

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

Application of Pacific Gas and Electric Company (U 39 M), San Diego Gas & Electric Company (U 902 M), Southern California Edison Company (U 338 M), and Southern California Gas Company (U 904 G) for Authority to Increase Electric and Natural Gas Rates and Charges to Recover California Air Resources Board Assembly Bill 32 Cost of Implementation Fee

A.10-08-\_\_\_\_

**JOINT APPLICATION OF PACIFIC GAS AND ELECTRIC  
COMPANY (PG&E) SAN DIEGO GAS & ELECTRIC COMPANY  
(SDG&E) SOUTHERN CALIFORNIA EDISON COMPANY (SCE))  
AND SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS)  
TO RECOVER CALIFORNIA AIR RESOURCES BOARD  
ASSEMBLY BILL 32 COST OF IMPLEMENTATION FEE**

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Dated: August 2, 2010

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By this Application, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCalGas) (collectively, the Joint IOUs) ask the California Public Utilities Commission (Commission or CPUC), effective upon the filing and public noticing of this application (Application), to authorize an increase to their electric and gas rates and charges to collect the reasonable level of revenue requirements to recover the costs of the legally-mandated California Air Resources Board (ARB) Assembly Bill (AB) 32 annual Cost of Implementation Fee from their respective end-use gas transportation and bundled electric generation customers.

Because the Joint IOUs may be invoiced for the first annual AB 32 Cost of Implementation Fees as early as September 2010, the Joint IOUs request that the CPUC approve this Application no later than November 19, 2010, in order that the costs of such fees may be booked effective the date the ARB invoice is received and then recovered in utility rates effective January 1, 2011. The Joint IOUs request that the Commission immediately approve

memorandum accounts for each of the IOUs effective upon the filing and noticing of this Application, so that costs of the fees may be accrued in the memorandum accounts subject to the disposition and outcome of the Commission's consideration of this Application. The forms of the proposed memorandum accounts are included as Exhibits B-1, B-2 and B-3 to this Joint Application.

On September 27, 2006, Governor Schwarzenegger signed into law AB 32, the "California Global Warming Solutions Act of 2006." Among other provisions, AB 32 authorizes the ARB to adopt a schedule of fees to be paid by sources of greenhouse gas (GHG) emissions to fund the administrative costs of implementing AB 32.<sup>1</sup> On September 25, 2009, the ARB approved the AB 32 Cost of Implementation Fee regulation at the public hearing and directed the Executive Officer to take final action to adopt the regulation.<sup>2</sup> As specified in Section 95201 of the regulation, these administration fees shall apply to various entities, including the following:

- All public utility gas corporations and publicly owned natural gas utilities operating in California. Fees shall be paid for each therm of natural gas delivered to any end user in California, excluding that delivered to electricity generating facilities.
- Any owner or operator of an electricity generating facility in California that delivers electricity to the California transmission and distribution system or any electricity importer that is the purchasing or selling entity that delivers electricity at its first point of delivery in California. Fees shall be paid for each megawatt-hour of net power generated by combustion of natural gas, coal, or other fossil fuels except California diesel at an electricity generating facility in California, and reported pursuant to

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<sup>1</sup> Assembly Bill (AB) 32 (2006 Stats, Ch. 488), codified as California Health and Safety Code section 38500, *et seq.*; Health and Safety Code section 38597 ("Fee schedule").

<sup>2</sup> Title 17, California Code of Regulation, sections 95200 – 95207.

Section 95111(a)(1)(A) or 95111(a)(2)(A) of the Mandatory Reporting Regulation.<sup>3</sup>

- For electricity importers, fees shall be paid for each megawatt-hour of imported electricity reported pursuant to Sections 95111(b)(2)(B and C) and 95111 (b)(3)(N) of the Mandatory Reporting Regulation if the electricity is from either unspecified sources or specified sources that combust natural gas, coal petroleum coke, catalyst coke, refinery gas or other fossil fuels (except California diesel).
- Under this regulation, no administration fee shall be paid for any megawatt-hour generated (1) at any electricity generating facility that has a nameplate generating capacity of less than one megawatt, or that emits less than 2,500 metric tons of CO<sub>2</sub> from electricity generating activities during the reporting year or (2) at a cogeneration facility.<sup>4</sup>

On June 24, 2010, the California Public Utilities Commission (CPUC or Commission) issued Resolution G-3447, requiring the Joint IOUs to file formal applications in order to request approval of their proposals to record and recover from their respective customers the fees they expect to pay to ARB under the AB 32 Cost of Implementation Fee regulation.<sup>5</sup>

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<sup>3</sup> *Id.*, section 95201(a)(4)(A).

<sup>4</sup> *Id.*, section 95201(a)(4)(A-C).

<sup>5</sup> CPUC Resolution G-3447, June 24, 2010, p. 2.

Through this Application, the Joint IOUs request the authority to recover actual invoiced ARB AB 32 implementation fees through their gas and electric rates, effective upon the filing and public noticing of this Application as described below. The ARB implementation fees are mandated by law and imposed directly on the Joint IOUs as a consequence of their retail utility operations and services provided to customers. The amounts and timing of the fees are within the exclusive control of ARB and the California Legislature. Like other government mandated fees and taxes, the Joint IOUs have no managerial or legal discretion to avoid incurring the fees as part of their utility cost of service. For example, the ARB fees are similar in form to the fees associated with the Joint IOUs' required participation in the Western Renewable Generation Information System (WREGIS),<sup>6</sup> which are collected from customers through separate ratemaking, as required by the CEC to verify RPS compliance. The Joint IOUs charge no markup and earn no return on fees such as the ARB fees requested in this Application.

The Joint IOUs could not have anticipated and forecasted revenue requirements for the AB 32 Cost of Implementation Fee in their most recent General Rate Cases, because the ARB had not adopted its regulation at the time they filed their most recent GRC applications.<sup>7</sup> Therefore, the recovery of the fees in rates as proposed in this Application prior to future GRCs is fully justified and reasonable.

SDG&E and SoCalGas expect to file their 2012 GRC applications later this year. In their GRC applications, both SDG&E and SoCalGas will include a forecast of the estimated cost of the ARB administrative fees for the years covered by their GRCs. The recovery of such costs for 2012 and beyond will be addressed in the SDG&E and SoCalGas GRC applications. However, cost recovery for the period prior to such 2012 GRC implementation is addressed in this

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<sup>6</sup> CPUC Resolution E-4139, December 20, 2007, pp. 4-5.

<sup>7</sup> PG&E filed its 2011 GRC Notice of Intent on July 20, 2009; the ARB's AB 32 Cost of Administration Fee regulation was not adopted and approved in its final form until June, 2010, and was not initially approved by the ARB until September, 2009.

Application.

SCE filed its Notice of Intent for its 2012 GRC Application on July 19, 2010, and intends to include recovery of ARB AB 32 fees for 2012 and beyond in its formal 2012 GRC application later this year. However, its 2012 GRC application will not include a forecast of ARB fee costs incurred in 2010 or 2011, and thus approval of cost recovery for the fees as requested by this Joint Application is necessary.

Likewise, PG&E expects to file its next GRC to be effective January 1, 2014, and therefore is requesting recovery for the ARB fees through this application.

The ARB regulation, which became effective on July 17, 2010, provides that the annual fees will be invoiced to the Joint IOUs and other covered entities within 30 days after the Governor signs the state budget. At that time, ARB will provide each affected entity with an implementation fee determination notice (i.e., invoice). All entities must remit the invoice amount within 60 days or be subject to late fees. These ARB AB 32 implementation fee provisions will remain in effect indefinitely, unless or until the AB 32 Cost of Implementation Fee regulation is modified.

#### **I. ARB FEE CALCULATION AND COLLECTION**

The ARB determined that it would collect the AB 32 Cost of Implementation Fee using an upstream point of regulation approach to address emissions from natural gas (excluding those related to electricity generating facilities and wholesale customers) and transportation fuels. The ARB also determined that this “upstream” approach would be the most administratively efficient method to collect the implementation fee, under the assumption that upstream entities would be able to pass along the implementation fee cost downstream to the actual sources of GHG emissions.

Article 3, Section 95203 of the AB 32 Cost of Implementation Fee regulation describes

how the ARB implementation fees shall be calculated.<sup>8</sup> The implementation fee applicable to natural gas consumption and electricity generation is based on an emissions factor related to the source of CO2 emissions multiplied by the common carbon cost. The common carbon cost represents the annual cost per metric ton of CO2 emissions, which is derived by dividing the total required revenue to recover the costs of implementation of AB 32 program expenditures, as approved in the California Budget Act for that fiscal year by the quantity of reported emissions. The ARB mandates that all emissions information be submitted by using the California Air Resources Board's Greenhouse Gas Reporting Tool. Reports from each affected entity for 2008 calendar year data and the 2009 calendar year data must be submitted to the ARB by August 16, 2010. More detail on the ARB's methodology for calculating, assessing and invoicing the fee to entities subject to the fee, such as the IOUs, can be found in the text and record of ARB's rulemaking, which went into effect on July 17, 2010.<sup>9</sup>

Beginning with 2009 data, each affected entity shall report its emissions data by June of the following calendar year. For natural gas reporting, the Joint IOUs must annually report the aggregate quantity of natural gas therms delivered at the meter to end users, excluding natural gas delivered to electricity generating facilities. For electricity generating reporting, the Joint IOUs must annually report first deliveries of electricity, whether from electricity generating facilities or from electricity imports, according to the Mandatory Reporting Regulation.

## **II. JOINT IOU FEE ESTIMATES**

Under the ARB regulation, the actual ARB fees will not be finalized until after the Joint IOUs provide updated reports to the ARB on the gas and electric deliveries subject to the fee, and after ARB adopts a final calculation of the individual fees as part of its issuance of individual invoices 30 days after adoption of the state budget. Thus, the fee estimates provided

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<sup>8</sup> Title 17, California Code of Regulations, section 95203.

<sup>9</sup> <http://www.arb.ca.gov/cc/adminfee/adminfee.htm>.

by each of the Joint IOUs below are preliminary estimates only, and the actual fees will be based on the calculations by the ARB under its approved regulation and the invoices provided by the ARB to each of the Joint IOUs. The Joint IOUs in this Application are requesting recovery in rates of only the actual invoiced ARB fees, and thus the revenue requirements for recovery will vary depending on the actual ARB invoices.

**A. PG&E**

Based on ARB's preliminary estimates of the cost of the fees and PG&E's preliminary forecast of the gas and electric deliveries subject to the fee, PG&E forecasts that its cost of the first fee, expected to be invoiced as early as September 2010 or during the fourth quarter 2010 will be approximately \$4.8 million. The actual ARB invoiced amount of the fee will be used for rate recovery, and may be higher or lower than the \$4.8 million estimate. Subsequent years' fees will be dependent on the adopted budget for ARB and its calculation and invoicing of the fee as a result of the adopted budget.

**B. SoCalGas**

For SoCalGas, the administrative fee will be based on gas therms delivered to customers, excluding wholesale volumes and deliveries to large Electric Generation (EG) customers who will be directly billed by the ARB. The cost of the first fee for SoCalGas is estimated to be approximately \$4.5 million per year and will be based on the actual ARB invoiced amount.

**C. SDG&E**

SDG&E will be assessed a fee for both gas and electric services. The fee for gas services is based on therms, excluding therms delivered to EG customers who are directly billed by the ARB. Based on the preliminary information from the ARB, the cost of the first fee is estimated to be \$0.5 million per year, and will be based on the actual ARB invoiced amount. The charge for electric services is based on the fee assessed for generation owned by SDG&E and power imported from outside of the state, and also will be based on the actual ARB invoiced amount.

The cost of the first fee for electric service is estimated to be approximately \$0.3 million.

**D. SCE**

Based on ARB's estimate of the cost of the fees, SCE forecasts that the fee, expected to be invoiced as early as September, 2010, will be approximately \$2.4 million. Subsequent years' fees will depend on the adopted budget for ARB and its calculation of the fee.

As discussed in Section III below, SCE proposes that the 2010 and 2011 ARB fees be recorded in SCE's requested Air Resources Board Fee Memorandum Account. SCE expects to file its 2012 General Rate Case in November 2010 where SCE will include a forecast of the ARB fee in its 2012 GRC revenue requirement request. Therefore, if the Commission adopts SCE's request in the GRC, SCE will only record the ARB fee in the Air Resources Board Fee Memorandum Account until the implementation of the 2012 GRC revenue requirement.

**III. PROPOSED COST RECOVERY MECHANISMS**

In Resolution G-3447, the Commission indicated the IOUs could recover the ARB administrative fees as part of their General Rate Case applications. The Resolution also allowed the utilities to file an application for interim cost recovery until implementation of their next GRC.

As discussed above, the ARB has the authority to begin to bill the utilities for their respective shares of the fee later this year. As indicated in Section IX.E, the Joint IOUs believe that this could occur as early as September 2010. The Joint IOUs do not currently have the necessary ratemaking in place to have the opportunity to recover the mandated ARB fee. Therefore, the Joint IOUs respectfully request that the Commission issue two decisions in this Application.

First, the Joint IOUs request that the Commission issue an interim decision that would immediately approve the establishment of the Joint IOUs' memorandum accounts discussed below, so that the memorandum accounts will be in place when the Joint IOUs receive their first

ARB fee invoices. By having the memorandum account already approved, the Joint IOUs will be able to record the amount of fees invoiced by the ARB.

Second, the Joint IOUs request that the Commission issue a decision approving recovery of these memorandum accounts, as described below, until the ARB administrative fees can be included in the respective IOUs' next General Rate Case.

**A. PG&E Proposal**

PG&E proposes to recover its annual ARB AB 32 Cost of Implementation Fee through its existing natural gas and electricity rate structures, subject to annual or monthly true-up. The ARB AB 32 Cost of Implementation Fee for natural gas costs, excluding wholesale and electric customers that will pay the fee directly as described in section 95201 of the regulation, will be collected from core and non-core customers through PG&E's gas rates and recovered in the Core Fixed Cost Account (CFCA) and the Noncore Customer Class Charge Account (NCA).<sup>10</sup> Gas rates to collect these amounts will be set in the same manner as rates for other transportation revenue. The ARB AB 32 Cost of Implementation Fee for electricity generating facility costs will be collected from bundled electric customers through PG&E's electric generation rate and recovered in the Energy Resource Recovery Account (ERRA).<sup>11</sup> Electric rates to collect these amounts will be set in the same manner as rates for other generation revenue.

**B. SoCalGas Proposal**

SoCalGas proposes to establish the Environmental Fee Balancing Account (EFBA) to record the costs associated with the ARB allocation of its administrative costs. These costs are anticipated to be incurred annually beginning in the third/fourth quarter of 2010. SoCalGas proposes to recover these costs on an equal cents per therm basis (ECPT), excluding wholesale customers and a specific set of large Electric Generators identified by the ARB, in connection

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<sup>10</sup> See PG&E Advice Letter 3094-G/3618-E, February 12, 2010, pp. 3- 4.

<sup>11</sup> *Id.*, p. 4.

with its annual regulatory account update filing. The EFBA shall continue to be in effect until replaced with a new mechanism as authorized by the Commission.<sup>12</sup>

### **C. SDG&E Proposal**

SDG&E proposes to establish the Environmental Fee Balancing Account (EFBA) to record the costs associated with the ARB allocation of its administrative costs which was authorized recoverable by ARB under AB 32. These costs are anticipated to be incurred annually beginning in the third or fourth quarter of 2010. SDG&E proposes to recover these costs that are allocated to gas operations on an equal cents per therm basis (ECPT), excluding a specific set of large Electric Generators identified by the ARB, in connection with its annual regulatory account update filing. SDG&E proposes to record the costs that are allocated to electric operations in the EFBA and address the disposition of the balance in SDG&E's Energy Resource Requirement Account (ERRA) proceeding or other applicable proceeding. The EFBA shall continue to be in effect until replaced with a new mechanism as authorized by the Commission.<sup>13</sup>

### **D. SCE Proposal**

Consistent with Resolution G-3447, it is SCE's intent to include a forecast of the ARB fee in its 2012 GRC revenue requirement request that will be filed later this year. If the Commission approves this Application and also adopts SCE's request in the GRC, SCE will record the ARB fee in the ARBFMA and recover the fee in generation rates until the implementation of the 2012 GRC revenue requirement. As indicated in the Joint Utilities' proposed schedule in Section IX.E, the Joint Utilities seek this Commission decision by the end of November 2010 so that the utilities can recover the costs of the fees in rates no later than

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<sup>12</sup> SDG&E and SoCalGas are proposing to establish in their 2012 General Rate Case, a new balancing account mechanism (i.e., the New Environment Regulation Balancing Account or "NERBA") to record costs associated with certain new and proposed federal and state greenhouse gas (GHG) and Polychlorinated Biphenyls (PCB) programs, including the utilities' allocation of ARB's administrative costs.

<sup>13</sup> See fn. 12.

January 1, 2011. If the Commission adopts SCE's request in this Joint Application to recover the amount of the fee recorded in the ARBFMA, SCE requests to transfer the balance recorded in the ARBFMA to the generation sub-account of the Base Revenue Requirement Balancing Account (BRRBA) for recovery through generation rates on an annual basis.<sup>14</sup>

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<sup>14</sup> Entries recorded in the BRRBA are audited and reviewed in SCE's annual ERRR Review proceeding.

**IV. STATEMENT OF RELIEF AND AUTHORITY SOUGHT**

**A. Estimated Revenue Requirements.**

Table 1 sets forth each of the Joint IOUs’ estimated revenue requirements each year associated with this request (in millions of dollars):

<b>Table 1</b>	2010
PG&E Annual Revenue Requirement (\$ millions)	\$4.8M
CFCA/NCA	\$4.6M
ERRA	\$0.2M
SDG&E Annual Revenue Requirement	\$0.8M
EFBA – gas	\$0.5M
EFBA – electric	\$0.3M
SoCalGas Annual Revenue Requirement	\$4.5M
EFBA	\$4.5M
SCE Annual Revenue Requirement	\$2.4M

**B. Cost Recovery**

In separate compliance advice letters, the Joint IOUs will revise their existing gas and electric cost recovery rates and tariffs to recover the authorized revenue requirements booked to the appropriate accounts based on actual ARB invoiced fees as discussed above, effective upon the date of filing and public noticing of this Application.

## **V. SUMMARY OF REASONS FOR JOINT IOUS' REQUEST AND SPECIFIC AREAS OF INCREASE**

### **A. Reasons for Requested Relief**

The Joint IOUs have provided detailed support for the Application in the discussion above. In addition, this Application is supported by the legal and regulatory requirements and proceedings conducted by ARB to adopt the AB 32 Cost of Implementation Fee regulation, the record, and key documents which are incorporated by reference into this Application.<sup>15</sup> The key reasons for the requested increase in revenue requirements are:

- To fully recover the actual invoiced costs of the ARB's AB 32 Cost of Implementation Fee regulation which are mandated by law; and
- To support the ARB's full implementation of the greenhouse gas emissions reduction measures, programs and policies adopted by the California Legislature in AB 32 and endorsed by the Commission.

### **B. Summary Supporting Increase**

The discussion above provides a summary of the support for the increase in electric and gas rates requested in this Application.

## **VI. COST OF CAPITAL/AUTHORIZED RATE OF RETURN**

The Commission's Rate Case Plan decision requires a utility to "use the most recently authorized rate of return in its calculations" supporting its results of operations presentation.<sup>16/</sup> Because this application includes no capital recovery, but only recovery of ARB fees, this requirement is inapplicable.

## **VII. REVENUES AT PRESENT RATES IN THE RESULTS OF OPERATIONS REPORT**

The Joint IOUs rates and charges for electric and gas service are set forth in their respective electric and gas tariffs on file with this Commission. The Commission has approved these tariffs in decisions, orders, and resolutions. Exhibits A-1, A-2 and A-3 set forth the Joint

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<sup>15</sup> See <http://www.arb.ca.gov/cc/adminfee/adminfee.htm>.

<sup>16</sup> D.89-01-040; 30 CPUC 2d 576, 606.

IOUs' respective present electric and gas rates.

## **VIII. EXHIBITS**

The exhibits in this Application consist of the text and administrative record of the ARB AB 32 Cost of Implementation Fee rulemaking, which are incorporated by reference.<sup>17</sup> The Joint IOUs are not including prepared testimony in support of their Application because they are requesting that the Application be reviewed and approved based on the pleadings, exhibits, and written record, without the need for evidentiary hearings.

## **IX. COMPLIANCE WITH THE COMMISSION'S RULES OF PRACTICE AND PROCEDURE**

### **A. Statutory Authority**

The Joint IOUs file this Application pursuant to Commission Resolution G-3447, Rule 5.2 of General Order 96-B, Sections 451 and 454 of the Public Utilities Code, the Commission's Rules of Practice and Procedure, and prior decisions, orders, and resolutions of this Commission.

### **B. Categorization - Rule 2.1(c)**

The Joint IOUs propose that this Application be categorized as a "ratesetting" proceeding.

### **C. Need for Hearing - Rule 2.1(c)**

The Joint IOUs anticipate that evidentiary hearings will not be needed. The Joint IOUs' proposed schedule is set forth in subsection E, below.

### **D. Issues to be Considered - Rule 2.1(c)**

The principal issues are whether:

1. The proposed revenue requirements to support the requested ratepayer funding of the costs of the ARB AB 32 Cost of Implementation Fee are just and reasonable and the

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<sup>17</sup> See also, attached June 23, 2009 Letter from CPUC Energy Division to Mary Nichols, Chair, ARB explaining that with regards to the recovery of the fee costs, "Energy Division believes that the CPUC can easily accommodate the gas utilities' need to recover the costs of the fee from ratepayers. . . . To the extent the fee results in additional costs to investor-owned utilities, the CPUC will be able to allow them to recover the costs via appropriate regulatory proceedings." (pp. 1-2).

Commission should authorize the Joint IOUs to reflect the adopted revenue requirements in their respective rates.

2. The Joint IOUs have demonstrated that their requested ratepayer funding for recovery of the ARB AB 32 Cost of Implementation Fee is justified because it is legally mandated and non-discretionary and because it supports the State's implementation of greenhouse gas emissions reduction measures and programs under AB 32.

**E. Proposed Schedule – Rule 2.1(c)**

ARB's AB 32 Cost of Implementation Fee regulation provides that ARB will invoice the Joint IOUs and other entities for the first annual fee within 30 days after the Governor signs the fiscal 2010- 2011 State budget. Assuming that a State budget is signed into law sometime this summer or early in September, this means that the Joint IOUs will be invoiced for their first annual fees to ARB as early as September, 2010 and obligated to remit those fees to ARB as early as November, 2010. Therefore, Commission approval of this Application by November 19, 2010 and effective on the date the Application is filed and publicly noticed is essential if the Joint IOUs are to be able to book the costs of the fee to the appropriate balancing accounts for recovery effective when they incur the costs of the fee and then recovered in rates beginning no later than January 1, 2011. For these reasons, the Joint IOUs recommend the following schedule for expedited decision-making, with an emphasis on written pleadings and comments in lieu of evidentiary hearings, and an expedited proposed decision.

File Application	August 2, 2010
Protests and Intervenor Comments Due	September 1, 2010
Reply to Protests and Comments	September 7, 2010
Prehearing Conference	September 13, 2010
Scoping Memo	September 20, 2010
Opening Comments	September 27, 2010
Reply Comments	October 4, 2010
Proposed Decision	October 25, 2010
Opening Comments on Proposed Decision	November 8, 2010
Reply Comments on Proposed Decision	November 12, 2010
Decision	November 19, 2010

In addition, the Joint IOUs request that the Commission immediately approve memorandum accounts for each of the IOUs effective upon the filing and noticing of this Application, so that costs of the fees may be accrued in the memorandum accounts subject to the disposition and outcome of the Commission's consideration of the Application. The requested form of the memorandum accounts for each of the Joint IOUs is included in Exhibits B-1, B-2, and B-3, respectively.

**F. Legal Name and Principal Place of Business – Rule 2.1(a)**

The legal name of the Applicant is Pacific Gas and Electric Company. PG&E's principal place of business is San Francisco, California. Its post office address is Post Office Box 7442, San Francisco, California 94120.

The legal name of Applicant, SDG&E is San Diego Gas & Electric Company. SDG&E is a public utility organized and existing under the laws of the State of California. SDG&E's principal place of business and mailing address is 8306 Century Park Court, San Diego, California, 92123.

The legal name of Applicant, SoCalGas is Southern California Gas Company.

SoCalGas is a public utility organized and existing under the laws of the State of California. SoCalGas is subject to the jurisdiction of this Commission and is engaged in the business of providing public utility gas service in southern and central California. The location of SoCalGas' principal place of business is Los Angeles, California and its address is 555 West Fifth Street, Los Angeles, California, 90013-1011.

The legal name of Applicant SCE is Southern California Edison Company. SCE is a public utility organized and existing under the laws of the State of California. The location of SCE's principal place of business is: 2244 Walnut Grove Avenue, Rosemead, California.

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**F. Correspondence and Communication Regarding This Application - Rule 2.1.(b)**

All correspondence and communications regarding this Application should be addressed to the following individuals at the addresses listed below:

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## **H. Articles of Incorporation – Rule 2.2**

PG&E is, and since October 10, 1905, has been, an operating public utility corporation organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Restated Articles of Incorporation, effective April 12, 2004, is on record before the Commission in connection with PG&E's Application 04-05-005, filed with the Commission on May 3, 2004. These articles are incorporated herein by reference pursuant to Rule 2.2 of the Commission's Rules.

A copy of SDG&E's Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was previously filed with the Commission in connection with SDG&E's Application No. 09-08-019, and is incorporated herein by reference.

A copy of SoCalGas' current Articles of Incorporation, as amended and restated, certified by the California Secretary of State, was previously filed with the Commission in connection with Application 98-10-012, and is incorporated herein by reference.

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 Application No. 06-03-020, and is by reference made a part hereof.

## **I. Balance Sheet and Income Statement - Rule 3.2(a) (1)**

PG&E's current balance sheet and income statement was filed with the Commission in A.10-05-022, and is provided as Exhibit D-1 hereto.

The most recently updated balance sheet and income statement of SDG&E was filed with the Commission in A.10-07-009 and is provided in Exhibit D-2 hereto. The most recently updated balance sheet and income state of SoCalGas was filed with the Commission in A.10-07-006 and is provided in Exhibit D-2 hereto.

The most recently updated balance sheet and income statement of SCE as of March 31, 2010, the most recent period available, was filed with the Commission in A.10-06-017, and is provided as Exhibit D-3 hereto.

**J. Statement of Presently Effective Rates - Rule 3.2(a) (2)**

The presently effective gas and electric rates the Joint IOUs propose to modify are set forth in Exhibits A-1, A-2 and A-3 of this Application, respectively.

**K. Statement of Proposed Changes and Results of Operations at Proposed Rates - Rule 3.2(a) (3)**

The proposed changes in revenues are not in excess of one percent.

**L. General Description of IOUs' Electric and Gas Department Plant - Rule 3.2(a) (4)**

Because this submittal is not a general rate application, this requirement is not applicable.

**M. Summary of Earnings - Rules 3.2(a) (5) and 3.2(a) (6)**

Exhibits C-1, C-2 and C-3 show for their most recent recorded periods, the revenues, expenses, rate bases and rate of return for each of the respective Joint IOUs' Electric and Gas Departments.

**N. Statement of Election of Method of Computing Depreciation Deduction for Federal Income Tax - Rule 3.2(a) (7)**

Because this submittal is not a general rate application, this requirement is not applicable.

**O. Most Recent Proxy Statement - Rule 3.2(a) (8)**

Because this submittal is not a general rate application, this requirement is not applicable.

**P. Type of Rate Change Requested - Rule 3.2(a) (10)**

This proposed change reflects changes in the Joint IOUs' base revenues to reflect the costs the Joint IOUs incur to own, operate and maintain their respective electric and gas plant and to enable the Joint IOUs to provide service to their respective customers.

**Q. Notice and Service of Application – Rule 3.2(b)-(d)**

Within ten (10) days after filing this Application, each of the Joint IOUs will mail a

notice stating in general terms the proposed revenues, rate changes, and ratemaking mechanisms requested in this Application to the parties listed in Exhibits E-1, E-2 and E-3, including the State of California and cities and counties served by the Joint IOUs. The Joint IOUs will each publish in newspapers of general circulation in each county in their service territories a notice of filing of this Application. The Joint IOUs will also include notices with the regular bills mailed to all customers affected by the proposed changes.

**R. Exhibit List and Statement of Readiness**

The Joint IOUs are ready to proceed with this case based on the Application and the facts and data contained in the accompanying exhibits in support of the revenue request set forth in this Application.

**X. REQUEST FOR COMMISSION ORDERS**

The Joint IOUs request that the Commission issue appropriate orders:

1. Finding that, effective upon the date of filing and public noticing of this application, the proposed revenue requirements for the electric and gas distribution function requested in this Application are just and reasonable and that the Joint IOUs may reflect the adopted electric and gas distribution revenue requirements in their respective rates;

2. The Commission as soon as practicable will issue an interim decision authorizing each of the Joint IOUs to establish memorandum accounts and accrue the costs of the ARB's AB 32 Cost of Administration Fee in those memorandum accounts effective upon the date of filing and public noticing of this Application, consistent with the form of tariffs filed with this Joint Application, and subject to subsequent disposition by the Commission of the Joint IOUs' request for cost recovery in this Application; and

3. Granting such additional relief as the Commission may deem proper.<sup>18</sup>

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<sup>18</sup> Counsel for SDG&E, SoCalGas and SCE have authorized counsel for PG&E to execute and file this Joint Application on behalf of the Joint IOUs.

Respectfully Submitted,

CHRISTOPHER J. WARNER

By: \_\_\_\_\_ /s/  
CHRISTOPHER J. WARNER

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Dated: August 2, 2010





