Docket	:	A.10-11-015
Exhibit Number	:	DRA-9
Commissioner	:	Simon
ALJ	:	Darling
Witness	:	Logan

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

Non-Nuclear Generation Costs

PUBLIC VERSION

San Francisco, California
May 11, 2011

TABLE OF CONTENTS

NON-NUCLEAR GENERATION COSTS

I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Division of Ratepayer Advocates (DRA) regarding Southern California Edison Company's (SCE or Edison) forecasts of Non-Nuclear Generation Operation and Maintenance (O&M) expenses for Test Year (TY) 2012, and capital expenditures for 2010 through 2012.

This testimony addresses SCE's request for cost recovery of the expenses associated with the various company-owned power plants, which include the gas-fired Mountainview and Peaker plants, the coal-fired Four Corners and Mohave plants, the Hydroelectric (Hydro) plants of the Northern and Eastern Divisions, and the Catalina Island plants. Also addressed is Edison's request for expenses associated with the Project Development Division (PDD) of the Power Production Department, the Solar Photovoltaic Program, and the Fuel Cell Program.

DRA addresses SCE's nuclear generation costs in Exhibit DRA-8, including the requests for funding of the nuclear license renewal and seismic study activities.[1]

II. SUMMARY OF RECOMMENDATIONS

The following summarizes DRA's recommendations associated with non-nuclear generation-related O&M expenses for 2012:

- SCE's Four Corners O&M forecast should be reduced by $4.829 million.
- SCE's Mountainview O&M forecast should be reduced by $xxxxx million.
- SCE's Peakers O&M forecast should be reduced by $2.589 million.
- SCE's Hydro O&M forecast should be reduced by $6.840 million.

[1] SCE makes its requests for nuclear license renewal and seismic study activities in SCE-2, Vol 10, Chapters IV and V.

- SCE’s Catalina Inland O&M forecast should be reduced by $0.140 million.
- SCE’s Solar Photovoltaic Program O&M forecast should be reduced by $xxxxx million.
- DRA makes no adjustments to SCE’s forecast for Mohave O&M, Project Development Division O&M, and Fuel Cell Program O&M.
- SCE’s Solar Photovoltaic Program Balancing Account should not be eliminated.
- SCE should establish a one-way balancing account for the Fuel Cell Program.

The following summarizes DRA’s recommendations associated with non-nuclear generation-related capital budget forecast for the period 2010-2012:

- SCE’s Peakers capital budget forecast for 2010 should be reduced by $20.0 million.
- SCE’s Catalina Island capital budget forecast for 2010 and 2011 should be reduced by $2.885 million in each year.
- DRA makes no adjustments to SCE’s capital budget forecasts for Coal, Hydroelectric, Mountainview, Solar Photovoltaic Program, and Fuel Cell Program.

Tables 9-1 and 9-2 shows SCE's request compared to DRA's recommendations for all non-nuclear generation O&M expenses and capital costs:

Table 9-1
Non-Nuclear Generation Expenses for TY2012
(In Thousands of 2009 Dollars)

Description (a)	DRA Recommended (b)	SCE Proposed[2] (c)	Amount SCE>DRA (d=c-b)	Percentage SCE>DRA (e=d/b)
Coal: Four Corners	$39,514	$44,343	$4,829	12%
Coal: Mohave	$892	$892	$0	0%
Gas: Mountainview	$xxxxxx	$49,044	$xxxxx	xx%
Gas: Peakers	$8,978	$11,567	$2,589	29%
Hydro: Northern/Eastern	$50,591	$57,431	$6,840	14%
Catalina Island	$4,590	$4,730	$.140	3%
Solar PV Program	$0	$xxxxx	$xxxxx	N/A
Total[3]	$xxxxxxxxx	$xxxxxxxxx	$xxxxxx	Xx%

Table 9-2
Non-Nuclear Generation Capital Expenditures for 2010-2012
(In Thousands of Nominal Dollars)

Description	DRA Recommended			SCE Proposed[4]		
	2010	2011	2012	2010	2011	2012
Four Corners	$29,846	$7,222	$4,856	$29,846	$7,222	$4,856
Mohave	$12,900	$7,400	$0	$12,900	$7,400	$0
Mountainview	$9,800	$4,600	$18,900	$9,800	$4,600	$18,900
Peakers	$11,800	$3,200	$3,100	$31,800	$3,200	$3,100
Hydro	$104,517	$93,110	$95,450	$104,517	$93,110	$95,450
Catalina Island	$4,328	$9,225	$1,060	$7,213	$12,110	$1,060
Solar PV Program	$191,000	$197,000	$203,000	$191,000	$197,000	$203,000
Fuel Cell Program	$6,300	$12,800	$0	$6,300	$12,800	$0
Total	$372,501	$336,568	$328,378	$395,386	$339,453	$328,378

[2] Four Corners: Exh. SCE-2, Vol.06 (Part1), p.28; Mohave: Exh. SCE-2, Vol. 06, (Part 1), pp.69-70; Mountainview: Exh. SCE-2 Vol. 8, p.22; Peakers: Exh.SCE-2, Vol. 9, 25; Hydro: SCE-02, Vol. p.52; Catalina: Exh. SCE-2, Vol.11, p.3; Solar PV: SCE-2, Vol. 10c, pp.20-22.

[3] Total does not include SCE's Project Development Division O&M request for $6.55 million for TY 2012. DRA does not oppose this request.

[4] See discussion sections for citations to capital expenditure requests by category.

III. DISCUSSION / ANALYSIS OF GAS GENERATION COSTS

Section III describes and analyzes SCE gas generation resources and its TY 2012 O&M request and capital cost forecasts for 2010, 2011, and 2012.

A. Overview of SCE's Request

SCE's gas generation O&M request totals $60.611 million for TY 2012. The capital budget request for 2010, 2011, and 2012 is $41.6 million, $7.8 million, and $22.0 million, respectively.

B. Gas Generation O&M Expenses

SCE owns and operates the 1050 MW Mountainview Generating Station and four 49 MW peaking power plants. The Mountainview plant began operation in 2006, and consists of two modern combined-cycle units that are intended for efficient, load-following operation. The peaking units are also of recent vintage and have been installed pursuant to the Commission's 2006 Resolution.[5] These units are simple-cycle, quick start, and are intended for peak load operations to support system reliability.

1. Mountainview

DRA recommends two adjustments to Edison's Mountainview O&M forecast. First, the $307,000 incremental cost to cover additional compliance activities for the North American Reliability Council (NERC) Reliability Standards should be denied. DRA has reviewed the workpapers that describe the duties for three new positions: two Program Managers and one Engineer. Edison states that these positions are allocated to Mountainview O&M as part of the $2.7 million overall impact that NERC compliance is forecast across the Power Production Department O&M expense. The three new positions should be absorbed into the remaining $2.4 million NERC compliance expense.[6]

---

[5] Resolution E-4031, November 9, 2006

[6] Exh. SCE-02, Vol. 8 workpapers, p.20.

The second, and larger adjustment, involves $xxxxx million, which reflects one-third of the cost for the scheduled 2015 Hot Gas Path Inspection (plus the Parts Use Tax).[7] SCE forecasts the payment to General Electric under the Contractual Services Agreement to occur in late 2014. SCE should not be allowed to recover in the Test Year a cost which is normalized backwards for activities which will occur beyond the current three year General Rate Case cycle. This recommendation also impacts DRA's position regarding Hot Gas Path prepayments that SCE has requested in rate base.

2. Peakers

DRA's recommends an adjustment of $2.589 million for the Peakers O&M based on DRA's conclusion that the fifth Peaker (McGrath) will not be installed and operating by the Test Year. The adjustment is based on 2009 recorded data, reflecting a full year of data for the four currently operating units. DRA does not accept the SCE forecast for the unconstructed, yet-to-be-permitted, McGrath Peaker (see capital expenditure discussion below). The adjustment represents a 29 percent decrease from SCE's Test Year forecast. The recorded 2009 data best reflects the O&M needs of the four operating peakers.

C. Gas Generation Capital Expenditures

1. Mountainview

The Mountainview capital expenditure forecast for 2010, 2011, and 2012 is $9.8 million, $4.6 million, and $18.9 million, respectively.[8] DRA makes no adjustments to this forecast.

---

[7] $xxxxx million is derived from $xxxxx plus $xxxxx, which are one-third of the Hot Gas Path Inspection and Parts Use Tax, respectively. SCE Responses to Questions 7-9, 11, DRA-SCE-049-TXB.

[8] Exh. SCE-02, Vol. 08, p.49.

2. Peakers

The SCE Peaker capital expenditure forecast for 2010, 2011, and 2012 is $31.8 million, $3.2 million, and $3.1 million, respectively.[9] The 2010 forecast includes $20.0 million for completion of the McGrath Peaker.[10] DRA recommends $0 for the McGrath Peaker project.

The McGrath Peaker project would be located in the City of Oxnard. Since 2007, the City has mounted significant legal challenges to the company's attempt to site and construct this power plant. Currently, the case is pending before the Los Angeles Superior Court[11], and will determine whether SCE can move ahead with construction. Final permits have not been issued and construction has not commenced. Given the uncertainty over the final resolution of the City's challenge, DRA recommends that the $20 million allocated for the project be removed from the 2010 forecast.

IV. DISCUSSION / ANALYSIS OF COAL GENERATION COSTS

Section IV describes and analyzes SCE's coal generation resources and TY 2012 O&M funding request and 2010, 2011, and 2012 capital budget request for coal generation resources.

A. Overview of SCE's Request

SCE owns significant shares of two coal generation resources. The Mohave plant is currently being decommissioned. The decommissioning project should be complete during this General Rate Case cycle. SCE is the operator of the Mohave plant, and has a 56 percent ownership stake.

Edison's other coal resource is a 48 percent share (720 MW) of units 4 and 5 of the Four Corners Generating Station. SCE's 50-year participation in this project is

---

[9] Exh. SCE-02, Vol.09, p.15.

[10] Exh. SCE-02, Vol.09, p.15.

[11] SCE Response to Question 1, Data Request DRA-SCE-046-TXB.

scheduled to expire in 2016, absent any action or agreement with Arizona Public Service (APS) and the other project co-owners. The company provides information for two scenarios in this general rate case: a “sale case” and a “decommission case”.

In Application (A.)10-11-010, SCE presents a “Purchase and Sale Agreement” between SCE and APS, the operator of the Four Corners plant. Under the terms of the agreement, the forecast closing of the sale is October 1, 2012. The sale case assumes that SCE will contribute to the operation and maintenance of the facility on a “business as usual” basis, until the transaction closes.

The decommission case assumes that owners of the plant will somewhat reduce the historical maintenance and overhaul practices because the generating station will be nearing the end of its useful life. There would be reduced costs under the decommission case.

SCE justifies its funding request pursuant to the sale case scenario. Consequently, DRA focused its review on this scenario.

B. Coal Generation O&M Expenses

1. Four Corners O&M

As discussed previously, SCE makes its Four Corners funding request under the sale case scenario. The sale case is $2.8 million greater than the decommission case. As set forth in Table 9-1 above, DRA recommends a $4.829 million reduction in the forecast. A significant portion of the reduction, $4.129 million, is reflected in the non-labor accounts of 512 and 513. These expenses are related to the scheduled 2014 overhaul of Unit 5. However, under the sale scenario, which is forecast to occur in 2012, this 2014 overhaul would not be part of SCE’s ownership obligation, since SCE would no longer be a co-owner. In addition, the $4.829 million adjustment reflects the five-year recorded costs for the years 2005-2009 of $39.514 million. Therefore, DRA’s recommended budget for Four Corners O&M is $39.514 million.

As discussed above, SCE forecasts the transfer of its ownership of Four Corners to occur on October 1, 2012. Accordingly, SCE should only recover nine months of the revenue requirement associated with the O&M expenses.

2. Mohave O&M

SCE proposes to continue the Mohave Balancing Account (MBA) regulatory treatment for all O&M expenditures during 2012 through 2014 which are related to the closure of the Mohave Generating Station.[12] The MBA mandates that Mohave O&M funds shall not be redirected to other spending categories. This protects ratepayers from any impudent funds shifting while the coal plant is being decommissioned. DRA supports this proposal. DRA makes no adjustments to the Mohave O&M TY 2012 request.

C. Coal Generation Capital Expenditures

1. Four Corners Capital

SCE's capital cost forecasts for the Four Corners Generation Station are $29.846 million, $7.222 million, and $4.856 million for 2010, 2011, and 2012, respectively.[13] As discussed above, SCE's proposed sale of its share of the Four Corners facility would close by October 1, 2012, based on the information provided in A.10-11-010. In addition, under the terms of the SCE's agreement with APS, any non-emergency and non-life extending capital expenditures incurred during 2012 will be reimbursed back to SCE at closing. Hence, the 2012 capital forecast is essentially a placeholder until the transaction closes and the revenue requirement associated with Four Corners can be updated. DRA does not oppose the 2010, 2011, and 2012 capital budgets.

As discussed above, SCE forecasts the sale of its share of Four Corners to close on October 1. Accordingly, SCE should only recover nine months of the

[12] Exh. SCE-02, Vol. 6 (Part 1), p.65.

[13] Exh. SCE-02, Vol. 6 (Part 3), p.5.

revenue requirement not just for O&M, but also plant, depreciation expense and reserve, rate base items (such as materials and supplies and working cash) and pensions & benefits for the SCE labor costs associated with the Four Corners Generating Station.

2. Mohave Capital

SCE forecasts $20.3 million in capital expenditures for its share of the decommissioning project at Mohave for 2010 and 2011.[14] The MBA discussed above also applies to the capital expenditures. DRA does not oppose SCE's Mohave request.

V. DISCUSSION / ANALYSIS OF HYDRO GENERATION COSTS

Section V describes and analyzes SCE's hydroelectric system resources and TY 2012 funding request for O&M and the 2010-2012 capital cost forecast.

A. Overview of SCE's Request

SCE's hydro facilities are predominantly in the Big Creek (or Northern) system, which total 1,014 MW. The Eastern Region system totals 161MW. The Test Year 2012 O&M request totals $57.6 million, which includes $9.6 million in future adjustments above the recorded 2009 base year amount which forms the basis of SCE's forecast. The hydro capital expenditure forecasts for years 2010, 2011, and 2012, are $104.5 million, $93.1 million, and $95.5 million, respectively.[15]

B. Hydro Generation O&M Expenses

SCE's hydro O&M expense request is significantly higher than average recorded figures. Based on SCE's data, DRA calculates the 2005-2009 average recorded annual expense to be $41.785 million (2009 $). Rather than relying on this data to form the basis of its forecast, SCE chose $48.0 million as its base forecast,

---

[14] Exh. SCE-02, Vol. 06 (Part 2), p.50.

[15] Exh. SCE-02, Vol. 07 (Part 2), p.2.

evidently relying upon higher than normal 2009 recorded expenses. SCE then layers in several complicated “future adjustments” totaling $9.628 million to develop a Test Year forecast of $57.4 million. SCE explains that these future adjustments come in seven distinct categories. The two most significant categories are discussed below.

1. NERC and Other Agency Compliance

The first future adjustment is termed “NERC and Other Agency Compliance.” The cost forecast starts at $106,000 in 2010 and escalates to $2.714 million in TY 2012. Most of these costs are to cover additional personnel, 18 by 2012, to meet the increasing needs of the NERC and other regulatory agencies. Edison reports that these new personnel include dispatchers, technicians, electricians, and a librarian.

2. Optimize System Operations

The second future adjustment by SCE is to “Optimize System Operations.” The costs start at $224,000 in 2010 and jump to $1.264 million by TY 2012. This new cost category includes 10 additional personnel such as maintenance mechanics and a Program Manager. A non-personnel cost is for “Hydro Modeling Upgrade” to improve data gathering, forecasting, and grid operator requirements, according the company.

3. Treatment for SCE’s Future Adjustments

DRA has several concerns regarding SCE’s proposed future adjustments to the Hydro O&M forecast. First, adding 28 new personnel, with the majority of the hires scheduled for TY 2012, represents a nearly 10 percent increase in total Hydro Division staffing. Many of these new hires seem to have tasks which should be covered within the current Hydro staff of dispatchers, technicians, and electricians.

Second, the future adjustment categories not related to staffing increases, such as the maintenance activities (Flowline & Penstock and Powerhouse & Structure), are forecast to ramp up dramatically in TY 2012. SCE has not explained why these activities have sudden cost increases timed with the Test Year.

Given these concerns, DRA recommends that to approve the Future Adjustments, the base year forecast should adjusted back to reflect the historical average O&M costs. The base forecast is $41.785 million under DRA’s approach.

Adding SCE's future adjustments to DRA's base brings the total TY Hydro O&M to $50.591 million. This represents a $6.840 million reduction to SCE's request.

C. Hydro Generation Capital Expenditures

The hydro capital expenditure forecasts for years 2010, 2011, and 2012, are $104.5 million, $93.1 million, and $95.5 million, respectively. DRA recommends no adjustments to the Hydro generation capital forecasts.

VI. DISCUSSION / ANALYSIS OF CATALINA COSTS

A. Overview of SCE's Request

SCE provides electricity for Catalina Island customers with a system of diesel generators and micro turbines totaling 9.4 MW. Edison requests $4.730 million for TY 2012 O&M,[16] and $7.213 million, $12.110 million, and $1.060 million in capital expenditures for 2010, 2011, and 2012, respectively.[17]

B. Catalina O&M Expenses

SCE forecasts $4.730 million for TY 2012 O&M expenses. DRA analyzed the three FERC accounts for Catalina, 548, 549, and 553 and recommends certain minor adjustments. The adjustments are based on reliance on the five-year historical average, or the 2009 recorded data. DRA's total adjustment is $140,000, of which $87,000 is for Account 553. The $87,000 expense is for four power packs, where SCE spread the total cost of the packs over three years. This does not appear to be an appropriate Test Year expense, because the funds are available through current authorized base rates.

---

16 Exh. SCE-02, Vol.11, p.4.

17 The annual Catalina capital forecasts are derived from SCE's revenue requirement model.

C. Catalina Capital Expenditures

SCE forecasts $7.213 million, $12.110 million, and $1,060 million in capital expenditures for 2010, 2011, and 2012, respectively. DRA recommends two adjustments to the SCE forecasts. Both adjustments are based on the fact that these projects were previously approved in the 2009 General Rate Case.

1. Control Room Betterment Project

SCE requests $1.147 million to complete a Control Room Betterment Project. As Edison states, it requested and the Commission approved this project in the 2009 GRC.[18] The company states that other projects made it necessary to delay this project.[19] DRA believes it is inappropriate for SCE to ask the Commission to "re-approve" this project. Therefore, DRA recommends that the Commission reject SCE's request. The resulting adjustment totals $573,500 per year in both 2010 and 2011.

2. Main & Garage Buildings Betterment

SCE requests $4.623 million to complete the Main & Garage Buildings Betterment Project. Similar to the Control Room Project, this project was approved in the 2009 GRC but not constructed. Edison states the deferral was related to a Settlement Agreement with the South Coast Air Quality Management District (SCAQMD).[20] This does not justify a second request to fund the same project, because the availability of funding should not be affected by an outside agency's schedule. DRA recommends an adjustment of $4.623 million, to be split evenly between 2010 and 2011. The Catalina capital forecasts should be reduced by $2.312 million in both 2010 and 2011, reflecting the Main & Garage Buildings Betterment Project adjustment.

---

[18] Exh. SCE-02, Vol.11, p.25.

[19] Exh. SCE-02, Vol.11, p.26.

[20] Exh. SCE-02, Vol. 11, p.26.

3. DRA Recommendation for Catalina Capital

The two projects that DRA recommends removal from the 2010 and 2011 budgets total $2.885 million for each year ($2.312 million plus $0.573 million). SCE's Catalina capital forecasts for 2010 and 2011 should be reduced by $2.885 million in each year.

VII. DISCUSSION / ANALYSIS OF THE SOLAR PHOTOVOLTAIC PROGRAM AND THE FUEL CELL PROGRAM

Section VII describes and analyzes SCE's TY 2012 funding request for O&M and 2010-2012 capital cost forecasts related to the Solar Photovoltaic Program (Solar PV) and the Fuel Cell Program (FCP).

A. Overview of SCE's Request

The activities analyzed here include the Solar PV Program and the Fuel Cell Technology Program.[21] Both programs were previously approved in separate Commission proceedings. In this GRC, SCE makes certain requests which are inconsistent with the decisions authorizing these programs.

B. Solar PV Program O&M Expenses and Balancing Account Treatment

SCE's TY 2012 request for the Solar Photovoltaic (PV) O&M activities total $xxxxx million. This includes $xxxxx million for the Solar PV Program labor and non-labor expense, and $xxxxx million for the Solar PV lease expense.

SCE's testimony states:

- The Solar Photovoltaic Program is authorized funding pursuant to D.09-06-049.
- SCE *is not requesting additional capital beyond those amounts already authorized in D.09-06-049* (emphasis added).

[21] Exh. SCE-02, Vol.10 includes the Project Development Division O&M TY 2012 request of $6.55 million. DRA does not oppose this request.

- SCE *is requesting to include recovery of the associated solar photovoltaic program revenue requirement in the total general rate case revenue requirement,* consistent with how SCE recovers other utility owned generation revenue requirements (emphasis added).[22]

SCE also states that it is requesting funding for Test Year 2012 O&M expenses for the Solar PV Program.[23] SCE's TY2012 request for the Solar PV Program O&M activities total $xxxxx million over and above those O&M funds already authorized in D.09-06-049. This includes $xxxxx million for the Solar PV Program labor and on-labor expense, and $xxxxx million for the Solar PV lease expense.

Essentially, SCE is making two significant proposals for the Solar PV Program. The first is to add certain funds beyond those already authorized in D.09.06-049. The second is to change the ratemaking treatment of the program from a one-way balancing account to traditional GRC base rate revenue requirement treatment. Both of these proposals should be denied.

1. Solar PV Program Funding

The Solar PV Program is authorized $41.31 million (2008$) in O&M and $962.5 million (2008$) in direct capital expenditures during the 2008 through 2014 program period.[24] Elsewhere in the authorizing decision, the program was expected to last five years.[25] Assuming the five-year program life, SCE is currently authorized to collect $8.262 million ($2008$) annually in O&M funds for the Solar PV Program.

---

[22] Exh. SCE-02, Vol.10, Summary page.

[23] Exh. SCE-2, Vol.10, p.10.

[24] D.09-06-049, (mimeo), p.44.

[25] D.09-06-049, (mimeo), p.7, p.8.

SCE's showing appears to request an additional $xxxxx million in annual O&M funds, or $xxxxxx million over the three year rate case cycle.[26] All of this request should be denied, for several reasons. First, it is premature to request additional funding for a program that was expected to last five years, but has been rolled out for just over one year at the time of this GRC application. Second, based on recent information from SCE, the recorded program O&M expenditures through March, 2011, totaled $4.74 million, well below what has already been authorized.[27] In other words, SCE has over $36 million in program funds available before it would need an additional authorization for Solar PV funds. An additional $xx million, as requested in the SCE testimony, is unwarranted, and will not be a prudent use of ratepayer funds.

Finally, a recent filing by Edison provides strong evidence that additional funds are not warranted. In the Petition For Modification (PFM) of D.09-06-049, dated February 11, 2011, SCE requests that the Solar PV Program, Utility-Owned Generation (UOG), be reduced from a 250 MW program to 125 MW program.[28] SCE also states that the revisions requested in the PFM could result in approximately $300 million in savings to the revenue requirement on a present value basis.[29] So clearly, SCE should recognize that its Solar PV Program request in the GRC is inconsistent with not only the program activities to date, but its own recent recommendation to the Commission.[30] The currently authorized funding should be more that adequate to carry the program through the 2012-14 general rate case

[26] Exh. SCE-02, Vol. 10, pp. 19-22.

[27] SCE's Response to Data Request DRA-SCE-256-SJL, Q.5 Attachment.

[28] PFM, p.2.

[29] PFM, p.3.

[30] Responses to Data Request DRA-SCE-256-SJL indicate that SCE will maintain its position filed in its GRC testimony regarding the Solar PV Program until such time that the Commission acts on the PFM.

cycle. For all of the above reasons, SCE's Solar PV Program funding request should be denied.

2. Solar PV Program Balancing Account

In addition to the increase in funding, SCE requests elimination of the Solar PV Program Balancing Account (SPVBA).[31] The SPVBA was authorized in D.09-06-049. Balancing accounts are established for certain programs or activities that are distinct from traditional utility O&M activities and spending practices. The SPVBA was adopted based on Edison's proposal.[32] There is no reason to eliminate the SPVBA at this time, particularly since the program may undergo a significant modification based on SCE's PFM, which will result in lower spending patterns for the UOG program. The SPVBA should be maintained through this general rate case cycle to ensure that the currently authorized funds are directed only to Solar PV Program activities.

C. Fuel Cell Technology Program

SCE requests that currently authorized funding for the Fuel Cell Technology Program be maintained.[33] DRA does not oppose this request. SCE also requests elimination of the Fuel Cell Memorandum Account.[34] DRA opposes this request.

The Fuel Cell Program Memorandum Account (FCPMA) was established pursuant to D.10-04-028. As stated in SCE's Preliminary Statement, "The purpose of a Memorandum Account is to record all costs incurred by the Company for Specific Projects authorized by the Commission."[35] The Preliminary Statement also states that "Entries (of the revenue requirement) will be recorded in the FCPMA until such

[31] Exh. SCE-10, p.30.

[32] D.09-06-049, mimeo, p.8

[33] Exh. SCE-02, Vol.10, pp.33-38

[34] Exh. SCE-10, p.35.

[35] www.sce.com, SCE Tariff Books, Preliminary Statement, Sheet 1

time as recovery of the Fuel Cell Program revenue requirement is included in a General Rate Case revenue requirement."[36] DRA agrees that this is the appropriate proceeding to now include the recorded costs of the FCP within the authorized funding of $19.1 million capital and $8.9 million for O&M in the base revenue requirement.

However, as the FCP is a "specific project" activity as defined in the Preliminary Statement, and D.10-04-028 did not authorized spending above the amounts noted above, the FCPMA should be replaced with a one-way balancing account beginning in January 1, 2012. One-way balancing account treatment is consistent with D.10-04-028, which states that SCE "may file either a petition for modification or a separate application to seek recovery of the excess (spending over $19.1 million capital, $8.9 million O&M)."[37] This treatment will also ensure that the ratepayer funds authorized for the program are not redirected to other activities or shareholder accounts.

D. Solar PV Program and Fuel Cell Technology Program Capital Expenditures

SCE's forecasts for capital expenditures for the Solar PV Program are $191.0 million, $197.0 million, and $203.0 million for 2010, 2011, and 2012, respectively.[38] The forecasts for Fuel Cell Program capital expenditures are $6.30 million, $12.80 million, and $0 for 2010, 2011, and 2012, respectively.[39] DRA makes no adjustments to these forecasts.

---

[36] www.sce.com, SCE Tariff Books, Preliminary Statement, Sheet 58

[37] D.10-04-028, Ordering Paragraph 4c.

[38] Exh. SCE-02, Vol.10, p.11.

[39] Exh. SCE-02, Vol.10, p.35.