

Docket : A.13-11-003  
Exhibit Number : ORA-06  
Commissioner : Peevey  
ALJ : Darling/Dudney  
Witness : Dunham



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

**Report on the Results of Operations  
for  
Southern California Edison Company  
General Rate Case  
Test Year 2015**

**Power Procurement Costs**

San Francisco, California  
August 4, 2014

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1

## POWER PROCUREMENT COSTS

### 2 I. INTRODUCTION

3 This exhibit presents the analyses and recommendations of the Office of  
4 Ratepayer Advocates (ORA) regarding Southern California Edison Company's  
5 (SCE or Edison) forecasts of operation and maintenance (O&M) expenses for  
6 SCE's Power Procurement Business Unit (PPBU) for Test Year (TY) 2015. The  
7 exhibit also includes ORA's analysis and recommendations for SCE's PPBU  
8 communications equipment capital expenditure requests for 2013-2015.

9 SCE says that the function of its Power Procurement Department is "to provide  
10 safe, reliable and affordable delivery of electricity to SCE's approximately five  
11 million residential and business customer accounts."<sup>1</sup> SCE says that its "Power  
12 Supply Operating Unit (Power Supply) must supplement its utility-owned  
13 generation (which comprises approximately one-quarter of the supply resources  
14 used by SCE) by electricity procured from Independent power producers and  
15 suppliers."<sup>2</sup>

16 SCE's Power Procurement Department consists of four departments  
17 which focus on procuring and managing power to supplement SCE's utility-  
18 owned generation. These departments include: Portfolio Planning and Analysis,  
19 Energy Contracts, Trading and Energy Operations, and Settlements and  
20 Operations Services (collectively, Power Procurement). The Power Procurement  
21 department must meet the electrical needs of customers in addition to meeting  
22 energy related legislative regulatory requirements by implementing energy  
23 resources strategies and plans, managing SCE's electric supply from its utility-

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<sup>1</sup> Ex. SCE-02, Vol. 04, p. 1, line 3.

<sup>2</sup> Ex. SCE-02, Vol. 04, p. 1, lines 4-6.

1 owned generation and power procurement contracts in the wholesale power  
 2 market, and administering SCE's power procurement transactions.<sup>3</sup>

3 Section II of this exhibit presents ORA's summary of recommendations  
 4 and Section III provides a discussion of ORA's analysis.

5 **II. SUMMARY OF RECOMMENDATIONS**

6 The following summarizes ORA's recommendations for SCE (O&M) labor  
 7 and capital expenditures:

- 8 • ORA's accepts SCE's \$39.863 million estimate for power  
 9 procurement business unit labor and non-labor expenses for TY  
 10 2015. (See Table 6-1 below).
- 11 • ORA recommends the Commission use SCE's 2013 recorded  
 12 actual amount of \$0.986 million for communications equipment  
 13 capital and \$1.030 million, and \$1.098 million for 2014 and 2015,  
 14 respectively. ORA's recommendation is below the amount SCE's  
 15 forecast for 2013, 2014, and 2015. (See Table 6-2 below).

16 **Table 6-1**  
 17 **Power Procurement Business Unit Labor/Non-Labor Expenses for TY 2015**  
 18 **(Constant 2012\$, 000)**

Description (a)	ORA Recommended (b)	SCE Proposed <sup>4</sup> (c)	Amount SCE>ORA (d=c-b)	Percentage SCE>ORA (e=d/b)
FERC Account 557	\$39,863	\$39,863	\$0	0%

19  
 20 **Table 6-2**  
 21 **Power Procurement Business Unit Communications Equipment Capital**  
 22 **Expenditures for 2013-2015**  
 23 **(Millions of Nominal Dollars)**

Description	ORA Recommended			SCE Proposed <sup>5</sup>		
	2013	2014	2015	2013	2014	2015
	\$0.986	\$1.030	\$1.098	\$3.45	\$1.78	\$1.84

<sup>3</sup> Ex. SCE-02, Vol. 4, p. 1, lines 7-13.

<sup>4</sup> Ex. SCE-02, Vol. 4, p. 32.

<sup>5</sup> Ex. SCE-02, Vol. 4, p. 43.

1 **III. DISCUSSION / ANALYSIS**

2 This section presents ORA’s discussion and analysis regarding SCE’s  
3 PPBU O&M labor and non-labor expenses and SCE’s PPBU communication  
4 equipment capital expenditures.

5 **A. Power Procurement Business Unit O&M Expenses**

6 Table 6-3 shows SCE’s 2008-2015 recorded and proposed PPBU labor  
7 and non-labor expenses for TY 2015.

8 **Table 6-3**  
9 **Power Procurement Business Unit**  
10 **O&M Labor and Non-Labor Expenditures**  
11 **2008-2015**  
12 **(Constant 2012\$, 000)**

	2008	2009	2010	2011	2012	2015
<b>Labor</b>	28,286	31,938	35,012	34,987	34,672	32,332
<b>Non-Labor</b>	11,022	10,340	11,057	12,641	6,524	7,531
<b>Total labor and Non-Labor</b>	39,308	42,278	46,069	47,628	41,196	39,863

13  
14 SCE calculated Power Procurement Business Unit labor expense using the last  
15 year recorded method after reviewing linear and averaging methods.

16 ORA’s review of SCE’s labor and non-labor expenses for PPBU included  
17 analysis of written testimony, workpapers, trending methodology, data  
18 responses, and verbal communication responses with SCE. SCE was  
19 authorized \$54.8 million in the TY 2012 GRC, and spent only \$41.2 million.<sup>6</sup>  
20 ORA does not dispute SCE’s TY 2015 PPBU forecast, with the exception of  
21 Operational Excellence savings. Operational Excellence forecast savings are  
22 separately addressed in Exhibit ORA-19.

23 **B. Power Procurement Business Unit Capital Expenditures**

24 Table 6-2 compares ORA’s and SCE’s 2013-2015 forecasts of PPBU  
25 communications equipment capital expenditures.

<sup>6</sup> Ex. SCE-02, Vol. 4, p. 34.

1 SCE says it installs specialized communications equipment on every  
2 generation resource in its portfolio in order to operate effectively.<sup>7</sup> This  
3 communications equipment includes, an emergency satellite phone system, to  
4 communicate in an emergency, weather stations located close to wind and solar  
5 generation and additional telemetry for improving metering, monitoring and  
6 control of generation equipment.<sup>8</sup>

7 SCE's communication equipment forecasts are based on historical  
8 spending and estimated equipment costs going forward.<sup>9</sup> After reviewing SCE's  
9 testimony, workpapers, and discovery responses in this area, ORA's concludes  
10 that SCE's 2013 recorded capital expenditures for power procurement  
11 communications equipment is more current and accurate than SCE's forecast of  
12 2013 capital expenditures. Therefore, ORA uses SCE's actual recorded 2013  
13 communications equipment amount of \$0.986 million,<sup>10</sup> and derives its 2014 and  
14 2015 forecasts by adjusting that recorded amount for inflation.<sup>11</sup> ORA's  
15 communications equipment capital expenditure forecast is \$0.986 million for  
16 2013, \$1.030 million for 2014, and \$1.098 million for 2015.

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<sup>7</sup> Ex. SCE 02, Vol. 4, p. 42.

<sup>8</sup> Ex. SCE-02, Vol. 4, Workpaper p. 31, item (7b), detailed description.

<sup>9</sup> Ex. SCE-02, Vol.4, Workpapers p. 31, item (8) Scope.

<sup>10</sup> SCE 2013 recorded actual communications equipment is from SCE's response to DRA (ORA) Verbal Data Request No. 38.

<sup>11</sup>ORA escalation Ex. ORA-4.