

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Application of Southern California Edison
Company (U 338-E) to Establish the
Wildfire Expense Memorandum Account.

Application 18-04-XXX

**APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)
FOR AUTHORITY TO ESTABLISH THE WILDFIRE EXPENSE
MEMORANDUM ACCOUNT**

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Dated: **April 3, 2018**

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Authority to Establish the Wildfire Expense Memorandum Account**

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I. INTRODUCTION

Pursuant to California Public Utilities Code Section 701 and Rule 2.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), Southern California Edison Company (SCE) submits this application requesting authority to establish a Wildfire Expense Memorandum Account (WEMA) to track incremental unreimbursed wildfire liability-related costs, as more specifically described below. SCE has modeled its proposed WEMA tariff language on that previously approved for SCE and Pacific Gas & Electric Company (PG&E) on an interim basis in Resolution E-4311. In addition, SCE's proposal is consistent with the Commission's authorization of a memorandum account for San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) in Decision (D.) 12-12-029.

This application does not seek authorization to recover any costs. Instead, SCE requests only the authority to track costs in a memorandum account so that SCE may in the future file an application for recovery of such costs. It is imperative that SCE establish a WEMA now, as it is in the process of renewing its wildfire insurance for 2018-2019 and anticipates the cost of this

additional insurance may substantially exceed the amount currently authorized in rates or requested in SCE’s pending 2018 General Rate Case (GRC) for insurance costs.¹

Consequently, SCE requests that the WEMA be made effective as of the date of this filing so that SCE may track costs in the account—in particular costs associated with purchasing wildfire insurance—that it anticipates incurring during the pendency of the Commission’s disposition of this application.² SCE believes the Commission has authority to order this relief as part of a final decision on this application. Out of an abundance of caution, however, SCE is concurrently filing a motion requesting this relief in case the Commission concludes that this issue should or must be taken up separately in order to establish an effective date equivalent to the filing date. SCE also requests the Commission grant the relief sought on an expedited basis consistent with the precedents discussed below.

II. STATEMENT OF RELIEF SOUGHT

In light of the ongoing and far-reaching effects of the California drought and climate change, utilities across the state continue to face heightened wildfire risk. Though SCE maintains insurance coverage for claims associated with wildfires, SCE’s insurance may be insufficient to cover the costs of claims and defense that may arise from wildfires, including claims that have been filed, and that may in the future be filed, in relation to the 2017 wildfires. In addition, the cost of insurance has escalated rapidly and far exceeds the amount authorized in

¹ Application (A.) 16-09-001.

² On March 14, 2018, SCE filed Advice Letter 3768-E, pursuant to which it requests Z-Factor recovery of \$108 million (the CPUC revenue requirement on the \$120.9 million premium payment) associated with replenishment of its wildfire risk insurance in December 2017. SCE reserves the right to request that the WEMA sought pursuant to this application be made effective as of December 29, 2017 (the date it paid the premium to replenish its wildfire risk insurance) in the event that Advice Letter 3768-E is rejected.

rates or requested in SCE's pending 2018 GRC for insurance costs. SCE recently paid \$120.9 million to replenish \$300 million in insurance following the 2017 wildfires and has sought recovery of this amount as a Z-Factor expense in SCE's 2015 GRC.³ Going forward, SCE anticipates that the cost to renew its insurance in 2018 may significantly exceed the amount authorized in rates for insurance or which may be authorized in SCE's 2018 GRC decision. Accordingly, SCE seeks to establish the WEMA to track these and other incremental costs.

Specifically, as set forth in the proposed tariff attached hereto as Appendix A, SCE proposes to create a WEMA to track all amounts paid by SCE that are the result of a wildfire, and that were not previously authorized in SCE's GRC, including: (1) payments to satisfy wildfire claims, including any co-insurance, deductibles and other insurance expense paid by SCE, (2) outside legal expenses incurred in the defense of wildfire claims, (3) payments made for wildfire insurance and related risk-transfer mechanisms, and (4) the cost of financing these amounts. Insurance proceeds, as well as any payments received from third parties, will be credited to the WEMA as they are received.

III. REASONS AND BASIS FOR REQUESTED RELIEF

A. SCE Faces Incremental Wildfire Costs

1. SCE Faces Claims From the 2017 Wildfires and 2018 Mudslides

In December 2017, several wind-driven wildfires (the "December 2017 Wildfires") impacted portions of SCE's service area and caused substantial damage to both residential and business properties and service outages for SCE customers. The largest of these fires, known as the Thomas Fire, originated in Ventura County and burned acreage located in both Ventura and Santa Barbara Counties. According to the most recent California Department

³ See fn. 1.

of Forestry and Fire Protection (Cal Fire) incident information reports, the Thomas Fire burned over 280,000 acres, destroyed an estimated 1,063 structures, damaged an estimated 280 structures and resulted in two fatalities. The causes of the December 2017 Wildfires are being investigated by Cal Fire and other fire agencies. SCE believes the investigations include the possible role of SCE's facilities.

Approximately 40 lawsuits have already been filed against SCE related to the December 2017 Wildfires, including several designated class actions. These lawsuits allege claims for inverse condemnation as well as various other common law and statutory claims. Courts across California have applied the doctrine of inverse condemnation to hold a utility strictly liable when a utility's facilities were determined to be a substantial cause of a wildfire that caused property damage. Although SCE disagrees that a private corporation should be deemed the equivalent of a governmental entity that is subject to the inverse condemnation doctrine, the courts' stated rationale for applying inverse condemnation to investor-owned utilities is that property losses resulting from a "public improvement," such as the distribution of electricity, can be spread across the larger community that benefited from such improvement through utility rates. As the Commission has said: "[u]nder California law, a successful inverse condemnation claim results in a party paying for property damage and the costs are to be socialized via rates."⁴

A plaintiff who prevails in an inverse condemnation claim is entitled to recover property damage and associated interest and attorneys' fees. If inverse condemnation is held to be inapplicable to SCE in connection with the December 2017 Wildfires, SCE will still face

⁴ D.15-11-021, Decision on Test Year 2015 General Rate Case for Southern California Edison Company, p.305, *mimeo*.

claims in litigation asserting other legal theories and causes of action. Such potential liability includes claims for fire suppression costs, business interruption losses, evacuation costs, medical expenses and personal injury/wrongful death claims. These potential liabilities, in the aggregate, could be substantial and could exceed available insurance.

SCE has approximately \$1 billion in aggregate of wildfire-specific insurance coverage, subject to a self-insured retention of \$10 million per occurrence, for wildfire-related claims for the period ending on May 31, 2018. SCE also has approximately \$300 million of additional insurance coverage for wildfire-related occurrences for the period from December 31, 2017 to December 31, 2018, which may be used in addition to the \$1 billion in wildfire insurance for wildfire events occurring on or after December 31, 2017 and on or before May 31, 2018, and would be available for new wildfire events, if any, occurring after May 31, 2018 and on or before December 30, 2018. Various coverage limitations within the policies that make up SCE's wildfire insurance coverage could result in material self-insured costs in the event of multiple wildfire occurrences during a policy period. SCE also has other general liability insurance coverage of approximately \$450 million, but it is uncertain whether these other policies would apply to liabilities alleged to be related to wildfires. Should responsibility for damages be attributed to SCE for a significant portion of the losses related to the December 2017 Wildfires, SCE's insurance may not be sufficient to cover all such potential damages.

In January 2018, torrential rains in Santa Barbara County produced mudslides and flooding in Montecito and surrounding areas (the Montecito Mudslides). According to Santa Barbara County, the Montecito Mudslides destroyed an estimated 135 structures, damaged an estimated 324 structures, and resulted in at least 21 fatalities, with two additional fatalities presumed. A number of the lawsuits included among those mentioned above allege that SCE

was responsible for the Thomas Fire and further allege that the Thomas Fire proximately caused the Montecito Mudslides, resulting in the plaintiffs' alleged damages. SCE expects that additional lawsuits related to the Montecito Mudslides will be filed. If it is determined that the Montecito Mudslides were caused by the Thomas Fire and that SCE is responsible or liable for damages caused by both the fire and the Montecito Mudslides, then SCE's insurance coverage for such losses may be limited to its wildfire insurance. Additionally, if SCE is determined to be liable for a significant portion of costs associated with the Montecito Mudslides, SCE's insurance may not be sufficient to cover all such damages.

If it is ultimately determined that SCE is legally responsible for losses caused by the Montecito Mudslides, SCE could be held liable for resulting property losses if inverse condemnation is found applicable. In addition to property losses, SCE faces claims for business interruption losses, evacuation costs, clean-up costs, medical expenses and personal injury/wrongful death claims associated with the Montecito Mudslides. These liabilities, in the aggregate, could be substantial.

2. SCE Faces Increased Insurance Costs

SCE is currently working to renew its wildfire insurance coverage for 2018-2019, as most of its current insurance is for the period June 2017 through May 31, 2018. The availability and cost of such coverage will depend on market conditions. Based on its recent experience in purchasing \$300 million in insurance to replenish its coverage at a cost of \$120.9 million,⁵ SCE anticipates that the cost of the insurance renewal may substantially exceed the amount currently authorized in rates or requested in SCE's pending 2018 GRC for insurance costs. As SCE explained in its recent advice letter filing requesting Z-Factor recovery of \$108

⁵ See fn. 1.

million of the aforementioned \$120.9 million revenue requirement, both the wildfire insurance and reinsurance markets are “hardening,” meaning that the number of insurance companies willing to provide this coverage is going down, the amount of coverage that any given insurance company will provide is also going down, and pricing is going up. SCE must therefore establish the WEMA now to record any incremental wildfire insurance costs incurred in 2018.

3. SCE May Face Additional Costs in the Future If Additional Wildfires Occur

Prolonged drought conditions and shifting weather patterns in California resulting from global climate change, as well as increased tree mortality rates, have increased the duration of the wildfire season and the risk of catastrophic wildfire events. Cal Fire reports that 5,143 fires occurred in 2015, burning about 307,598 acres.⁶ By 2017, those numbers had increased to 7,117 fires burning 505,956 acres.⁷ The Governor has referred to the recent wildfires as “the new normal” for California and something that could happen “every year or every few years.”⁸ To the extent SCE’s facilities are found to be the cause of any such future wildfires, SCE could face substantial additional costs, including strict liability costs arising from the application of inverse condemnation.

⁶ Cal Fire Incident Information *available at* http://cdfdata.fire.ca.gov/incidents/incidents_stats?year=2016

⁷ Cal Fire Incident Information *available at* http://cdfdata.fire.ca.gov/incidents/incidents_stats?year=2017.

⁸ “Southern California’s Fire Devastation is the ‘New Normal,’ Gov. Brown says,” Los Angeles Times, Dec. 10, 2017, *available at* <http://www.latimes.com/local/lanow/la-me-socal-fires-20171210-story.html>.

B. A WEMA Is Consistent With Commission Precedent

1. The Commission Has Previously Approved WEMAs

In A.09-08-020, SDG&E, PG&E, SCE and SoCalGas requested Commission authorization to establish a balancing account to allow each utility to recover costs paid by the utility arising from wildfires. The Commission approved memorandum accounts to track incremental wildfire costs as an interim step responding to the utilities' request for formal balancing accounts.⁹ Subsequently, SCE and PG&E moved to withdraw from A.09-08-020 but to continue their respective WEMAs. The Assigned Commissioner granted the motion to withdraw but denied approval of the request to continue the WEMAs on the grounds that the proposed tariffs suggested that cost recovery was anticipated and contained overly broad definitions of costs.¹⁰ The Assigned Commissioner nevertheless acknowledged that, at an appropriate time, the utilities could pursue a mechanism to permit them to seek recovery of wildfire costs. Specifically, Assigned Commissioner Simon stated:

As Resolution E-4311 shows, the Commission relied on the [utilities'] wildfire balancing account proposal as the justification for creating the memorandum account. Having withdrawn from the balancing account proposal, PG&E and [SCE] have removed the justification for the memorandum account. Consequently, I cannot conclude that the Commission's Resolution E-4311 can be properly extended to a stand-alone wildfire expense memorandum account as proposed by PG&E and [SCE]. The utilities, however, have numerous alternative procedural means apart from this proceeding to seek Commission authorization for such accounts.¹¹

SDG&E and SoCalGas remained in the proceeding. Ultimately, the Commission denied their application to establish a cost-recovery mechanism, but nevertheless allowed them

⁹ Resolution E-4311 (July 29, 2010).

¹⁰ See D.12-12-029 at 5.

¹¹ Assigned Commissioner Ruling Granting Motions to Withdraw from A.09-08-020, dated January 10, 2012, pp.4-5.

to continue their WEMAs, leaving to a future proceeding the determination of the appropriateness and reasonableness of the recovery of the costs booked into that account.¹²

In his concurrence, Commissioner Simon described that as an equitable result, stating:

To eliminate WEMA would have been unnecessarily punitive against SDG&E and SoCalGas (the applicants). This is because WEMA is only a tracking mechanism that requires a subsequent reasonableness review that remains in place as standard practice of rate recovery regulatory design. Therefore, there is no blank check or guaranteed recovery for the applicants.¹³

SCE's current application would provide an "alternative procedural means" of the kind contemplated by Commissioner Simon's comments, and consistent with the Commission's action with respect to SDG&E's and SoCalGas's WEMAs. The proposed tariff language is modeled after the language approved in Resolution E-4311.

2. The Commission Has Approved Memorandum Accounts in Analogous Circumstances

The Commission also has frequently authorized the creation of memorandum accounts in analogous circumstances. For example, in A.10-08-002, the Commission authorized a memorandum account related to Assembly Bill (AB) 32 implementation costs.¹⁴ On September 27, 2006, Governor Schwarzenegger signed AB 32, which provided that the California Air Resources Board may adopt a fee on greenhouse gas emissions to recover its administrative costs associated with implementation. PG&E, SDG&E, SCE and SoCalGas ultimately filed a joint application requesting, among other things, that the Commission authorize the establishment of memorandum accounts to record the expenses incurred to pay the AB 32

¹² D.12-12-029, p. 17, Conclusion of Law 2, Ordering Paragraph 2.

¹³ *Id.* at 1, Concurrence of Commissioner Timothy Alan Simon.

¹⁴ D.10-12-026.

fee. The Commission noted it was not certain those fees would materialize but still authorized the memorandum account stating, “[s]imply because there is some uncertainty concerning whether and when the fees will be assessed should not prevent a utility from establishing a memorandum account to record such costs in the event they are incurred.”¹⁵

The Commission applied the same logic to SCE’s proposal to establish a memorandum account to record costs associated with implementation of Senate Bill (SB) 43, a bill establishing a new renewable energy program, reasoning that “[a] memorandum account will allow the IOU to track administrative and marketing costs, and provide an opportunity for review before these amounts are approved by the Commission.”¹⁶

The Commission has also repeatedly authorized memorandum accounts in other contexts. For example, in Resolution E-3761, the Commission authorized SCE’s creation of a Risk Management Memorandum Account (RMMA) to record costs associated with fuel cost hedging, truncating the comment period associated with the RMMA’s creation and allowing the RMMA to be deemed effective as of nearly two months before the Commission’s decision.¹⁷ Similarly, in A.17-04-027, the Commission authorized a memorandum account for SDG&E through an ALJ ruling on a motion filed concurrently with its Application for Authority to Implement the Customer Information System Replacement Program.¹⁸ In all of these cases, the Commission granted the relief on an expedited basis and without conducting evidentiary

¹⁵ *Id.*, p.6.

¹⁶ D.15-01-051, FOF 146.

¹⁷ Resolution E-3761 (Nov. 29, 2001).

¹⁸ A.17-04-027, Administrative Law Judge’s Ruling Granting Motion to Establish Customer Service Information Memorandum Accounts (May 30, 2017).

hearings, noting that authority to establish a memorandum account does not prejudice the appropriateness of the costs tracked for future recovery.

That rationale applies here. SCE is not seeking through this application to prejudice the appropriateness of recovery of any expenses recorded to the WEMA. Instead, SCE seeks only to create a regulatory mechanism to record incremental unreimbursed costs, thereby preserving its ability to seek Commission review and recovery of those costs through a subsequent application without running afoul of retroactive ratemaking concerns.

C. SCE's Request to Make the WEMA Effective as of the Application's Filing Date Should be Granted

SCE seeks authority to make the WEMA tariff effective as of the date of the filing of the application so that SCE may begin tracking wildfire costs expeditiously—in particular costs associated with renewing its wildfire insurance for 2018-2019. Granting this request will not prejudice whether, how, and to what extent SCE may recover the costs tracked in the WEMA; it simply preserves SCE's ability to request further Commission consideration of the recoverability of such costs, without objection that might otherwise be asserted based on the retroactive ratemaking doctrine.

SCE's request is consistent with the Commission's long-standing policy objectives to ensure that affected parties are financially indifferent to the timing of the Commission's final decision. The purpose of this request is to ensure that SCE does not lose the ability to track costs in the memorandum account while the Commission resolves the concurrent application. The Commission has also explained it has a longstanding practice of establishing memorandum accounts to avoid retroactive ratemaking.¹⁹ Allowing the relief sought herein

¹⁹ See, e.g., D.03-05-076, *mimeo*, p.6.

would be consistent with that practice and, as explained in SCE’s concurrently-filed motion, is also consistent with Commission precedent.

D. SCE’s Request for Expedited Relief Should Be Granted

Consistent with Commission precedent, SCE requests that the Commission grant this application on an expedited basis. For example, the Commission recently authorized a memorandum account for SDG&E in A.17-04-027—SDG&E’s Application for Authority to Implement the Customer Information System Replacement Program. Concurrently with that application, SDG&E filed a Motion to Establish Customer Information System Memorandum Account to Record Customer Information System Replacement Program Costs, pursuant to Rule 11.1 of the Commission’s Rules of Practice and Procedure.²⁰ SDG&E requested, and received, expedited consideration and ruling on its motion. The Commission granted SDG&E’s motion in part because, as it noted, “authority to establish the [memo account] does not mean that cost recovery for the CIS Replacement Program is being authorized as well.”²¹

IV. INFORMATION REQUIRED BY THE COMMISSION’S RULES OF PRACTICE AND PROCEDURE

A. Statutory and Other Authority (Rule 2.1)

SCE files this application pursuant to Section 701 of the California Public Utilities Code; Rule 2.1 of the Commission’s Rules of Practice and Procedure; and prior decisions, orders and resolutions of the Commission and other authorities, including but not limited to D.12-12-029; and Resolution E-4311.

²⁰ Motion to Establish Customer Information System Memorandum Accounts to Record Customer Information System Replacement Program Costs, filed in A.17-04-027 (May 4, 2017).

²¹ A.17-04-027, Administrative Law Judge’s Ruling Granting Motion to Establish Customer Service Information Memorandum Accounts, at p.2.

B. Legal Name and Principal Place of Business (Rule 2.1(a))

The legal name of the Applicant is Southern California Edison. SCE is a corporation organized under the laws of the State of California, located at 2244 Walnut Grove Avenue, Rosemead, CA 91770.

C. Correspondence and Communications (Rule 2.1(b))

All correspondence, communications, and service of papers regarding this Application should be directed to:

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D. Categorization, Hearings, and Issues to Be Considered (Rule 2.1(c))

1. Proposed Categorization

SCE proposes that this Application be categorized as a ratesetting proceeding pursuant to Commission Rule of Practice and Procedure 1.3(e) and 7.1(e)(2).

2. Need for Hearings

SCE believes that evidentiary hearings are not required. As discussed above, the Commission has authorized the establishment of memorandum accounts without requiring evidentiary hearings where, as here, any request for cost recovery will be submitted for Commission review and approval through subsequent application.

3. Issues to Be Considered

The issue presented in this Application is:

Should the Commission authorize SCE to establish the WEMA to track incremental unreimbursed wildfire costs to preserve SCE’s ability to seek recovery of those costs in a future application?

E. Procedural Schedule

As discussed above, the Commission has previously authorized establishment of memorandum accounts on an expedited basis, without conducting any evidentiary hearings, particularly in the context of an application which does not seek cost recovery. SCE therefore proposes the following expedited schedule, including shortened protest periods and the potential for shortened or waived comment periods for Proposed Decisions as appropriate.

| <u>Date</u> | <u>Event</u> |
|-----------------------------|--|
| April 3, 2018 | SCE files Application and Motion Requesting an Order Setting the Effective Date of the Wildfire Expense Memorandum Account |
| April 4, 2018 ²² | Notice of Application appears in Daily Calendar |
| April 18, 2018 | Last Day to File Response to Motion |
| April 18, 2018 | Last Day to File Protests |
| April 25, 2018 | Last Day for Reply to Response to Motion (if necessary) |
| April 25, 2018 | Last Day for Reply to Protests (if necessary) |
| May 2018 | <ul style="list-style-type: none"> • Prehearing Conference (if necessary) • Proposed Decision on Motion Requesting an Order Setting the Effective Date of the Wildfire Expense Memorandum Account (if uncontested, waive comment period) |
| June 2018 | <ul style="list-style-type: none"> • Final Decision on Motion (if comment period waived) • Proposed Decision on Application (waive or shorten time for comments if appropriate) |
| July 2018 | <ul style="list-style-type: none"> • Final Decision on Motion (if regular comment period) • Final Decision on Application (if comment period waived or shortened) |
| August 2018 | Final Decision on Application (if regular comment period) |

²² SCE assumes this date for purposes of this proposal, and notes that any change to this date may affect the deadlines proposed herein.

F. Articles of Incorporation (Rule 2.2)

In compliance with Rule 2.2, a copy of SCE’s Certificate of Restated Articles of Incorporation, effective on March 2, 2006, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 14, 2006, in connection with A.06-03-020 and is by reference made a part hereof.

G. Safety (Rule 2.1(c))

In D.16-01-017, the Commission adopted an amendment to Rule 2.1(c) requiring applications to clearly state “relevant safety considerations.” SCE does not view this application as presenting any safety consideration, as it requests only the creation of a memorandum account to track costs.

V. CONCLUSION

Wherefore, SCE respectfully requests that the Commission issue an expedited decision on this application: (1) authorizing SCE to establish the WEMA to track incremental unreimbursed wildfire costs to preserve its right to seek recovery of those costs through a future

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application; (2) making the WEMA effective as of this application's filing date;²³ and (3) approving SCE's proposed WEMA tariff in the form attached hereto as Appendix A.

Respectfully submitted,

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/s/ Connor J. Flanigan

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DATE: April 3, 2018

²³ Alternatively, if the Commission determines it should or must address the effective date issue separately, SCE requests the Commission issue an order on SCE's concurrently-filed motion.

VERIFICATION

I, Caroline Choi, declare and state:

I am an officer of Southern California Edison Company, a corporation, and am authorized pursuant to Rule 2.1 and Rule 1.11 of the Rules of Practice and Procedure of the CPUC to make this Verification for and on behalf of said corporation, and I make this Verification for that reason. I have read the foregoing Application and I am informed and believe that the matters therein concerning Southern California Edison Company are true. I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed at Rosemead, California, this 3rd day of April, 2018.

/s/ Caroline Choi _____

Caroline Choi
Senior Vice President
Regulatory Affairs

Appendix A

SCE's Proposed WEMA Tariff

PRELIMINARY STATEMENT

Wildfire Expense Memorandum Account - (WEMA)

a. Purpose:

The purpose of the Wildfire Expense Memorandum Account (WEMA) is to track all amounts paid by Southern California Edison Company (SCE) that are the result of a wildfire, and that were not previously authorized in SCE's General Rate Case (GRC), including: (1) payments to satisfy Wildfire Claims, including any deductibles, co-insurance and other insurance expense paid by SCE;(2) outside legal expenses incurred in the defense of wildfire claims; (3) payments made for wildfire insurance and related risk-transfer mechanisms; and (4) the cost of financing these amounts. Insurance proceeds, as well as any payments received from third parties, will be credited to the WEMA as they are received.

b. Definitions:

- i. **Costs Arising From Wildfires:** All amounts paid by SCE that are the direct or indirect result of a wildfire, including (1) payments to satisfy Wildfire Claims, including any co-insurance, deductibles and other insurance expense paid by SCE, (2) outside legal expenses incurred in the defense of Wildfire Claims, (3) payments made for wildfire insurance and related risk-transfer mechanisms, including associated fees and taxes, and (4) the cost of financing these amounts. Costs Arising From Wildfires shall exclude costs that have previously been authorized for recovery in rates in SCE's GRC.
- ii. **Wildfire Claims:** All amounts paid by SCE to a third party in respect of a claim by such third party for damage or loss resulting directly or indirectly from a wildfire, including (1) claims by a governmental entity for the reimbursement of fire suppression costs, damages to environmental resources and other governmental claims against the SCE arising from a wildfire, and (2) claims arising from damage caused by mudslides that are alleged to have resulted from a wildfire.

(Continued)

(To be inserted by utility)
Advice _____
Decision _____

Issued by

(To be inserted by Cal. PUC)
Date Filed _____
Effective _____
Resolution _____

PRELIMINARY STATEMENT

Wildfire Expense Memorandum Account - (WEMA) (Continued)

c. Operation of the WEMA:

SCE shall maintain the WEMA by making monthly entries as follows:

- (i) A debit entry equal to SCE's Costs Arising From Wildfires,
- (ii) A credit entry equal to amounts received by SCE from insurance companies or other third parties in respect of Costs Arising From Wildfires,
- (iii) A credit entry equal to amounts received by SCE from transmission customers through FERC authorized transmission rates for the recovery of costs related to wildfire claims,
- (iv) A credit entry equal to any wildfire related costs tracked in the WEMA that are recovered through the Z-factor mechanism described in Preliminary Statement Part AAA.5, and
- (v) An entry to record interest expense calculated by applying the Interest Rate to the average monthly balance in the WEMA.

d. Disposition Procedures:

The disposition of any amounts tracked in the WEMA shall be established by a Commission decision through a subsequent application or through other appropriate filing as authorized by the Commission. SCE will ensure that any costs tracked in the Catastrophic Event Memorandum Account (CEMA) or in the Fire Hazard Prevention Memorandum Account (FHPMA) are excluded from the expenditures tracked in the WEMA.

(Continued)

(To be inserted by utility)
Advice _____
Decision _____

Issued by

(To be inserted by Cal. PUC)
Date Filed _____
Effective _____
Resolution _____