

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 29, 2017

Advice Letters 3250-E and 3250-E-A

Russell G. Worden
Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, CA 91770

**SUBJECT: Implementation of Affiliate Transaction Rules with Respect to the
Creation of New Affiliates**

Dear Mr. Worden:

Southern California Edison Company's Request for Commission Review of Disposition regarding Advice Letters 3250-E and 3250-E-A is withdrawn per withdrawal letter dated February 8, 2017.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Director, Energy Division

February 8, 2017

Energy Division Tariff Unit
California Public Utilities Commission
505 Van Ness Avenue, Fourth Floor
San Francisco, CA 94102

Re: Withdrawal of SCE Advice 3250-E and 3250-E-A

Dear Energy Division Tariff Unit:

On December 18, 2015, the California Public Utilities Commission's Energy Division issued a disposition letter ("Letter") concerning Southern California Edison Company's ("SCE's") Advice 3250-E and supplemental submission 3250-E-A. On December 28, 2015, SCE requested Commission review of the Letter as it pertains to Edison Water Resources ("Edison Water"). To SCE's knowledge, the Commission has not taken any action with regard to SCE's request for review.

As indicated below, SCE now moves to withdraw that request for review, based on changed factual circumstances. In sum, Edison Water is winding down operations and selling its assets. Edison Water no longer offers any products or services of any kind, and will cease all activity upon completion of the sale.

I. BACKGROUND

Many of the provisions and restrictions of the California Affiliate Transaction Rules ("ATRs") only apply when the utility's affiliate is "engag[ed] in the provision of a product that uses electricity or the provision of services that relate to the use of electricity."¹ Such affiliates are commonly referred to as "covered affiliates." There are many restrictions on interactions with covered affiliates that do not apply to other affiliates.

SCE submitted Advice 3250-E on July 28, 2015. This advice filing provided notice to the Commission of the creation of two new affiliates, Edison Water and SoCore MW Development, LLC, and indicated that Edison Water was not a covered affiliate. On October 23, 2015, SCE supplemented Advice 3250-E with 3250-E-A. This supplemental advice filing provided additional information supporting SCE's position that Edison Water should not be covered by the ATRs.

As discussed in SCE's December 28, 2015 request for review, Commission Staff concluded in the Letter that Edison Water should be considered a covered affiliate

¹ See ATR II.B.

because Edison Water will use electricity to operate equipment that is used to provide water services. SCE respectfully requested Commission review of the Letter pursuant to section 7.7.1 of General Order 96-B, and presented legal and factual arguments demonstrating that the Letter's conclusion is incorrect.

II. WITHDRAWAL OF REQUEST FOR REVIEW

SCE now withdraws its request for Commission review of the Letter, based on changed factual circumstances. Edison Water is now winding down as a business, and no longer offers any products or services of any kind. It is anticipated that there will be no further activity on the part of Edison Water. These changed factual circumstances have essentially mooted SCE's request for review.

In withdrawing its request for review, SCE does not waive or concede any of the arguments it presented in the request for review, and SCE reserves its right to seek Commission review if similar circumstances arise in the future.

Thank you for your attention to this item.

Sincerely,

/s/ Russell G. Worden
Russell G Worden

RGW:kv:jm

cc: SCE's GO 96-B service list
Edward Randolph, CPUC Energy Division

STATE OF CALIFORNIA
Edmund G. Brown Jr., Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 18, 2015

Southern California Edison Company
Attn: Russell G. Worden
Managing Director, State Regulatory Operations
8631 Rush Street
Rosemead, California 91700

Attn: Michael R. Hoover
Director, State Regulatory Affairs
c/o Karyn Gansecki
601 Van Ness Avenue, Suite 2030
San Francisco, California 94120

Re: Southern California Edison Advice Letter 3250-E and 3250-E-A

Dear Mr. Worden and Mr. Hoover:

The Energy Division staff has reviewed the above mentioned Advice Letters. In Advice Letter 3250-E, SCE notifies the Commission of the creation of two affiliates: (1) SoCore MW Development, LLC (SoCore) and (2) Edison Water Resources (EWR). In Advice Letter 3250-E, SCE states that the Affiliate Transaction Rules apply to SoCore but do not apply to EWR. Staff agrees with SCE's assessment that SoCore is subject to the Affiliate Transaction Rules but disagrees with SCE's assessment for EWR. Therefore, Energy Division rejects Advice Letter 3250-E and 3250-E-A for the reasons discussed below.

In Decision (D.) 97-12-088, the Commission held under Rule II(B) of the Affiliate Transaction Rules that utility affiliates are subject when affiliates are engaged in the provisions of a product that uses electricity or the provision of services that relate to the use of electricity.¹ SCE states that EWR will "not be engaged in the provisions of a product that uses electricity or a service that relates to the use of electricity" and is thus, not subject to the Affiliate Transaction Rules.² Energy Division staff disagrees. In Advice Letter 3250-E-A, SCE states that EWR, when operating at full capacity, will use 10MWh of electricity a day. At best, that amounts to 70MWh of electricity per week which is, as SCE states, "equivalent to the customer usage of an average-sized grocery store."³ In order to operate and perform its essential function as a desalination facility, EWR must use electricity to provide water for its intended markets – governmental and municipal water districts. Consequently, EWR is subject to the Affiliate Transaction Rules.

Energy Division's action here furthers the Commission's objective for the Affiliate Transaction Rules: to prevent cross-subsidization.⁴ This may include anticompetitive self-dealing, information sharing between

¹ D.97-12-088, Appendix A-3, Rule 2(B)

² Advice Letter 3250-E, page 2.

³ Advice Letter 3250-E, page 2.

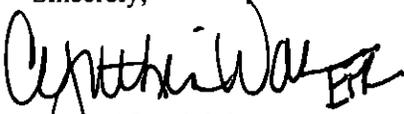
⁴ D.97-12-088, page 12.

SCE and EWR, and subjecting SCE consumers to subsidizing EWR's operation.⁵ Energy Division must prevent these potential harms that may arise without the screen of the Affiliate Transaction Rules.⁶

SCE shall refile its advice letter and subject both SoCore and EWR to these rules.

If you have any questions, please contact Colin Rizzo at (415) 703-1748 or colin.rizzo@cpuc.ca.gov.

Sincerely,



Edward Randolph
Director-Energy Division
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
(415) 703-2083

Cc: CPUC, ED Tariff Unit, 505 Van Ness Ave., 4th Floor, San Francisco, CA, 94102
EDTariffUnit@cpuc.ca.gov

⁵ D.97-12-088, page 12.

⁶ To be sure, the Affiliate Transaction Rules allow for broad coverage. Rule II(B) also stipulates that the Affiliate Transaction Rules may apply to an affiliate "whether or not they engage in the provision of a product that uses electricity or the provision of services that relate to the use of electricity." (D.06-12-029, Appendix A-3, Rule 2(B), page 3.)

October 23, 2015

ADVICE 3250-E-A
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Supplement to Advice 3250-E, Implementation of Affiliate Transaction Rules With Respect to the Creation of New Affiliates

In accordance with Affiliate Transaction Rule (Rule) VI.B adopted in Decision (D.) 97-12-088, Appendix A, dated December 16, 1997, as modified by D.06-12-029 dated December 14, 2006, Southern California Edison Company (SCE) submitted Advice 3250-E on August 28, 2015. SCE did so to provide notice to the California Public Utilities Commission (Commission) of the creation of two new affiliates, Edison Water Resources and SoCore MW Development LLC.

PURPOSE

The purpose of this advice filing is to supplement Advice 3250-E and provide additional information supporting its claim that Edison Water Resources is not covered by the Affiliate Transaction Rules. These changes are made in accordance with General Order (GO) 96-B, General Rules 7.5.1, which authorizes utilities to make additional changes to an Advice filing through the filing of a supplemental advice letter.

This advice filing supplements in part and will not change the substance of the original Advice 3250-E.

One affiliate, SoCore MW Development LLC, listed in Attachment A will be considered a Class A affiliate of SCE because it will be engaged in the provision of a product that uses electricity or a service that relates to the use of electricity. The other affiliate, Edison Water Resources, listed in Attachment A will be considered a Class B affiliate of SCE because it will not be engaged in the provision of a product that uses electricity or a service that relates to the use of electricity. As discussed below, even though water desalination and wastewater recycling use electricity in the process of treating the water, such usage is secondary and not related to the service being delivered.

DESCRIPTION OF EDISON WATER RESOURCES

As a result of the continuing drought in California, there is a need to develop new sources of local water supplies and implement more efficient water systems. Edison Water Resources intends to develop, own and/or operate distributed desalination facilities and provide water recycling systems for governmental and municipal water districts and other customers within their own property boundaries and/or connecting to public infrastructure. Edison Water Resources will not be a manufacturer of equipment. It will rely on other companies to provide the required equipment and technology. Edison Water Resources is a start-up company which has not yet entered into an agreement to sell water or water treatment services at this time.

Edison Water Resources intends to sell water and/or sell water treatment services from small, efficient, distributed desalination units primarily to municipal water districts in need of new water supplies. This environmentally-friendly approach allows water districts to access a new, local, drought-independent source of water that reduces their reliance on imported water. Edison Water Resources will employ its patent-pending process to use small-scale, proven and reliable desalination units to treat water needed by its water district customers. In some cases, Edison Water Resources will treat the water to potable standards and deliver the water to water districts. These districts will in turn deliver the water to their retail customers. In other cases, the treated water will be used by the water districts to manage groundwater basins.

Each well requires a wellhead pump and a small desalination unit. The typical distributed desalination unit is about the size of a 40-foot shipping container. Each typical well is expected to produce approximately 1,100 acre-feet of water per year and is anticipated to cost a few million dollars installed. When operating at full capacity, the pump and desalination unit use less than 10 MWh of electricity each day. This is approximately equivalent to the customer usage of an average-sized grocery store.

Distributed, onsite wastewater recycling helps customers reduce their potable water use, reduce sewer flows and help meet California's goals to reduce water usage during the drought. Edison Water Resources plans to recycle water using small, onsite wastewater recycling systems, for commercial, multi-family, municipal, hospital, or university complexes. This recycled water can be used for landscape irrigation, cooling, toilet flushing, or other non-potable uses.

At each customer site, Edison Water Resources plans to install a distributed water recycling system utilizing membrane bioreactor technology to treat wastewater in accordance with California's Title XXII standards for recycled water or the applicable equivalent standard, depending on the jurisdiction. The system captures wastewater flows before they reach the municipal sewer system. Then, the wastewater passes through a filter screen and enters the membrane bioreactor, where a combination of aerobic, anoxic and physical filtration processes remove most contaminants. Finally, the water is dosed with UV rays and a small amount of chlorine in order to meet applicable water quality standards.

The recycled water is then delivered to various locations at the customer's facility for non-potable uses via a dedicated distribution system of purple-colored pipes which maintain separation between potable and recycled water. The typical distributed wastewater recycling unit is about the size of a 40-foot shipping container. Each typical wastewater recycling unit is expected to produce approximately 170 acre-feet of treated water per year and is anticipated to cost a few million dollars installed. When operating at full capacity, the membrane bioreactor and associated pumps use around 0.4 MWh of electricity each day. This is equivalent to the customer usage of approximately 15 single family-sized homes.

Edison Water Resources' business model is to provide water treatment services to municipal water agencies or other commercial customers within their site boundaries and/or connecting to public infrastructure. Edison Water Resources initially intends to help customers throughout California, without emphasis on the territory of any specific water or electrical utility service provider. Edison Water Resources may expand beyond California in the future.

The product that Edison Water Resources plans to sell is water and/or the services it plans to provide is water treatment, rather than the sale of electricity or a service directly related to the use of electricity. Accordingly, SCE has proposed in this Advice filing that Edison Water Resources does not meet the applicability requirements set forth in Affiliate Transaction Rule II.B and thus the Affiliate Transaction Rules do not apply to transactions between SCE and Edison Water Resources.

Currently, Edison Water Resources does not anticipate adding the required equipment to directly use the waste from its wastewater recycling systems to generate electricity. If Edison Water Resources changes its business model to directly use the waste from its wastewater recycling units to generate electricity, SCE will resubmit an Advice Letter to the Commission reclassifying Edison Water Resources as covered by the Affiliate Transaction Rules.

TIER DESIGNATION

Pursuant to GO 96-B, Energy Industry Rule 5.1, this advice letter is submitted with a Tier 1 designation, which is the same Tier designation as the original filing, Advice 3250-E.

EFFECTIVE DATE

This supplemental advice filing will become effective on the same day as the original filing, Advice 3250-E, which is July 28, 2015.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be submitted to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Russell G. Worden
Managing Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Michael R. Hoover
Director, State Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5544
E-mail: Karyn.Gansecki@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and must be received by the deadline shown above.

In accordance with General Rule 4 of GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B service list. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-4039. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing at SCE's corporate headquarters.

To view other SCE advice letters filed with the Commission, log on to SCE's web site at <https://www.sce.com/wps/portal/home/regulatory/advice-letters>.

For questions regarding this advice letter, please contact John Quinlan at (626) 302-4835 or by electronic mail to John.Quinlan@sce.com.

Southern California Edison Company

/s Russell G. Worden
Russell G. Worden

RGW:jq/lt:jm
Enclosures

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Darrah Morgan

Phone #: (626) 302-2086

E-mail: Darrah.Morgan@sce.com

E-mail Disposition Notice to: AdviceTariffManager@sce.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
 PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 3250-E-A Tier Designation: 1

Subject of AL: Supplement to Advice 3250-E, Implementation of Affiliate Transaction Rules With Respect to the Creation of New Affiliates

Keywords (choose from CPUC listing): Compliance, Affiliate

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.97-12-088 and D.06-12-029

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: _____

Summarize differences between the AL and the prior withdrawn or rejected AL: _____

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement.

Name and contact information to request nondisclosure agreement/access to confidential information:

Resolution Required? Yes No

Requested effective date: 7/28/15 No. of tariff sheets: -0-

Estimated system annual revenue effect: (%): _____

Estimated system average rate effect (%): _____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

¹ Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Russell G. Worden
Managing Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Michael R. Hoover
Director, State Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5544
E-mail: Karyn.Gansecki@sce.com