. He wrote a major report on Performance Based Ratemaking for the Energy Foundation.

Mr. Marcus has prepared testimony and formal comments submitted to the Federal Energy Regulatory Commission, the National Energy Board of Canada, the Bonneville Power Administration, the U.S. Bureau of Indian Affairs, U.S. District Court in San Diego, Nevada County Municipal Court; committees of the Nevada, Ontario and California legislatures and the Los Angeles City Council; the California Energy Commission (CEC), the Sacramento Municipal Utility District (SMUD), the Transmission Agency of Northern California, the State of Nevada's Colorado River Commission, a hearing panel of the Alberta Beverage Container Management Board; two arbitration cases, environmental boards in Ontario, Manitoba, and Nova Scotia; and regulatory commissions in Alberta, Arizona, Arkansas, British Columbia, California, Colorado, Connecticut, District of Columbia, Hawaii, Iowa, Manitoba, Maryland, Massachusetts, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, Northwest Territories, Nova Scotia, Ohio, Oklahoma, Ontario, Oregon, South Carolina, Texas, Utah, Vermont, Virginia, Washington, Wisconsin, and Yukon. He testified on issues including utility restructuring, stranded costs, Performance-Based Ratemaking, resource planning, load forecasts, need for powerplants and transmission lines, environmental effects of electricity production, evaluation of conservation potential and programs, utility affiliate transactions, mergers, utility revenue requirements, avoided cost, and electric and gas cost of service and rate design.

From September, 1974 through June, 1978, Mr. Marcus was a research analyst at the Kennedy School of Government, Harvard University. He wrote case studies for the graduate public policy program on issues related to environmental, energy, and urban policy.

From July, 1978 through April, 1982, Mr. Marcus was an economist at the CEC, first in the energy development division and later as a senior economist in the CEC's Executive Office. He prepared testimony on purchased power pricing and economic studies of transmission projects, renewable resources, and conservation programs, and managed interventions in utility rate cases.

From April, 1982, through June, 1984, he was principal economist at California Hydro Systems, Inc., an alternative energy consulting and development company. He prepared financial analyses of projects, negotiated utility contracts, and provided consulting services on utility economics.