

Application No.: R.13-09-011
Exhibit No.: SCE-01
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(U 338-E)

***DIRECT TESTIMONY OF SOUTHERN
CALIFORNIA EDISON COMPANY***

Before the
Public Utilities Commission of the State of California

Rosemead, California
May 6, 2014

DIRECT TESTIMONY OF SOUTHERN CALIFORNIA EDISON COMPANY

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1 expenses associated with the AMP contracts approved in D.13-01-024. To the extent energy dispatched
2 is associated with a DR capacity contract, any energy payments made will be recorded in the ERRA
3 balancing account.

4 **C. Cost Recovery Policy and Fairness Issues**

5 ***Q: Should the current cost recovery policy be changed? Please describe your proposed***
6 ***alternate cost recovery methods for the Supply Resource and Load Modifying Resource demand***
7 ***response programs in the future?***

8 *SCE Response:*

9 The current DR cost recovery policy adopted for SCE is sufficient to achieve equitable
10 cost allocation of the DR revenue requirements and does not need to be changed. SCE applies a cost-
11 causation principle to recover the costs for its DR programs. Costs for DR programs are recovered only
12 from those customers that are eligible for the programs. The costs for DR programs for which only
13 bundled service customers are eligible are recovered in Generation rates to avoid allocating the costs of
14 those programs to DA customers. The costs for DR programs for which both bundled and DA
15 customers are eligible are recovered in Distribution rates so that all eligible customers incur the costs of
16 the programs.

17 SCE does not propose an alternate cost recovery method for bifurcated DR programs in the
18 future. If the Commission decides to pursue a change in DR cost recovery policy as a result of
19 bifurcation, any change in policy should be based on the specific costs for which the utility is seeking
20 recovery and should be specific to each utility funding application. The Commission should refrain
21 from establishing a strict method for DR costs and thereby prejudge all future DR applications.

22 While SCE does not recommend any modifications to the currently adopted DR cost recovery
23 structure, once a bifurcated program structure is implemented and all issues in this proceeding are
24 resolved, modifications to the existing cost recovery mechanisms may be necessary. For example, if
25 SCE is procuring a Supply Resource from a third-party provider that offers its service to *all* types of
26 customers, SCE may need to modify its cost recovery approach and apply costs only through Generation
27 rates because the Supply Resource would be treated as an offset to Generation. SCE would also be

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1 eligible for the full RA counting because the cost of the resource is only recovered through bundled
2 customers (i.e., no allocation of the RA counting should be provided to other load-serving entities
3 (LSEs)).

4 ***Q: Are there fairness issues that the Commission should consider for Commission-regulated***
5 ***utilities and other Load Sharing Entities? Please describe these issues in detail, with specific***
6 ***recommendations for resolving and/or avoiding these issues.***

7 *SCE Response:*

8 SCE does not have fairness issues related to DR cost recovery to raise at this time.

9 **C.D. Back-Up Generators**

10 The purpose of this section is to provide SCE's responses to the questions posed on the use of
11 fossil-fueled back-up generators by DR participants in the Testimony Guidance Document attached to
12 the Revised Scoping Memo.

13 ***Q: In D.11-10-003, Ordering Paragraph No. 3, the Commission adopted a policy statement***
14 ***that any demand response program, whether operated by a Commission-regulated Utility or another***
15 ***entity, that uses fossil-fueled emergency back-up generation (BUG) for demand reduction should not***
16 ***count towards resource adequacy obligations for any Commission-jurisdictional load shedding entity.***
17 ***Provide your understanding of the status of the Utilities' compliance with this policy statement.***

18 *SCE Response:*

19 OP 3 of D.11-10-003 did not establish a policy related to whether DR programs that use back-up
20 generation (BUG) for demand reduction should count towards RA obligations. In fact, OP 3 required
21 the IOUs to consult with Energy Division Staff to "identify data on how customers intend to use back-up
22 generation and identify the amount of [DR] provided by back-up generation when enrolling new
23 customers in, or renewing, [DR] programs."⁴⁴ The Discussion section of D.11-10-003, however, adopts
24 as a policy statement that "any [DR] program, whether operated by an IOU or non-IOU, that uses back-

⁴⁴ D.11-10-003, OP 3, p. 34.