

Docket	:	<u>A.10-11-015</u>
Exhibit Number	:	<u>DRA-2</u>
Commissioner	:	<u>Simon</u>
ALJ	:	<u>Darling</u>
Witness	:	<u>Jarjoura</u>



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Southern California Edison Company
General Rate Case
Test Year 2012**

Summary of Earnings and Jurisdictional Allocation

San Francisco, California
May 11, 2011

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- 1 • Table 2-5 shows SCE's requested revenue requirements at
2 proposed rates detailing revenues for total company and the
3 allocation between the CPUC and ISO/FERC jurisdictions.
- 4 • Table 2-6 compares DRA's revenue requirements between two
5 Four Corners scenarios; the first is continuous operation and the
6 second is removing all costs associated with Four Corners. The
7 difference is SCE's estimated share of operating the plant for 2012.

8 DRA also recommends that the Commission adopt the jurisdictional allocation
9 factors used by Edison and DRA to allocate cost and revenue requirement between
10 the two jurisdictions.

11 **III. DISCUSSION/ANALYSIS OF THE SUMMARY OF EARNINGS**

12 SCE added minor modifications to the RO model SCE used in the 2009
13 General Rate Case (GRC). DRA performed limited testing of the RO model filed
14 with SCE's application on November 19, 2010, and found it to reflect the appropriate
15 method of determining the Summary of Earnings. On April 20, 2011, SCE updated
16 its RO model to account for the Bonus Depreciation resulting from the tax legislation
17 enacted on December 17, 2010. DRA did not have the time to test this updated
18 version and may do so at a later date.

19 DRA used this updated version to calculate the results of operation contained
20 in its showing. The various DRA witnesses provided the input data for the RO
21 model. Discussions and analyses of the input data are contained in various DRA
22 exhibits. DRA made some minor modifications to the RO model to accommodate
23 some witnesses' requests so that the model can properly reflect their
24 recommendations.

25 The values shown in the following tables were extracted from two versions of
26 the RO model. Values shown in the SCE columns were extracted from the RO
27 version 3.0 that was filed with SCE's application in November 2010. Numbers
28 displayed in the DRA columns were extracted from a DRA scenario adapted from
29 the RO version that was updated by SCE for Bonus Depreciation and was provided
30 to DRA on April 20, 2011.

TABLE 2-1					
SCE GRC Test Year 2012					
DRA Summary of Earnings At Present And Proposed Rates					
CPUC Jurisdiction					
Thousands of Nominal Dollars					
line No	Description	DRA Revenues at Present Rates	DRA Revenues at Proposed Rates	DRA'S Proposed Increase (\$)	DRA'S Proposed Increase(%)
1	OPERATING REVENUES:				
2	Base Rate Revenue	\$5,347,537	\$5,439,152	\$91,615	1.71%
3	OPERATING EXPENSES:				
4	Production				
5	Steam*	\$7,165	\$7,165	\$0	0.00%
6	Nuclear*	\$376,439	\$376,439	\$0	0.00%
7	Hydro*	\$48,238	\$48,238	\$0	0.00%
8	Other*	\$119,801	\$119,801	\$0	0.00%
9	Subtotal - Production*	\$551,643	\$551,643	\$0	0.00%
10	Amortization of Legacy Meters	\$52,041	\$52,041	\$0	0.00%
11	Four Corners/Oct 1, 2012 sale	\$67,253	\$67,253	\$0	0.00%
12	Transmission*	\$75,538	\$75,538	\$0	0.00%
13	Distribution*	\$385,073	\$385,073	\$0	0.00%
14	Customer Accounts*	\$188,276	\$188,276	\$0	0.00%
15	Uncollectibles	\$12,246	\$12,182	-\$63	-0.52%
16	Customer Service & Information*	\$42,974	\$42,974	\$0	0.00%
17	Administrative & General*	\$699,082	\$699,082	\$0	0.00%
18	Franchise Requirements	\$48,459	\$48,209	-\$251	-0.52%
19	Revenue Credits	-\$161,296	-\$161,296	\$0	0.00%
20	Subtotal	\$1,841,995	\$1,841,681	-\$314	-0.02%
21	Escalation	\$134,121	\$134,121	\$0	0.00%
22	Depreciation	\$1,309,327	\$1,309,327	\$0	0.00%
23	Taxes - Other	\$239,414	\$239,414	\$0	0.00%
24	Taxes - Income	\$507,461	\$490,122	-\$17,340	-3.42%
25	Subtotal - Taxes	\$746,875	\$729,535	-\$17,340	-2.32%
26	TOTAL OPERATING EXPENSE	\$4,032,318	\$4,014,664	-\$17,654	-0.44%
27	NET REVENUE	\$1,315,218	\$1,305,193	-\$10,025	-0.76%
28	RATE BASE	\$14,916,495	\$14,916,495	\$0	0.00%
29	RATE OF RETURN	8.82%	8.75%	-0.07%	-0.76%
	* Expenses are in constant 2009 dollars				

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TABLE 2-2					
SCE GRC Test Year 2012					
Comparison of Summary of Earnings At Present Rates					
CPUC Jurisdiction					
Thousands of Nominal Dollars					
line No	Description	SCE Revenues at Present	DRA Revenues at Present	SCE Exceeds DRA (\$)	SCE Exceeds DRA (%)
1	OPERATING REVENUES:				
2	Base Rate Revenue	\$5,347,537	\$5,347,537	\$0	0.00%
3	OPERATING EXPENSES:				
4	Production				
5	Steam*	\$63,329	\$7,165	\$56,164	783.84%
6	Nuclear*	\$405,852	\$376,439	\$29,413	7.81%
7	Hydro*	\$57,610	\$48,238	\$9,372	19.43%
8	Other*	\$143,089	\$119,801	\$23,288	19.44%
9	Subtotal - Production*	\$669,880	\$551,643	\$118,237	21.43%
10	Amortization of Legacy Meters	\$0	\$52,041	-\$52,041	-100.00%
11	Four Corners/Oct 1, 2012 sale	\$0	\$67,253	-\$67,253	-100.00%
12	Transmission*	\$94,149	\$75,538	\$18,611	24.64%
13	Distribution*	\$504,777	\$385,073	\$119,704	31.09%
14	Customer Accounts*	\$213,822	\$188,276	\$25,546	13.57%
15	Uncollectibles	\$12,246	\$12,246	\$0	0.00%
16	Customer Service & Information*	\$50,069	\$42,974	\$7,095	16.51%
17	Administrative & General*	\$978,526	\$699,082	\$279,444	39.97%
18	Franchise Requirements	\$48,459	\$48,459	\$0	0.00%
19	Revenue Credits	-\$153,242	-\$161,296	\$8,054	-4.99%
20	Subtotal	\$2,418,687	\$1,841,995	\$576,691	31.31%
21	Escalation	\$177,474	\$134,121	\$43,353	32.32%
22	Depreciation	\$1,433,893	\$1,309,327	\$124,566	9.51%
23	Taxes - Other	\$264,031	\$239,414	\$24,617	10.28%
24	Taxes - Income	\$167,086	\$507,461	-\$340,375	-67.07%
25	Subtotal - Taxes	\$431,117	\$746,875	-\$315,758	-42.28%
26	TOTAL OPERATING EXPENSE	\$4,461,171	\$4,032,318	\$428,852	10.64%
27	NET REVENUE	\$886,366	\$1,315,218	-\$428,852	-32.61%
28	RATE BASE	\$16,501,716	\$14,916,495	\$1,585,221	10.63%
29	RATE OF RETURN	5.37%	8.82%	-3.45%	-39.08%
	* Expenses are in constant 2009 dollars				

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TABLE 2-3					
SCE GRC Test Year 2012					
Comparison of Summary of Earnings At Proposed Rates					
CPUC Jurisdiction					
Thousands of Nominal Dollars					
line No.	Description	SCE Revenues at Proposed Rates	DRA Revenues at Proposed Rates	SCE exceeds DRA (\$)	SCE exceeds DRA (%)
1	OPERATING REVENUES:				
2	Base Rate Revenue	\$6,285,299	\$5,439,152	\$846,147	15.56%
3	OPERATING EXPENSES:				
4	Production				
5	Steam*	\$63,329	\$7,165	\$56,164	783.84%
6	Nuclear*	\$405,852	\$376,439	\$29,413	7.81%
7	Hydro*	\$57,610	\$48,238	\$9,372	19.43%
8	Other*	\$143,089	\$119,801	\$23,288	19.44%
9	Subtotal - Production*	\$669,880	\$551,643	\$118,237	21.43%
10	Amortization of Legacy Meters	\$0	\$52,041	-\$52,041	-100.00%
11	Four Corners/Oct 1, 2012 sale	\$0	\$67,253	-\$67,253	-100.00%
12	Transmission*	\$94,149	\$75,538	\$18,611	24.64%
13	Distribution*	\$504,777	\$385,073	\$119,704	31.09%
14	Customer Accounts*	\$213,822	\$188,276	\$25,546	13.57%
15	Uncollectibles	\$14,393	\$12,182	\$2,211	18.15%
16	Customer Service & Information*	\$50,069	\$42,974	\$7,095	16.51%
17	Administrative & General*	\$978,526	\$699,082	\$279,444	39.97%
18	Franchise Requirements	\$56,957	\$48,209	\$8,749	18.15%
19	Revenue Credits	-\$153,242	-\$161,296	\$8,054	-4.99%
20	Subtotal	\$2,429,332	\$1,841,681	\$587,651	31.91%
21	Escalation	\$177,474	\$134,121	\$43,353	32.32%
22	Depreciation	\$1,433,893	\$1,309,327	\$124,566	9.51%
23	Taxes - Other	\$264,031	\$239,414	\$24,617	10.28%
24	Taxes - Income	\$536,668	\$490,122	\$46,547	9.50%
25	Subtotal - Taxes	\$800,699	\$729,535	\$71,163	9.75%
26	TOTAL OPERATING EXPENSE	\$4,841,398	\$4,014,664	\$826,734	20.59%
27	NET REVENUE	\$1,443,900	\$1,305,193	\$138,707	10.63%
28	RATE BASE	\$16,501,716	\$14,916,495	\$1,585,221	10.63%
29	RATE OF RETURN	8.75%	8.75%	0.00%	0.00%
	* Expenses are in constant 2009 dollars				

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TABLE 2.4				
SCE GRC Test Year 2012				
DRA Summary Of Earnings At Proposed Rates				
Detailed Company Total				
Thousands Of Nominal Dollars				
Line No.	Description	Total Company	ISO	CPUC
1	TOTAL OPERATING REVENUES			
2	Base Rate Revenue	6,005,908	566,757	5,439,152
3	OPERATING EXPENSES:			
4	Production			
5	Steam*	7,165	-	7,165
6	Nuclear*	376,439	-	376,439
7	Hydro*	48,238	-	48,238
8	Other*	119,801	-	119,801
9	Subtotal - Production*	551,643	-	551,643
10	Amortization of Legacy Meters	\$52,041	-	\$52,041
11	Four Corners/Oct 1, 2012 sale	\$67,253	-	\$67,253
12	Transmission*	150,984	75,446	75,538
13	Distribution*	387,868	2,795	385,073
14	Customer Accounts*	188,276	-	188,276
15	Uncollectibles	13,480	1,298	12,182
16	Customer Service & Information*	42,974	-	42,974
17	Administrative & General*	726,859	27,777	699,082
18	Franchise Requirements	53,345	5,136	48,209
19	Revenue Credits	(195,130)	(33,834)	(161,296)
20	Subtotal	1,920,298	78,617	1,841,681
21	Escalation	140,750	6,629	134,121
22	Depreciation	1,434,809	125,482	1,309,327
23	Taxes Other Than On Income	272,261	32,847	239,414
24	Taxes Based On Income	578,350	88,229	490,122
25	Subtotal - Taxes	850,612	121,076	729,535
26	TOTAL OPERATING EXPENSES	4,346,469	331,804	4,014,664
27	NET OPERATING REVENUE	1,540,146	234,952	1,305,193
28	RATE BASE	17,601,668	2,685,174	14,916,495
29	RATE OF RETURN	8.75%	8.75%	8.75%
* Expenses are in constant 2009 dollars				

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TABLE 2-5				
SCE GRC Test Year 2012				
SCE Summary Of Earnings At Proposed Rates				
Detailed Company Total				
Thousands Of Nominal Dollars				
Line No.	Description	Total Company	2012	CPUC
1	OPERATING REVENUES:			
2	Base Rate Revenue	6,945,163	659,864	6,285,299
3	OPERATING EXPENSES:			
4	Production			
5	Steam*	63,329	-	63,329
6	Nuclear*	405,852	-	405,852
7	Hydro*	57,610	-	57,610
8	Other*	143,089	-	143,089
9	Subtotal - Production*	669,880	-	669,880
10	Amortization of Legacy Meters	0	-	0
11	Four Corners/Oct 1, 2012 sale	0	-	0
12	Transmission*	191,590	97,441	94,149
13	Distribution*	511,292	6,515	504,777
14	Customer Accounts*	213,822	-	213,822
15	Uncollectibles	15,904	1,511	14,393
16	Customer Service & Information*	50,069	-	50,069
17	Administrative & General*	1,026,058	47,531	978,526
18	Franchise Requirements	62,937	5,980	56,957
19	Revenue Credits	(187,091)	(33,849)	(153,242)
20	Subtotal	2,554,462	125,129	2,429,332
21	Escalation	187,379	9,904	177,474
22	Depreciation	1,577,129	143,236	1,433,893
23	Taxes Other Than On Income	298,667	34,636	264,031
24	Taxes Based On Income	630,682	94,014	536,668
25	Subtotal - Taxes	929,349	128,651	800,699
26	TOTAL OPERATING EXPENSES	5,248,318	406,920	4,841,398
27	NET OPERATING REVENUE	1,696,844	252,944	1,443,900
28	RATE BASE	19,392,507	2,890,791	16,501,716
29	RATE OF RETURN	8.75%	8.75%	8.75%
	* Expenses are in constant 2009 dollars			

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TABLE 2-6					
SCE GRC Test Year 2012					
Comparison of Revenues With and Without Four Corners					
CPUC Jurisdiction					
Thousands of Nominal Dollars					
line No	Description	Revenues With Four Corners	Revenues Without Four Corners	Difference (\$)	Difference (%)
1	OPERATING REVENUES:				
2	Base Rate Revenue	\$5,409,529	5,319,858	\$89,671	1.66%
3	OPERATING EXPENSES:				
4	Production				
5	Steam	\$51,532	\$7,165	\$44,366	86.10%
6	Nuclear	\$376,439	\$376,439	\$0	0.00%
7	Hydro	\$48,238	\$48,238	\$0	0.00%
8	Other*	\$119,801	\$119,801	\$0	0.00%
9	Subtotal - Production*	\$596,009	\$551,643	\$44,366	7.44%
10	Transmission*	\$75,538	\$75,538	\$0	0.00%
11	Distribution*	\$385,073	\$385,073	\$0	0.00%
12	Customer Accounts*	\$188,276	\$188,276	\$0	0.00%
13	Uncollectibles	\$12,388	\$12,182	\$205	1.66%
14	Customer Service & Informatio	\$42,974	\$42,974	\$0	0.00%
15	Administrative & General*	\$711,968	\$699,082	\$12,886	1.81%
16	Franchise Requirements	\$49,021	\$48,209	\$813	1.66%
17	Revenue Credits	-\$161,296	-\$161,296	\$0	0.00%
18	Subtotal	\$1,899,951	\$1,841,681	\$58,270	3.07%
19	Escalation	\$137,944	\$134,121	\$3,823	2.77%
20	Depreciation	\$1,329,861	\$1,309,327	\$20,534	1.54%
21	Taxes - Other	\$241,774	\$239,414	\$2,360	0.98%
22	Taxes - Income	\$488,693	\$490,122	-\$1,428	-0.29%
23	Subtotal - Taxes	\$730,467	\$729,535	\$932	0.13%
24	TOTAL OPERATING EXPENSE	\$4,098,224	\$4,014,664	\$83,559	2.04%
25	NET REVENUE	\$1,311,305	\$1,305,193	\$6,111	0.47%
26	RATE BASE	\$14,986,339	\$14,916,495	\$69,844	0.47%
27	RATE OF RETURN	8.75%	8.75%	0.00%	0.00%
	* Expenses are in constant 2009 dollars				

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2 **IV. DISCUSSION / ANALYSIS OF JURISDICTIONAL ALLOCATION**

3 The issue of jurisdictional allocation was litigated SCE's 2003 GRC. DRA
4 recommended the use of the three factors: labor expense, operation and
5 maintenance expense, and plant additions. In D.04-07-022, the Commission
6 adopted Edison's methodology which essentially uses allocation factors based on a
7 T&D study and on labor costs. Edison updated the T&D study using the most recent
8 recorded data to determine the jurisdictional allocation factors used in the current
9 application.

10 Table 2-7 compares DRA's and Edison's proposed revenue requirement
11 allocation between the two jurisdictions.
12

Table 2-7				
DRA's and Edison's Jurisdictional Allocation				
(Thousands of Nominal Dollars)				
	DRA	Edison	Difference Edison Less DRA	Percentage Difference
Total Company	6,005,908	6,945,163	\$939,255	15.64%
FERC Jurisdictional	566,757	659,864	\$93,107	16.43%
CPUC Jurisdictional	5,439,152	6,285,299	\$846,147	15.56%

13
14 DRA reviewed Edison's workpapers supporting the T&D study and the
15 calculation of the jurisdictional allocation factors, and does not object to using these
16 factors in this GRC. DRA recommends using in this rate case the jurisdictional
17 allocation methodology adopted by the Commission in D.04-07-022. Both DRA and
18 SCE use the jurisdictional allocation factors based on this methodology.

19 The difference between DRA's and Edison's jurisdictional amounts is due to
20 the difference in total company revenue requirement and not to the methodology
21 used to calculate the jurisdictional allocation. Edison used the methodology adopted

1 in D.04-07-022 to determine the jurisdictional allocation factors. DRA also used the
2 same allocation factors calculated by Edison.

3 DRA recommends that the Commission adopt the jurisdictional allocation
4 factors used by Edison and DRA in this GRC to allocate cost and revenue
5 requirement between the two jurisdictions. Table 2-8, on the following page,
6 displays the CPUC/FERC jurisdictional allocation factors for the various categories
7 that were used by DRA and Edison.

Table 2-8			
SCE GRC Test Year 2012			
CPUC Jurisdictional Factors			
line No	Description	CPUC Jurisdiction %	FERC Jurisdiction %
1	OPERATING REVENUES:		
2	Base Rate Revenue	90.50%	9.50%
3	OPERATING EXPENSES:		
4	Production	100.00%	0.00%
5	Steam	100.00%	0.00%
6	Nuclear	100.00%	0.00%
7	Hydro	100.00%	0.00%
8	Other	100.00%	0.00%
9	Subtotal - Production	100.00%	0.00%
10	Transmission	49.14%	50.86%
11	Distribution	98.73%	1.27%
12	Customer Accounts	100.00%	0.00%
13	Uncollectibles	90.50%	9.50%
14	Customer Service & Information	100.00%	0.00%
15	Administrative & General	95.37%	4.63%
16	Franchise Requirements	90.50%	9.50%
17	Revenue Credits	81.91%	18.09%
18	Subtotal	95.10%	4.90%
19	Escalation	94.71%	5.29%
20	Depreciation	90.92%	9.08%
21	Taxes - Other	88.66%	11.34%
22	Taxes - Income	85.09%	14.91%
23	Subtotal - Taxes	86.16%	13.84%
24	TOTAL OPERATING EXPENSE	92.25%	7.75%
25	NET REVENUE	85.09%	14.91%
26	RATE BASE	85.09%	14.91%