PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Legal Division

San Francisco, California
Date: February 24, 2011
Resolution No. L-411

RESOLUTION

RESOLUTION ON THE COMMISSION'S OWN MOTION ESTABLISHING A MEMORANDUM ACCOUNT FOR ALL COST-OF-SERVICE RATE-REGULATED UTILITIES, OTHER THAN CLASS C AND D WATER AND SEWER UTILITIES, TO ALLOW THE COMMISSION TO CONSIDER REDUCING RATES TO REFLECT THE BENEFITS OF THE TAX RELIEF, UNEMPLOYMENT INSURANCE REAUTHORIZATION, AND JOB CREATION ACT OF 2010

BACKGROUND

On December 17, 2010, President Obama signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act Of 2010 ("New Tax Law"). It has come to the attention of the Commission that this law may provide tax relief to the utilities regulated by this Commission. Provisions in the New Tax Law may reduce the utilities' costs of providing service. Many of the utilities regulated by this Commission have their rates set on a cost-of-service basis. These utilities include, without limitation: water and sewer system corporations, small local exchange carrier telephone corporations, gas and electrical corporations, pipeline corporations, and heat corporations.

Among, other provisions, the New Tax Law provides for 100% bonus depreciation on certain business property put into service after September 8, 2010 and before January 1, 2012. The New Tax Law also provides for 50% bonus depreciation for property placed into service thereafter and before January 1, 2013 and for property placed into service in 2013 where construction begins prior to January 1, 2013.

Consistent with the Internal Revenue Code, the Commission's ratemaking procedures do not reflect in rates the full reduction in tax expense in the year in which accelerated depreciation is taken for tax purposes. Rather, rates are set as if depreciation for tax purposes were being calculated on the straight line method over the projected life of the asset (the same depreciation method used for setting rates). Thus, the utility collects in rates taxes that will not need to be paid until a later time, if at all.[1] Nevertheless,

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ratepayers do get a benefit from the accelerated depreciation. This is accomplished through "normalization" and the use of a "deferred tax reserve". The deferred tax reserve for any particular asset reflects the amount of depreciation taken for tax purposes that exceeds the amount used in setting rates. This difference is then multiplied by a tax rate to yield the amount of deferred tax reserve. Thus, for example, if a utility puts into service a new capital asset costing $100,000 with a 10 year service life and takes 100% bonus depreciation and the tax rate is 40%, the corresponding deferred tax reserve at the end of a year will be $36,000 (i.e. the $100,000 depreciation taken for tax purposes, minus the $10,000 taken for ratemaking purposes times 40%.) The combined deferred tax reserve on all of the utility's assets is, in turn, deducted from rate base in calculating the utility's revenue requirement, thus reducing rates.

However, the general rates of cost-of-service utilities are typically reviewed only once every three years. When they are reviewed, the actual amount of the deferred tax reserve is generally reflected in setting new rates. Unless a utility's rates are adjusted for the years between general rates cases (GRCs) in a way that takes account of the actual amount of the deferred tax reserve, the increase in the deferred tax reserve caused by the New Tax Law would not be reflected in rates until after the utility's next GRC. Because the New Tax Law provides for 100% bonus depreciation on qualifying assets put into service after September 8, 2010 and before January 1, 2012 (with 50% bonus depreciation thereafter), and because it may be some time before all of the cost-of-service rate-regulated utilities have their rates adjusted to reflect the amounts actually recorded in their deferred tax reserves, there could be substantial amounts in deferred tax reserves that do not get reflected in rates unless the Commission takes action.

DISCUSSION

The purpose of this resolution:

The purpose of this resolution is to preserve the opportunity for the Commission to decide at a future date whether some of the benefits of the New Tax Law, not otherwise reflected in rates, ought to benefit ratepayers through a decrease in rates, without having to be concerned with issues of retroactive ratemaking.

When a utility begins to experience a large and unexpected increase in costs, it sometimes requests authority from the Commission to establish a memorandum account. As we said in D10-04-031.

> A memorandum account allows a utility to track costs arising from events that were not reasonably foreseen in the utility's

[1] See *City of Los Angeles v. Public Utilities Commission*, 15 Cal. 3d 680, 686 (1975) (for an enterprise that is either expanding or stable, accelerated depreciation does not merely defer taxes, but eliminates them entirely).

> last general rate case. By tracking these costs in a memorandum account, a utility preserves the opportunity to seek recovery of these costs at a later date without raising retroactive ratemaking issues. However, when the Commission authorizes a memorandum account, it has not yet determined whether recovery of booked costs is appropriate, unless so specified.

Here we face the possibility of large and unexpected *decreases* in tax expense. Due to the timing of rate cases, benefits of the tax decrease may not accrue to ratepayers in the same way they would if the tax decrease had been expected. We wish to preserve the opportunity to consider whether some or all of the tax impacts not otherwise reflected in rates should benefit ratepayers, without having to face issues of retroactive ratemaking.

The approach the Commission should adopt to achieve this purpose:

On December 30, 2010, the Commission issued a different version of this draft resolution (the Original Draft Resolution) for comment. The Original Draft Resolution proposed to accomplish the above purpose by making the rates of all cost-of-service rate regulated utilities subject to refund for the limited purpose of allowing ratepayers to benefit, to the extent, if any, the Commission finds reasonable, from tax benefits resulting from the New Tax Law.

In their comments and discussions with Commission staff, the utilities pointed out several disadvantages of this approach, primarily the uncertainty created by the "subject to refund" language. The utilities noted that the purpose of the bonus depreciation provisions of the New Tax Law is to encourage additional capital investment, thereby stimulating employment and the economy. The utilities could use tax savings realized under the New Tax Law to fund additional, needed capital investment not otherwise funded by rates. We concur that this would be a good use of the tax savings. This may be an opportune time to increase capital investment, given decreases in construction costs and the availability of bonus depreciation for plant put into service before 2013. At least some of the utilities intend to use tax savings from the New Tax Law to fund additional, needed capital investment. However, the utilities informed staff that they would be reluctant to do so if some unknown amount of the tax savings were instead needed to fund rate reductions. On the other hand, if utilities realize tax savings and do not use them to increase capital investment, or if the costs of the increased capital investment are covered by other rates, there may still be tax benefits that should benefit ratepayers through a decrease in rates.

In light of these factors, this second version of the draft resolution (the Second Draft Resolution) has been revised to eliminate the subject to refund language. Instead, this Second Draft Resolution uses a memorandum account to track the various benefits and

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costs of the New Tax Law and the increased capital investment it may stimulate that are not otherwise reflected in rates. This approach still permits the Commission to determine at a later date whether some of the benefits of the New Tax Law should benefit ratepayers through a decrease in rates, without having to be concerned about retroactive ratemaking issues. However, this approach replaces the uncertainty of "subject to refund" language with specific calculations that will be contained in a memorandum account, and assures the utilities that if they spend the tax savings on additional, needed capital investment the costs of which will not otherwise be recovered in rates, those additional costs will be offset against amounts that otherwise might be used to reduce rates. As a result, this Second Draft Resolution should not impede the capital investment that the New Tax Law is intended to encourage.

Which utilities should be exempt from having memorandum accounts:

In general, it is appropriate to establish this kind of a memorandum account for all utilities that have their rates set on a cost of service. As noted above, these generally include water and sewer system corporations, small local exchange carrier telephone corporations, gas and electrical corporations, pipeline corporations, and heat corporations. However, we conclude that Class C and D water and sewer corporations should be exempt from this memorandum account requirement. There are two main considerations underlying this conclusion. First, many of these utilities have their rates set using a "rate of margin" (ROM), rather than a rate of return. Because rate of return is not a factor in setting the rates of these ROM utilities, their rates do not change when there is change in rate base. Similarly, a deduction of a deferred tax reserve from rate base would likewise have no impact on rates. Indeed, most of the items that would be tracked in the memorandum account are not relevant to these ROM utilities. Second, Class C and D water and sewer utilities are very small utilities for whom the administrative burden of keeping track of the necessary accounting entries would be an excessive burden, even if their rates are set on a rate-of-return basis.

The details of the memorandum account:

This resolution will establish for each cost-of-service rate-regulated utility, except for Class C and D water and sewer utilities, (collectively the Covered Utilities) a memorandum account to reflect, on a CPUC-jurisdictional, revenue requirement basis, impacts from the New Tax Law. -

The memorandum account will be used to determine whether any future rate reductions are appropriate to reflect impacts of the New Tax Law for the period from the date of this resolution until the effective date of revenue requirement changes in each Covered Utility's next GRC ("Memo Account Period"). The memorandum account will be used by each Covered Utility to track the revenue requirement impacts of the New Tax Law during the Memo Account Period, reflecting on a revenue requirement basis the effects of

the New Tax Law not otherwise reflected in rates. In determining an appropriate revenue requirement adjustment, if any, for the Memo Account Period, the Commission will take into account, and each Covered Utility will record:[2] (a) decreases in its revenue requirement resulting from increases in its deferred tax reserve; (b) offsets to reflect any additional costs or expenses, not otherwise recovered in rates, incurred as a result of additional utility infrastructure investment enabled by the bonus depreciation provisions of the New Tax Law, and (c) amounts to reflect the impacts of any decrease in Section 199 deductions resulting from bonus depreciation taken, changes in working cash resulting from the New Tax Law, and, for energy utilities, any decrease in the tax component of contributions-in-aid-of-construction (CIAC) received due to changes in the tariffed tax component of CIAC to reflect the New Tax Law.

In each Covered Utility's next GRC, or at such other time as ordered in that GRC decision, the Commission will address the disposition of amounts (a) recorded in the memorandum account and (b) forecast for the remainder of the Memo Account Period, and may reflect any net revenue requirement reduction in prospective rates. In any such GRC decision, the Commission may impose measures to ensure that plant forecast to be placed into service during the remainder of the Memo Account Period (made with savings realized from the New Tax Law) is actually placed into service during the Memo Account Period, and if not, that rates will thereafter be reduced to reflect the amount of forecast costs and expenses not actually incurred during the Memo Account Period.

Consistent with standard Commission practice, the recording of the costs of particular utility infrastructure in the memorandum account, or amortization of the memorandum account, will not, in and of itself, substitute for the reasonableness review to which capital investment is normally subject. Utility infrastructure whose costs are recorded in the memorandum account will be subject to reasonableness review in the same manner as other utility capital investments. This reasonableness review may occur in the same GRC in which disposition of the memorandum account is considered, or in another forum.

This memorandum account will be a one-way memorandum account, i.e., it will be available for the Commission to consider *only* whether utility rates should be *reduced* to reflect the tax benefits of the New Tax Law. This memorandum account cannot be used by any Covered Utility to recover any net revenue requirement increase recorded during the Memo Account Period. If, at the end of the Memo Account Period, this memorandum account reflects a net revenue requirement increase, the memorandum account will be terminated without any impact on rates.

The following paragraphs describe in further detail some of the wording we have used above in describing the memorandum account.

[2] Although this resolution refers to amounts "recorded" in the memorandum account, because this is a memorandum account, and not a balancing account, the amounts tracked or recorded in the memorandum account are not recorded in the utilities' financial statements, e.g., in the balance sheet.

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Amounts in the memorandum account will be recorded on a "revenue requirement basis." This means that each utility will be tracking the revenue requirement impact of each change resulting from the New Tax Law and of the additional, needed infrastructure investment enabled by the tax savings resulting from the bonus depreciation provisions of the New Tax Law. This is important, because, consistent with the Internal Revenue Code, the tax savings from accelerated depreciation are not passed through directly to ratepayers, but instead, as explained above, ratepayers benefit through the process of normalization and the creation of a deferred tax reserve that is deducted from rate base. We also ensure that all amounts recorded in the memorandum account will be recorded on a consistent basis by requiring that they all be recorded on a revenue requirement basis.

In several places, we refer to amounts not otherwise reflected or recovered in rates. We use this terminology to exclude costs and expenses recovered through previously authorized rates, e.g., rates set in a prior GRC. We also use it to exclude costs or expenses recovered through rates set after the date of this resolution, e.g., through a balancing account or another memorandum account, or a formal proceeding prior to the utility's next GRC.

Another key, related concept is "additional utility infrastructure investment." By additional utility infrastructure investment we mean investment made possible by the tax savings from the New Tax Law that is in addition to investment otherwise included in rates. For utilities that have an adopted figure for additions to plant in service during the year(s) included within the Memo Account Period, the additional utility infrastructure investment will ordinarily be the amount by which additions to plant in service for that Period exceed the adopted figure for that same Period.[3] For some utilities, the Memo Account Period will include Attrition Year(s) for which there is no specific adopted figure for additions to plant in service. Those utilities may calculate the amount of investment that is included in rates by inflating the Test Year figure for additions to plant in service by the same percentage by which the Attrition Year's revenue requirement exceeds the Test Year's revenue requirement. If a utility without an adopted figure for additions to plant in service during any portion of the Memo Account Period contends that the foregoing methodology inaccurately reflects the amount of plant additions not already included in rates, it may propose an alternative methodology.

We note that additional utility infrastructure investment may have several impacts on revenue requirements, including both depreciation and return on investment. None of

[3] The Memo Account Period will begin in the middle of Test Years or Attrition Years for Covered Utilities. This will at least require some proration of the adopted figure. Furthermore, infrastructure investment may occur in large lumps. Therefore, it may be necessary to look at plant additions during the period(s) immediately preceding the Memo Account Period for a Covered Utility to see how much of the plant additions during the Memo Account Period were actually "additional" to the adopted amount.

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these impacts occur, however, until plant is placed into service. Therefore, for plant that is forecast to be placed into service during a Covered Utility's next GRC Test Year, all of the costs of that additional plant should be reflected in the utility's Test Year rates, and none of them should be recorded in the memorandum account. That will be true even if the cash flow used to fund the construction of the infrastructure comes from tax savings from the New Tax Law.

In their comments on the First Draft Resolution, the energy utilities pointed out that the bonus depreciation afforded by the New Tax Law will decrease their taxable income, and therefore may decrease, or eliminate, the Internal Revenue Code Section 199 Manufacturer's tax deduction that they are entitled to, which is already reflected in their revenue requirements. The utilities also pointed out that the New Tax Law will have impacts on their working cash, an item that is a component of their rate base and therefore also reflected in their revenue requirements. These Section 199 and working cash impacts are specifically mentioned as items to be included in the memorandum account, on a revenue requirement basis. The energy utilities also argued that the New Tax Law will impact their CIAC (contributions-in-aid-of-construction) revenues. Energy utilities are taxed on plant contributed by others, such as real estate developers. Accordingly, when such entities contribute plant to the utility they must also contribute an amount to cover the tax impacts (the tax component of CIAC). This tax component of CIAC is adjusted from time to time to reflect changes in the utilities' taxes. If the energy utilities modify their CIAC tariffs to reflect new effective tax rates resulting from the New Tax Law, it appears that there will then be a decrease in the tax component of the CIAC they receive thereafter. Presumably, there will also be a change in the amount of tax they have to pay on CIAC. The energy utilities are authorized to include these CIAC impacts in their memorandum accounts on a revenue requirement basis and consistent with any requirements of the Internal Revenue Code.

What it means when we establish a memorandum account:

The establishment of a memorandum account does not change rates, nor guarantee that rates will be changed in the future. This mechanism simply allows the Commission to determine at a future date whether rates should be changed, without the impediment of claims of retroactive ratemaking. Thus, all we are determining here is that it may be desirable to adjust the rates of the Covered Utilities to more fully reflect the tax benefits, if any, that these utilities realize from the New Tax Law, while avoiding any issue of retroactive ratemaking. Furthermore, the specific terms of the memorandum account established by this resolution ensure that if the utilities spend the tax savings from the New Tax Law on additional, needed capital investment the costs of which will not otherwise be recovered in rates, those additional costs will be offset against amounts that otherwise might be used to reduce rates.

When advice letters should be filed:

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It will be necessary for the Covered Utilities to file advice letters to incorporate the memorandum account into their tariffs. Rather than requiring each of the Covered Utilities to quickly file such advice letters, we will instead require only the four major energy utilities to file such advice letters within 15 days. Any other Covered Utility may also file such an advice letter within 15 days of the date of this resolution. In addition, any entity that has filed comments on any draft of this resolution may, within 15 days, submit to the Legal Division suggested memorandum account language that would apply to any group of utilities. This should provide a more efficient means for Commission staff to review language that should apply to a class of utilities. In each case, the proposed tariff language should describe in detail the debits and credits that are to be entered into the memorandum account. After consideration of the language submitted by means of advice letters and any suggestions made to the Legal Division, the Commission's Staff, will provide appropriate memorandum account language to each Covered Utility that did not file an advice letter advice letter within 15 days of the date of this resolution. Each of those utilities will then need to file an advice letter incorporating that language within 15 days after Staff sends the memorandum account language. This will result in some delay before advice letters are approved for all of the Covered Utilities. However, this should not be problematic because the memorandum accounts are effective for all Covered Utilities as of the date of this resolution.

COMMENTS ON DRAFT RESOLUTION

Public Utilities Code section 311(g)(1) generally requires draft resolutions to be issued for comment at least 30 days before being voted on by the Commission. However, pursuant to Public Utilities Code section 311(g)(3), the Commission has adopted Rule 14.6(c)(9) of its Rules of Practice and Procedure which permits a reduction in the comment period here. More specifically, Rule 14.6(c)(9) permits the Commission to reduce the 30-day period for public review and comment in circumstances where the public interest in the Commission adopting a resolution before expiration of the 30-day review and comment period clearly outweighs the public interest in having the full 30-day period for review and comment. This resolution does not change utility rates, nor determine that utility rates ought to be changed. It only permits the Commission to consider those issues at a future date, while minimizing retroactive ratemaking concerns. On the other hand, delaying issuance of this resolution to allow for the full 30-day comment period might extend the period of time during which retroactive ratemaking could be a concern. Accordingly, the public interest in adopting this resolution before expiration of a 30 day public comment period clearly outweighs the public interest in allowing for the full 30 day comment period. Accordingly, the First Draft Resolution was issued for comment on December 30, 2010, served on all persons on the attached service list. Consistent with Rule 14.6(c)(9), there was a reduced comment period with comments due on January 7, 2011. Comments were filed by January 7, 2011.

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Most of these comments have been addressed above, or rendered irrelevant in light of our elimination of the "subject to refund" language. However, there are several other subjects raised in the comments that we wish to address.

There were comments to the effect that the Commission had not previously taken action to reduce rates when the Internal Revenue Code was revised to provide for bonus depreciation. We note that utilities often request memo accounts for unexpected increases in expenses between GRCs. However, they do not come to us requesting memorandum accounts or rate decreases when there has been a large and unexpected decrease in expenses between rate cases. We believe that an even-handed approach to regulation requires us to consider, when there has been a large and unexpected decrease in expenses between rate cases, whether it is appropriate to establish a memorandum account to allow for a future decrease in rates. In this case, we believe that the establishment of such a memorandum account is appropriate.

There was also some concern expressed about a need to recalculate the entirety of the utilities' deferred tax reserve. However, there is no need to do so. The bonus depreciation provisions of the New Tax Law only apply to property placed into service after September 8, 2010. Therefore, only the increase in deferred tax reserve resulting from property placed into service after September 8, 2010 needs to be calculated.

Finally, some utilities have expressed concerns regarding potential complexity of refund mechanisms and the need for prompt resolution so they can initiate desired incremental infrastructure spending. We recognize that attempting to precisely reflect all incremental impacts from the New Tax Law and additional infrastructure spending may create unwarranted complexity and controversy. We, therefore, reiterate our overall intent that this memorandum account should not impede the additional capital spending that the New Tax Law was intended to encourage. We understand that this memorandum account will be implemented on a revenue requirement basis using a mixture of forecasted and actual data and will not be a traditional balancing account matching revenues and expense. While we wish to reflect the incremental effects of the New Tax Law and additional spending on infrastructure for ratemaking purposes, we also understand that estimates and simplifying assumptions will be necessary, some of which have been discussed herein. We encourage Commission staff to support additional practicable and workable solutions for memorandum account implementation and to help facilitate expeditious implementation of these new accounts without engaging in a complex re-evaluation of the utilities' GRCs.

In light of the major changes made in the Second Draft Resolution, this Second Draft is being issued for public comment on February 7, 2011, although an additional comment period is not legally required. The Second Draft Resolution will be served on all persons

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served with the Original Draft Resolution. Comments must be received by the Commission by 10 a.m. on February 14, 2011. Commenters who would like changes to the memorandum account, should provide red-lined versions of the Ordering Paragraph(s) they want revised.

FINDINGS AND CONCLUSIONS

1. President Obama signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act Of 2010 ("New Tax Law") on December 17, 2010.
2. The New Tax Law may provide tax relief to the utilities regulated by this Commission. Among other provisions, this law provides for 100% bonus depreciation on certain business property put into service after September 8, 2010 and before January 1, 2012, with 50% bonus depreciation for at least a year thereafter. .
3. The general rates of utilities are typically reviewed only once every three years.
4. While existing ratemaking mechanisms likely will result in ratepayers benefiting from a portion of the tax benefits utilities receive under the New Tax Law, it is not clear that all of the tax benefits resulting from this new law will have an impact on rates under current mechanisms.
5. The Commission should allow for the possibility of revising the rates of the utilities whose rates are set on a cost-of-service basis, so that some or all of the benefits of the New Tax Law not otherwise reflected in rates may accrue to ratepayers, while minimizing issues of retroactive ratemaking.
6. The appropriate method for preserving the opportunity to consider, at a later time, whether some or all of the benefits of the New Tax Law not otherwise reflected in rates should be reflected in rates is to establish a memorandum account.
7. The memorandum account should reflect not only the tax benefits of the New Tax Law, but other resulting changes in the utilities' revenue requirements, including the Section 199 deduction and the tax component of contributions in aid of construction.
8. .So as not to discourage utilities from using the tax savings resulting from the New Tax Law for investment in additional, needed infrastructure, the costs and expenses of that infrastructure not otherwise reflected in rates should also be reflected in the memorandum account.
9. The Commission's overall intent is that this memorandum account should not impede the additional capital spending that the New Tax Law was intended to encourageConsistent with this intent, the Commission understands that estimates and simplifying assumptions will be necessary, some of which have been discussed herein, and encourages staff to support additional practicable and workable solutions for memorandum account implementation and to help facilitate expeditious implementation of these new accounts.

10. Utility infrastructure whose costs are recorded in the memorandum account authorized by this resolution should remain subject to reasonableness review in the same manner as other utility capital investments.
11. Class C and D water and sewer utilities should be exempted from the establishment of this memorandum account.
12. This resolution does not change utility rates, nor determine that utility rates ought to be changed. It only permits the Commission to consider, at a future date, the issue of whether utility rates should be changed as a result of the New Tax Law, while minimizing retroactive ratemaking concerns.
13. Delaying issuance of this resolution to allow for a full 30-day comment period might extend the time during which retroactive ratemaking could be a concern.
14. The public interest in adopting this resolution before expiration of a 30 day public comment period clearly outweighs the public interest in allowing for the full 30 day comment period.

ORDER

1. There is hereby established for each cost-of-service rate-regulated utility, with the exception of Class C and D water and sewer utilities, (collectively the Covered Utilities) a memorandum account to reflect, on a CPUC-jurisdictional, revenue requirement basis, impacts from the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act Of 2010 ("The New Tax Law").
2. This memorandum account shall track on a revenue requirement basis the impacts of the New Tax Law not otherwise reflected in rates during the period starting on the date of this resolution until the effective date of revenue requirement changes in each Covered Utility's next General Rate Case ("Memo Account Period"). Each Covered Utility shall record in this memorandum account: (a) decreases in its revenue requirement resulting from increases in its deferred tax reserve; (b) offsets to reflect any additional costs or expenses, not otherwise recovered in rates, incurred as a result of additional utility infrastructure investment enabled by the bonus depreciation provisions of the New Tax Law; and (c) amounts to reflect the impacts of any decrease in Section 199 deductions resulting from bonus depreciation taken, changes in working cash resulting from the New Tax Law, and, for energy utilities, any decrease in the tax component of contributions-in-aid-of-construction (CIAC) received due to changes in the tariffed tax component of CIAC to reflect the New Tax Law.
3. This memorandum account shall be used in determining whether any future rate reduction is appropriate to reflect impacts of the New Tax Law during the Memo Account Period for each Covered Utility. This memorandum account shall not be

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used to recover any net revenue requirement increase recorded during the Memorandum Account Period. If, at the end of the Memo Account Period, this memorandum account reflects a net revenue requirement increase, the memorandum account shall be terminated without any impact on rates.

4. In each Covered Utility's next General Rate Case (GRC), or at such other time as ordered in that GRC decision, the Commission shall address the disposition of amounts (a) recorded in the memorandum account and (b) forecast for the remainder of the Memo Account Period, and may reflect any net revenue requirement reduction in prospective rates. In any such GRC decision, the Commission may impose measures to ensure that plant forecast to be placed into service during the remainder of the Memo Account Period is actually placed into service during the Memo Account Period, and if not, that rates will thereafter be reduced to reflect the amount of forecast costs and expenses not actually incurred during the Memo Account Period.
5. Utility infrastructure whose costs are recorded in the memorandum account authorized by this resolution shall remain subject to reasonableness review in the same manner as other utility capital investments.
6. Within 15 days of the date of this resolution, Pacific Gas &Electric, Southern California Edison, Southern California Gas, and San Diego Gas & Electric shall, and any other Covered Utility may, file an advice letter to add a memorandum account to its tariffs consistent with the requirements of Ordering Paragraphs 1, 2, and 3, above. The proposed tariff language shall describe in detail the debits and credits that are to be entered into the memorandum account.
7. Within 15 days of the date of this resolution, any entity that has submitted comments on any draft of this resolution may submit to the Legal Division a draft of tariff language for any group of Covered Utilities that it thinks is appropriate to implement Ordering Paragraphs 1, 2, and 3, above.
8. After consideration of the advice letters and submissions made pursuant to Ordering Paragraphs 6 and 7 above, the Commission's Staff shall provide appropriate tariff language to implement Ordering Paragraphs 1, 2, and 3, above, to each Covered Utility that does not file an advice letter pursuant to Ordering Paragraph 6 for that utility to file within 15 days after Staff sends the tariff language.
9. The Legal Division shall serve a copy of this resolution, by mail or e-mail, on all cost-of-service rate-regulated utilities and any additional persons who submitted comments on the draft resolution.
10. The effective date of this order is today.

I certify that this Resolution was adopted by the California Public Utilities Commission at its regular meeting of February 24, 2011, and that the following Commissioners approved it:

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PAUL CLANON
Executive Director

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