SOUTHERN CALIFORNIA
EDISON

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2015 ANNUAL REPORT
OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)

ON SUBSIDIARY, AFFILIATE, AND
HOLDING COMPANY TRANSACTIONS
IN COMPLIANCE WITH R.92-08-008,
ORDERING PARAGRAPH NO. 2

VOLUME II

2015 ANNUAL REPORT OF
SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)
ON SUBSIDIARY, AFFILIATE, AND HOLDING COMPANY TRANSACTIONS
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ORDERING PARAGRAPH NO. 2

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(Affiliate Compliance Manual) i

1. Affiliate Compliance Manual

REQUIREMENT B, PART 1

PROCEDURAL & ACCOUNTING SAFEGUARDS
(AFFILIATE COMPLIANCE MANUAL)

SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)

RESPONSE TO ORDER INSTITUTING RULEMAKING R.92-08-008

2015

Q. II.B.1. Each utility shall submit to the Commission a description of the procedures and controls in effect during the period covered by the annual report, as well as copies of any guidelines and/or policies in effect during the period covered by the annual report that relate to any transaction between a utility and any of its affiliated entities and that are used to ...

A. II.B.1. See Attached.

SOUTHERN CALIFORNIA
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Affiliate Compliance Manual

A Handbook for Employees Regarding Compliance with the CPUC Affiliate Rules

With Additional Information Regarding:

FERC Standards of Conduct
FERC Affiliate Restrictions
SCE Affiliate Policies
SCE Holding Company Conditions

SCE REGULATORY OPERATIONS

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Chapter 1. Introduction

This manual incorporates the current rules and policies that govern transactions between Southern California Edison (SCE) and its parent company, Edison International (EIX) as well as between SCE and other EIX companies. As used in this manual, both EIX and the EIX companies other than SCE are referred to collectively as "affiliates." (See Chapter 2 for a more precise definition of this term.)

Purpose of This Manual

This manual, which supersedes EIX's *Policies and Guidelines for Affiliated Company Transactions (PGACT) Manual,* is designed primarily as a day-to-day guidebook for employees of SCE with responsibility for overseeing compliance with the affiliate rules. It is designed to gather, in one document, the body of rules pertaining to affiliate transactions, to provide examples of how each rule is implemented, to inform readers of appropriate procedures to be followed regarding individual rules, and to direct readers to the appropriate organizational contacts for further rule interpretation. While this manual is designed to be as comprehensive as possible, it is not intended to include all known information regarding affiliate transactions. While this manual may, on occasion, be useful in explaining to SCE's regulators how a particular rule is implemented, regulators are a secondary audience for a manual intended primarily to address *employees'* needs for information.

What This Manual Covers

From time to time, the California Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission (FERC) have established rules defining how transactions between electric utilities and their affiliates must be conducted. Generally, these rules have been adopted in order to prevent regulated monopoly distribution and transmission utilities—such as SCE—from using their resources to provide an unfair competitive advantage to their non-utility affiliates.

Not all of SCE's affiliates are subject to the same rules. Some of the rules and policies in this manual pertain to most affiliates, while others may affect transactions with a smaller set of affiliates. Each rule and policy identifies the set of affiliates to which it applies. This introduction describes this identification system and explains how the manual is arranged.

The Basic Elements – Rules and Policies

"Rules," as used in this manual, refers to regulations related to affiliate transactions that have been adopted by the CPUC or the FERC. "Rules" refers only to instructions or regulations adopted by a regulatory body. Where the text in this manual quotes, verbatim, the Affiliate Transaction Rules (ATRs), such text will be *italicized*. As referenced in this manual, the term "Policies" refers to governing statements and requirements established internally by SCE or EIX. Each Policy is explicitly tied to the implementation of an adopted Rule and is designed

merely to further clarify SCE's understanding and implementation of an existing Rule. Frequently, these Policies further define the applicability of Rules to specific circumstances.

Each set of adopted Rules is reproduced in Appendices A through E of this manual—including the original numbering and order as it appeared when adopted. Appendices F through H are SCE's Affiliate Policies. SCE's Affiliate Policies are internal supplemental guidelines that SCE and EIX have established to ensure that affiliates are not provided preferential treatment as it relates to energy procurement transactions. Appendix I of this manual contains various forms, tables, and matrices that are referenced throughout this manual. For ease of reference and discussion, Chapters 3 through 17 intersperse the various Rules and re-arrange the entire body by topic. Typically, Rules are reproduced in Chapters 3 through 17 verbatim—i.e., using the text of the Rule as adopted. Occasionally, minor changes have been made to clarify that the Rule applies to SCE (for example, where an original Rule says "the utility shall," the Rule as it appears in Chapters 3 through 17 may say "SCE shall").

Brief Historical Background

For most of its history, SCE did not have a "parent" company or "non-utility" affiliates. This changed in 1988 when a "holding company" was created. Originally called SCEcorp, the holding company's name was changed to Edison International (EIX) in 1996. At the time the holding company was formed, SCE's first non-utility affiliates were established to perform operations that were not related to the utility's (then) core functions of generation, transmission, and distribution. These were Mission Energy (now Edison Mission Energy), Mission First Financial (now Edison Capital), and Mission Power Engineering (now inactive).

Holding Company Proceeding

When the CPUC approved this holding company structure, it established certain conditions to ensure that transactions between SCE and its holding company, and between SCE and its other affiliates, were appropriately priced and reported. Many of these conditions, which were set forth in D.88-01-063, survive today. (See Appendix E of this manual for a complete list of the holding company conditions). SCE's Holding Company Proceeding was A.87-05-007.

Annual Reporting Requirements

In 1992, the CPUC established a requirement for all energy and telecommunications utilities to report annually on their affiliate transactions. The CPUC required that all such annual reports be in a consistent format and include the same types of information. Toward that end, CPUC R.92-08-088 describes in great detail the contents of these annual reports, which cover a calendar year period and are filed on May 1 of each succeeding year. Early in 1993, the CPUC modified several of the Rules and re-issued the entire set of requirements in D.93-02-019, which are sometimes referred to as the Interim Reporting Requirements. It is this later set of Rules, reproduced in Appendix D, that guide the Affiliate Compliance Office (ACO) in preparing our annual report.

QF Settlement Decision

In 1993, the CPUC adopted D.93-03-021 (the "QF Settlement Decision"), which set forth certain standards for the interaction between SCE and qualifying facilities (QFs) in which the

holding company and its subsidiaries have an interest. The provisions of Chapter 8 of this manual are, in part, a result of D.09-03-021.

FERC Standards of Conduct (SOC)

This manual is not intended to cover the FERC SOC Procedures. A complete list of the FERC SOC, with interpretations and implemented controls, processes and procedures related to compliance with the FERC Standards of Conduct can be found on Portal under Org Units, Regulatory Compliance, Affiliate Compliance/FERC Standards of Conduct

In 1996, as part of its decision that set forth requirements for open access to the nation's transmission grid, the FERC established standards to ensure that potential customers of open access transmission service (i.e., wholesale customers) receive non-discriminatory access to that capacity through the timely release of information held by the utility. FERC Order 889 adopted requirements for utilities to post information about their transmission systems on an electronic bulletin board called the Open Access Same-Time Information System (OASIS). These requirements were modified early in 1997 by FERC Order 889-A, and adopted by FERC Order 2004 in November 2003.

From October 2008 through April 2010, FERC Orders 717, 717-A, 717-B, and 717-C adopted a series of reforms to the Standards of Conduct for transmission providers that simplified and strengthened the rules. The reforms were designed to foster compliance and facilitate FERC enforcement. The three primary rules of the FERC SOC are the independent functioning rule, the no-conduit rule, and the transparency rule. The independent functioning rule requires transmission function and marketing function employees to operate independently of each other. The no-conduit rule prohibits passing non-public transmission function information to market function employees. The transparency rule imposes posting requirements to help detect any instances of undue preference. The resulting FERC SOC rules appear in Appendix C of this manual.

FERC Affiliate Restrictions (previously Codes of Conduct)

In June 2007, FERC Order No. 697 revised the standards for obtaining and retaining market-based rates for public utilities. In Order No. 697, the FERC stated that there is a need to have restrictions in place to prevent the transfer of benefits from captive customers to stockholders through a company's market-regulated power sales business. The Commission also recognized a need for uniformity and consistency; therefore, FERC also adopted uniform "Affiliate Restrictions". The Affiliate Restrictions govern the relationship between a franchised public utility with captive customers and its market-regulated power sales affiliate(s). The FERC Affiliate Restrictions are provided in Appendix D of this manual.

1997 Affiliate Transaction Rulemaking/Investigation

The CPUC opened a proceeding in the spring of 1997 to establish a new set of affiliate transaction rules that would be applicable to all energy utilities in California (Order Instituting Rulemaking (OIR) 97-04-011/Order Instituting Investigation (OII) 97-04-012). The intent of this proceeding was to establish rules that would encourage competition in the early years of direct access (deregulation) in California and that would prevent a utility's affiliates from being advantaged or disadvantaged in the new marketplace. The CPUC also sought to standardize affiliate rules, because each utility had previously operated under somewhat different rules. The CPUC's Rules were issued in D.97-12-088 and were revised most recently by D.06-12-029. This is the most comprehensive set of affiliate transaction rules established to date – although even these Rules do not supplant all of the regulations

previously established for SCE. Throughout this manual these rules are referred to as the Affiliate Transaction Rules or ATRs.

In August 1998, in D.98-08-035, the CPUC revised several of the rules in response to various petitions filed by several utilities, including SCE. In September 1999, the CPUC modified the text of Rules I.G and II.A in ways that do not affect those Rules' applicability to SCE (D.99-09-002). In April 1998 (D.98-04-029), November 1998 (D.98-11-027), and February 2002 (D.02-02-046), the CPUC clarified or modified certain provisions of Rule V.F.1.

Complaint and Penalty Proceeding

In April 1998, the CPUC opened R.98-04-009 to establish complaint procedures and penalties for noncompliance with the established ATRs. In December 1998, the CPUC adopted those Rules in D.98-12-075 and appended them to the Rules established by D.97-12-088 and D.98-08-035.

Limited Exemptions

In April 1999 (D.99-04-069), the CPUC granted exemptions to Rule V.F.1 in four limited situations. In May 1999 (D.99-05-034), the CPUC clarified its interpretation of Rule IV.E as it relates to the utility's ability to respond to customers complaining about their Energy Service Providers. Neither of these decisions altered the text of any adopted Rule. In September 1999, the CPUC shortened the required disclaimer under Rule V.F.1 for San Diego Gas & Electric and SoCal Gas, but not for SCE (D.99-09-033). In February 2002 (D.02-02-046), the CPUC allowed other utilities and their affiliates to use the shortened disclaimer, where required.

Non-Tariffed Products and Services

With regard to Rule VII, the CPUC approved a revenue-sharing mechanism for SCE's non-tariffed products and services in September 1999 (D.99-09-070). In January 2000, the CPUC approved Resolution E-3639, which conditionally approved SCE's categorization of its non-tariffed products and services. As directed by Resolution E-3639, SCE filed a supplemental advice letter on April 5, 2000 (Advice 1286-E-A), regarding its provision of services pursuant to Rule VII, which was approved on September 29, 2003, with an effective date of May 15, 2000.

Rule Revision Proceeding

In the summer of 2000, the CPUC solicited several rounds of comments and conducted a workshop regarding ways in which the ATRs might be modified. The CPUC requested these comments in order to prepare for a reconsideration of the Rules that D.97-12-088 required to be launched before December 31, 2000. SCE filed comments jointly with other utilities, recommending specific changes to various Rules. The CPUC did not implement the changes proposed by any party. However, in January 2001, the CPUC launched R.01-01-001, a new formal proceeding to review the ATRs (except Rule VII) and the annual reporting requirements adopted in R.92-08-008. R.01-01-001 referenced some of the comments made by parties during 2000. In March 2001, SCE filed a modified version of the changes it had proposed the previous summer. A prehearing conference was held on March 14, 2001, but a formal schedule for the proceeding was not established. In April 2001, the CPUC stayed the proceeding until further notice. An Administrative Law Judge (ALJ) Ruling was issued on

January 28, 2005, noticing the CPUC's intent to close R.01-01-001, which was subsequently closed on April 7, 2005.

Holding Company Investigation

In April 2001, the CPUC launched a new proceeding, Investigation (I.) 01-04-002. The stated purpose of this ongoing proceeding was to evaluate and determine whether SCE, EIX—and California's other major electric utilities and their holding companies—had violated relevant statutes and CPUC decisions, including various holding company-formation decisions (in SCE's case, D.88-01-063). In conjunction with this proceeding, the CPUC re-opened SCE's holding company proceeding (and those of other utilities). The CPUC stated that the investigation would determine whether changes should be made to the utilities' respective holding company decisions and the rules set forth therein. In January 2002, D.02-01-039 set forth the CPUC's interpretation of the "first priority" condition in SCE's holding company decision (Condition 12 of D.88-01-063). This decision was modified by D.02-07-043. A separate decision (D.02-01-037) addressed the CPUC's understanding of its jurisdiction relative to utility holding companies in I.01-04-002. This decision was modified by D.02-07-044. As of March 2012, the CPUC had not made changes to SCE's holding company decision, nor had it determined that any violations of past decisions had occurred.

Post-Restructuring Provisions

In late 2002, the CPUC adopted the regulatory framework for SCE and other utilities to resume full procurement responsibilities on January 1, 2003. One decision, D.02-10-062, established a moratorium on California's investor-owned utilities dealing with their own affiliates in procurement transactions beginning January 1, 2003 and continuing for two years or until the CPUC completes its rulemaking to modify the Affiliate Transaction Rules (R.01-01-001), whichever comes first. In December 2004, the CPUC issued D.04-12-048 which approved SCE's Long Term Procurement Plan as modified in the decision, provided direction to utilities on the procurement of identified resources, and lifted the ban on long-term affiliate transactions (D.02-10-062, F.F.21) for transactions entered into through an open and transparent solicitation process. The ban was maintained on short-term transactions. The decision reaffirmed that the utilities, and in particular their respective risk management committees, must maintain complete procurement planning independence from their affiliates. R.01-01-001 was closed on April 7, 2005.

Mountainview Power Company LLC

In December 2003, the CPUC authorized SCE to purchase Mountainview Power Company, LLC (Mountainview) and operate it as a wholly-owned subsidiary. SCE was authorized to enter into a power purchase agreement (PPA) with Mountainview, which is prohibited from selling power to any third party (i.e., all power sales must be to SCE). SCE exercised its option to purchase Mountainview in March 2004 and commenced work on finishing the plant. In D.03-12-059, the CPUC said that if SCE pursued Mountainview as proposed (as a PPA, not as a straight utility owned facility) then Mountainview is not a regulated subsidiary exempt from the Affiliated Transaction Rules (ATRs), however, it found it to be in the public interest to grant a one-time waiver of certain ATRs, for transactions between SCE and Mountainview. Any transactions between Mountainview and non utility affiliates will be treated as utility and affiliate transactions and covered by the ATRs. The ATRs waived in D.03-12-059 are: lll.B., lll.E., Vl.B., V.C., V.D., V.E., V.F., V.G.l., V.G.2., V.H.5. This extensive waiver essentially means that Mountainview can be treated as any other SCE

Organization Unit with the exception that all cost accounting for services provided must be booked to Mountainview.

Mountainview Power Company, LLC terminated as a separate entity on July 1, 2009 at 12:01AM and its assets, liabilities and equity have been transferred to SCE. This transfer has received regulatory approvals from the CPUC, FERC and CEC. As of July 1, 2009 the Mountainview Generating Station is accounted for like any other SCE generating station and its costs are recovered through general rate case revenue requirements.

Holding Company OIR

In November of 2005 the CPUC opened a proceeding to reexamine the Holding Company conditions and related ATRs (R.05-10-030). On December 14, 2006, the CPUC issued D.06-12-029, which adopts and makes applicable to California's major energy utilities and their holding companies certain revisions to (1) the CPUC's Affiliate Transaction Rules and (2) General Order 77-L (renumbered 77-M), which governs reporting of executive compensation and other information by public utilities.

Summary

SCE is subject to all requirements pertaining to Affiliate Transactions, as established by the CPUC and FERC. Not all ATRs are applicable to all of SCE's affiliates. Class B Affiliates, which includes EMG, are subject to SCE's Holding Company Conditions only, as adopted in D. 88-01-063. As discussed further in Section 3.01, EIX, SCE's parent company, is subject only to those rules that specifically apply to the parent holding company. Thus SCE does not classify EIX as either a Class A or Class B affiliate

Manual Organization

Basic Principles of Affiliate Transactions

The affiliate Rules and Policies, and transactions they govern, have been organized in this manual first by the broad principle that they address. Despite the large number of Rules and Policies, there are a couple of key principals that guide the entire body of ATRs. All of the ATRs are based on these three overarching principals:

- **No Cross Subsidies -** All relationships between SCE and its Affiliates are to be conducted in such a manner so as to avoid any cross subsidies of Affiliate operations by SCE ratepayers.

- **Nondiscrimination -** SCE will neither advantage nor disadvantage affiliates in ways not permitted by affiliate transaction rules.

- **Separation -** SCE will separate its assets and practices from those of its affiliates as required by relevant regulations.

Classes of Affiliates

SCE's affiliates differ in organization and function. For example, the broad governance and planning functions of EIX are different than the consumer product and service offerings made by some of SCE's former affiliates, such as Edison Select (now inactive). Consequently, not all rules apply to all affiliates. SCE classifies all affiliates that are covered by the ATRs as "Class A Affiliates." SCE affiliates not covered by the ATRs are classified as "Class B

Affiliates." Class B Affiliates are subject to SCE's Holding Company Conditions adopted in D. 88-01-063. As discussed further in Section 3.01, EIX, SCE's parent company is subject to the Holding Company Conditions and only to those ATRs that specifically apply to the parent holding company. Thus, SCE does not classify EIX as either a Class A or Class B affiliate. No value or ranking should be inferred from the terms "Class A" and "Class B"—they are simply used to identify sets of affiliates. Class B affiliates, which includes EMG, are not in any way less significant than Class A, nor is compliance with applicable rules any less important.

Specifically, a Class A affiliate is one that meets the definition of ATR II.B – that is an entity that is engaged in the provision of a product that uses electricity or the provision of services that relate to the use of electricity, unless specifically exempted. In addition, SCE classifies as "Class A" certain affiliates that are directly involved in the management of their Class A affiliate subsidiaries, even though that affiliate does not, in its own name, engage in the provision of a product that uses electricity or the provision of services that related to the use of electricity. All other affiliates are Class B affiliates.

An up to date list of SCE's affiliates can be obtained on SCE's Portal under Org Units, Regulatory Comliance, Affiliate Compliance.

Discussion, Procedures, Examples, and History

Each Rule and Procedure in this manual is presented with additional information designed to help the reader understand and implement affiliate transaction requirements. Every Rule and Policy contains a statement of:

- **Principle**. This is a statement of the relevant Principle that the Rule or Policy supports.
- **Regulatory Reference**. Each Rule contains a citation to the regulatory source. Each Procedure includes a citation to the Rules that such Policy supports.
- **Discussion**. This includes narrative description of the Rule or Policy and its applicability.
- **Procedures**. This is either a step-by-step description of how a Rule or Policy is to be implemented or, alternately, a statement of the organization(s) responsible for implementing that Rule or Policy.
- **Examples**. Examples typically include case studies or questions and answers related to the implementation of Rules or Policies.
- **History**. Sections in this Manual may include reference to previous (and sometimes different) rules relating to a particular topic, excerpts from various regulatory filings and decisions, and citations to documents—such as the *Policies and Guidelines for Affiliated Company Transactions (PGACT) Manual*—where the Rule or Policy was previously discussed. For example, citations labeled PGACT V1S1 should be read as indicating that the rule was previously discussed in the PGACT Manual, Volume I, Section 1. The notation "V2SB" would be read as "Volume II, Section B" and so on.

Changes to the Manual

This Manual is designed so that updated sections can easily be substituted for earlier chapters—both in printed versions of the manual and in versions made available to employees electronically. SCE files a copy of the most up-to-date version of the Manual with its annual affiliate transactions compliance report each May 1. More discussion of updates to this manual appears under **Section 3.08 – Rule Update**.

Chapter 2. Definitions

Definitions for terms used in this Manual and sources

Section 2.01 Definitions

Affiliate:
"Affiliate" means any person, corporation, utility, partnership, or other entity 5% or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly either by a utility or any of its subsidiaries, or by that utility's controlling corporation and/or any of its subsidiaries as well as any company in which the utility, its controlling corporation, or any of the utility's affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership. For purposes of these Rules, "substantial control" includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. A direct or indirect voting interest of 5% or more by the utility in an entity's company creates a rebuttable presumption of control.

For purposes of this Rule, "affiliate" shall include the utility's parent or holding company, or any company which directly or indirectly owns, controls, or holds the power to vote 10% or more of the outstanding voting securities of a utility (holding company), to the extent the holding company is engaged in the provision of products or services as set out in Rule II B. However, in its compliance plan filed pursuant to Rule VI, the utility shall demonstrate both the specific mechanism and procedures that the utility and holding company have in place to assure that the utility is not utilizing the holding company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules. Examples include but are not limited to specific mechanisms and procedures to assure the Comission that the utility will not use the holding company, another utility affiliate not covered by these Rules, or a consultant or contractor as a vehicle to (1) disseminate information transferred to them by the utility to an affiliate covered by these Rules in contravention of these Rules, (2) provide services to its affiliates covered by these Rules in contravention of these Rules or (3) to transfer employees to its affiliates covered by these Rules in contravention of these Rules. In the compliance plan, a corporate officer from the utility and holding company shall verify the adequacy of these specific mechanisms and procedures to ensure that the utility is not utilizing the holding company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules.Regulated subsidiaries of a utility, defined as subsidiaries of a utility, the revenues and expenses of which are subject to regulation by the CPUC and are included by the CPUC in establishing rates for the utility, are not included within the definition of affiliate. However, these Rules apply to all interactions any regulated subsidiary has with other affiliated entities covered by these rules.
Source: Appendix A-1 § I.A of D.06-12-029

Class A Affiliate:
A Class A affiliate is one that meets the applicability criteria of ATR II.B – that is an entity that is engaged in the provision of a product that uses electricity or the provision of services that relate to the use of electricity, unless specifically exempted. In addition, SCE may classify as "Class A" certain affiliates that are directly involved in the management of their Class A affiliate subsidiaries, even though that affiliate does not, in its own name, engage in

the provision of a product that uses electricity or the provision of services that related to the use of electricity.
Source: Appendix A-1 § II.B of D.06-12-029

Class B Affiliate:
A Class B affiliate is not covered by the Affiliate Transaction Rules. However, Class B affiliates are subject to SCE's Holding Company Conditions adopted in D. 88-01-063. EMG is a Class B SCE Affiliate.

Affiliate QF Contract:
A power purchase contract between SCE and an Affiliate QF Project, and all amendments thereto entered into prior to January 1, 1992, including all transmission and interconnection agreements and arrangements by SCE related to an Affiliate QF Project.
Source: D.93-03-021

Affiliate Compliance Office (ACO):
The Affiliate Oversight Team is supported by the ACO in the Regulatory Operations Organization, including a manager and staff of professional-level employees. The ACO provides compliance expertise on a day-to-day basis to organizations and individuals throughout SCE, EIX, and SCE affiliates, including responding to inquiries, maintaining and updating resource materials, preparing required reports and filings, developing compliance procedures, analyzing data, and managing enterprise-wide training efforts.

Affiliates Compliance Manager (ACM):
Each utility shall designate an Affiliate Compliance Manager who is responsible for compliance with these affiliate rules and the utility's compliance plan adopted pursuant to these rules. Such officer shall also be responsible for receiving, investigating, and attempting to resolve complaints. The Affiliate Compliance Manager may, however, delegate responsibilities to other officers and employees.
Source: Appendix A-1 § V.III.C.2 of D.06-12-029

Affiliates Controller:
The Vice President and Controller of SCE shall designate an Assistant Controller or senior-level accounting manager of SCE as the Affiliates Controller. The Affiliates Controller will render accounting advice and assistance to SCE's Affiliates Officer and the ACO. The other duties of the Affiliates Controller may provide general advisory or oversight responsibilities for the accounting affairs of Affiliates, as allowable Corporate Support. With respect to providing accounting guidance and assistance to SCE's Affiliates Officer, SCE's Affiliates Controller may report, on such matters, directly to SCE's Affiliates Officer rather than to his or her ordinary superiors.

Affiliates Counsel:
The Executive Vice President and General Counsel of SCE shall designate an Associate or Assistant General Counsel or senior-level attorney of SCE as the Affiliates Counsel. The Affiliates Counsel will render legal advice and assistance to the Affiliates Officer, the Affiliate Oversight Team, and the ACO. The other duties of the Affiliates Counsel shall not include general advisory or oversight responsibilities of the legal affairs of Affiliates. With respect to providing legal advice and assistance to the Affiliates Officer, the Affiliates Counsel shall report directly to the Affiliates Officer, rather than to his or her ordinary

superiors. The Affiliates Counsel shall also be responsible for documenting and monitoring SCE's compliance with sections of the California Public Utilities Code as well as regulatory decisions and rulemakings that address relationships between SCE and its Affiliates and periodically reporting on the same to the Affiliates Officer.

Affiliates Officer:
SCE's Affiliates Officer shall be responsible for ensuring that the policies and rules described in this manual are interpreted correctly and implemented fully and consistently. The Affiliates Officer shall not be an officer or director of, or hold any other position with, any Affiliate. SCE's Affiliates Officer is a designated position, which may be appointed by SCE's Chief Executive Officer, or its designee. Any change in the identity of SCE's Affiliates Officer may be subject to the approval or ratification of SCE's Board of Directors. Currently SCE's ACM is its designated Affiliates Officer.

Affiliate Third Parties:
See **Significant Unaffiliated Third Parties**.

Affiliate Transaction Rules (ATRs):
This refers to the Affiliate Transaction Rules initially adopted by the CPUC in D.97-12-088 as subsequently modified by various decisions and replaced in their entirety by D.06-12-029.

Affiliate Compliance Manual:
SCE develops and maintains a manual that consolidates detailed internal policies for implementation of Affiliate Transaction Rules. Since its completion in November 1998, the Affiliate Compliance Manual has been available to SCE employees on SCE's Portal under Org Units, Regulatory Compliance, Affiliate Compliance. The Affiliate Compliance Manual acts as a compliance control, in that it reinforces standard practices regarding affiliates and serves as a single-point resource for employees engaged in affiliate transactions. The Affiliate Compliance Manual includes detailed descriptions of internal policies practices developed to support the compliance controls discussed herein.

Allocated Cost:
"Allocated Cost" means the cost to provide a good and/or service that is calculated by first determining the total cost to provide a good or service, and then assigning to either the affiliated entity (or the utility) a portion of the total costs based upon the affiliated entity's (or the utility's) proportional share of the good or service provided. Allocated cost should be determined according to the procedures outlined by each utility in Section II-B of [its annual report] and should include applicable overhead and direct use of utility assets.
Source: Appendix A § I.G.h of D.93-02-019

CPUC:
"CPUC" means *the California Public Utilities Commission or its succeeding state regulatory body*.
Source: Appendix A-1 § I.B of D.06-12-029

Company:
"Company" means any corporation or person as defined in Public Utilities Code Sections 204-206, including but not limited to joint ventures, limited partnerships, and strategic alliances.

Source: Appendix A § I.G.a of D.93-02-019

Contracts:

- A Master Agreementis defined as a major purchase or repeated purchases over time with the same supplier. A Master Agreement serves as perpetual sets of terms and conditions between SCE, or Edison Material Supply LLC, and a supplier to govern the entire relationship between the two across all purchase orders that reference it. Currently, there are the following Master Agreements: Master Consulting Services Agreement, Master Services Agreement, Master Materials Agreement, and Master Software License and Services Agreement. The Master Agreement is negotiated one time for the life of the agreement. Many times the supplier accepts SCE's terms without negotiation, but they are often negotiated.
- A Nonstandard Agreement does not contain SCE's standard approved terms, i.e., supplier's paper. It is vigorously negotiated in order to get as many of SCE's standard approved terms as possible.
- A Transactional Terms and Conditions Agreement is used for a one-off, smaller purchase, where a Master Agreement would not be appropriate. It is referenced and incorporated into the purchase order(s). The Terms and Conditions are very similar to those in a Master Agreement. They are often accepted without negotiation; however, they can be negotiated and changes to the terms are reflected in the purchase order(s).

Controlling Corporation:

"Controlling Corporation" means any company which holds a controlling interest in a utility. A controlling interest is defined as directly or indirectly owning, controlling, or holding the power to vote 10% or more of the outstanding voting securities of a utility.
Source: Appendix A § I.G.c of D.93-02-019

Corporate Governance:

Those activities directly related to the overall administration and strategic guidance of EIX, as well as those functions, such as Corporate Secretary activities, required to satisfy corporate-level fiduciary and legal obligations. For Class A Affiliates, Corporate Governance activities are a subset of those services that can be performed from within the utility on behalf of other EIX companies, pursuant to Affiliate Rule V.E.

Corporate Support:

These are services, such as tax return preparation and shareholder services, typically performed by SCE or EIX employees, that mutually benefit EIX, SCE, and SCE's Affiliates. Corporate Support functions are also known as Permissible Shared Support. (See also "Permissible Shared Support")
Source: Appendix A-1 § V.E of D.06-12-029

Corporation:

"Corporation" includes a corporation, a company, an association, and a joint stock association. "Corporation" includes the lessees, trustees, receivers or trustees appointed by any court whatsoever, of the corporation.
Source: California Public Utilities Code, Sections 204, 206

Cost of Sales:
The direct cost of goods sold during an accounting period (for SCE, consists of fuel and purchased power expenses).
Source: Appendix C § Attachment A of D.88-01-063

Cross-Subsidy:
The provision by one corporate entity of products, services, information, assets, or personnel to another corporate entity without appropriate compensation in accordance with applicable rules and policies.

Customer:
*"*Customer*" means any person or corporation, as defined in California Public Utilities Code Sections 204-206, that is the ultimate consumer of goods and services.*
Source: Appendix A-1 § I.C of D.06-12-029

Customer Information:
"Customer Information" means non-public information and data specific to a utility customer which the utility acquired or developed in the course of its provision of utility services.
Source: Appendix A-1 § I.D of D.06-12-029

Directly Requested Services:
Those services, including staff time, provided by SCE employees on a temporary basis, exclusively for the benefit of the requesting affiliate. Directly Requested Services performed for Class A affiliates are subject to the provisions of Affiliate Rule V.G.2.e. Directly Requested Services may not be performed for Energy Marketing Affiliates. An Intercompany Service Request (ISR) Form must be fully executed before providing Directly Requested Services for an SCE affiliate (See Appendix I, Forms, Tables, Matrices)
Source: Appendix A-1 § V.G.2.e of D.06-12-029

Edison International (EIX):
As provided for in Affiliate Rule I.A of the Affiliate Transaction Rules (ATR), EIX is an affiliate. However, Affiliate Rule II.B clarifies that the ATRs apply to the parent holding company only when an Affiliate Rule explicitly extends its reach to the parent holding company. On that basis, SCE understands that only the following Affiliate Rules apply to EIX: Affiliate Rule I.A – Affiliate, Affiliate Rule II.B – Applicability, Affiliate Rule II.C – No Conduit Rule, Affiliate Rule II.F – Existing Rules, Affiliate Rule V.A – Corporate Entities, Affiliate Rule V.B – Books and Records, Affiliate Rule V.E – Corporate Support, Affiliate Rule V.G.1 – Employees, and Affiliate Rule VI.E – Officer Certification. EIX is subject to SCE's Holding Company Conditions adopted in D.88-01-063.

Energy Marketing Affiliate:
An Affiliate that actively brokers commodity electricity on a competitive basis. An affiliate that buys and sells commodity electricity on the open market is actively "brokering" electricity. As of January 1, 2015, SCE does not have any Energy Marketing Affiliates

Fair Market Value:
"Fair Market Value" means the price offered by a willing purchaser in an arms-length transaction, i.e., with a non-affiliated purchaser. Examples of methods that may be used to value property at current fair market value include: (a) appraisals from qualified, independent appraisers; (b) averaging bid and ask prices as published in newspapers or trade journals; and (c) conducting market surveys.
Source: Appendix A § I.G.i of D.93-02-019

FERC:
"FERC" means the Federal Energy Regulatory Commission.
Source: Appendix A-1 § I.E of D.06-12-029

Fully Loaded Cost:
"Fully Loaded Cost" means the direct cost of good or service plus all applicable indirect charges and overheads.
Source: Appendix A-1 § I.F of D.06-12-029

Intangible Asset:
"Intangible Asset" means any asset having no physical existence, its value being set by the rights and anticipatory benefits that possession confers upon the owner. This includes intellectual property, licenses, franchises, marketable emission permits and emission offsets, etc.
Source: Appendix A § I.G.j of D.93-02-019

Labor:
Labor includes direct labor charges plus paid absence which is allocated automatically.

Leads:
The transfer from one corporate entity to another of information about an existing or potential customer who might be interested in the second corporate entity's products or services. The provision of leads from SCE to its Class A affiliates is prohibited by Affiliate Rules III.E.1 and IV.A. Provision of leads to Class B (i.e., EIX and EMG) affiliates is prohibited by SCE's protocols governing release of customer information.

Merchant Function:
The marketing of the commodity of electricity or natural gas to customers is a merchant function, as opposed to the marketing of transmission and distribution services, which are not considered merchant functions.
Source: Appendix A-1 § V.D of D.06-12-029

Parent Company:
The Parent Company of any EIX company is that corporate entity one level higher in the organizational structure reported annually to the Securities and Exchange Commission.

Parent Holding Company:
EIX is the parent holding company of all first-level subsidiaries and provides corporate governance and organizational support.

Permissible Shared Support:
CPUC-authorized governance, oversight, and support services performed from within SCE and using SCE resources for the benefit of other EIX companies, which in turn compensate SCE for such allowable services. Affiliate Rule V.E. also allows Permissible Shared Services to be performed from within the parent holding company or from within a separate affiliate created solely to perform Corporate Support services. Permissibe Shared Support is also performed for SCE from EIX for services such as Investor Relations and Ethics. A Corporate Support Authorization (CSA) Form may be necessary, depending on the organization providing the Permissible Shared Support function (See Appendix I, Forms, Tables, Matrices)
Source: Appendix A-1 § V.E of D.06-12-029

Person:
"Person" includes an individual, a firm, and a copartnership. "Person" includes the lessees, trustees, receivers or trustees appointed by any court whatsoever, of the person.
Source: California Public Utilities Code, Sections 205, 206

PGACT:
Acronym for *Policies and Guidelines for Affiliated Company Transactions.* The PGACT manual was a predecessor to this manual. It was first issued in 1988 and was revised from time to time until the first issuance of the PROACT Manual in November 1998, which was re-named the ATR Manual in December 2001. The ATR Manual was renamed the Affiliate Compliance Manual in 2007. Reference in this Affiliate Compliance Manual to the PGACT refers to that manual as it existed with all revisions and amendments prior to November 1998. For historical reference and research, the Affiliate Compliance Office maintains a copy of the PGACT manual. (See also **PGACT 88**)

PGACT 88:
The original version of the PGACT manual, which was adopted as Appendix C of D.88-01-063.

Policy:
As defined in, and for, this manual only, "Policy" shall refer to the governing statements and requirements established internally by SCE or EIX for implementing the ATRs. Each Policy described in this manual is explicitly tied to implementation of an adopted "Rule." (See "Rule")

PROACT:
Acronym for *Policies and Rules on Affiliated Company Transactions.* This Affiliate Compliance Manual was commonly referred to as the PROACT Manual from November 1998 to December 2001. Any remaining references in the present document to PROACT are intended to refer to this manual.

Property:

> **Intangible Property:**
> Intangible property includes the following: copyrights, licenses, patent rights, franchises, trade secrets, mineral rights, royalty interests, and unlicensed intellectual

property, such as original concepts that have yet to be patented. See also, "Intangible Asset."

Intellectual Property:
"Intellectual Property" means any proprietary market data, customer lists, marketing or feasibility studies, leads and prospects for future business opportunities, patents, trade secrets, copyrights, or other marketable technologies.
Source: Appendix A § I.G.k of D.93-02-019

Personal Property:
Movable property or assets such as automobiles, equipment, and furniture.
Source: Appendix C § Attachment A of D.88-01-063

Real Property:
Land and land improvements, including buildings and appurtenances.
Source: Appendix C § Attachment A of D.88-01-063

Tangible Real Property:
Tangible real property includes the following: land and land improvements, including buildings.

Tangible Personal Property:
Tangible personal property includes the following: automobiles, computer hardware, computer software or application software, furniture, materials and supplies, and power operated equipment.

Referrals:
The provision, from one corporate entity to one or more of its customers, of information regarding one of its affiliates or regarding a gas-related, electric-related or utility-related service provider.

Resource Procurement:
Means the investment in and the production or acquisition of the energy facilities, supplies, and related other energy products or services necessary for California public utility gas corporations and California public utility electrical corporations to meet their statutory obligations to serve their customers.
Source: Appendix A-1 § I.H of D.06-12-029

Rule:
As used in this manual, "Rule" refers to a regulation related to affiliate transactions that has been adopted by the CPUC or the FERC. "Rule" refers only to instructions or regulations adopted by a regulatory body.

Sale of Property:
Sale of property includes tangible and intangible property used in a trade or business. It also includes long-term rights to use assets through lease or other arrangements in excess of one year.

Securities:
"Securities" means any note, draft, stock, treasury stock, bond, debenture, certificate of interest or participation in any profit-sharing agreement, any collateral-trust certificate,

preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, receiver's or trustee's certificate, or in general any instrument commonly known as a security.
Source: Appendix A § I.G.f of D.93-02-019

Service Providers:
For the purposes of Affiliate Rule IV.E regarding advice and assistance, "service providers" are providers of gas-related, electricity-related, or other utility-related goods and services, including the utility affiliates.
Source: Resolution E-3539, Findings of Fact 53

Southern California Edison (SCE):
As used in this manual, all references to SCE refers to Southern California Edison Company, the regulated utility subsidiary of EIX, and all of Southern California Edison's subsidiaries, unless otherwise noted.

Subsidiaries/Regulated Subsidiaries:
When used in this manual in regard to SCE, "Subsidiaries" means those companies owned and operated by SCE whose expenses and revenues are subject to regulation by the CPUC or FERC, are included by the CPUC or FERC in establishing rates for SCE. Subsidiaries shall not be considered Affiliates. A regulated subsidiary is considered part of SCE, and therefore any transactions between a regulated subsidiary and an affiliated entity are considered the same as a transaction between SCE and an affiliated entity. Such entities include Edison ESI, Edison Material Supply, Mono Power Company, SCE Capital Company, SCE Trust I, SCE Trust II, SCE Trust III, and Southern States Realty.
When used in this manual in regard to other EIX companies, "Subsidiaries" refers to all companies directly beneath the identified company on the structural report filed annually with the Securities and Exchange Commission. These subsidiaries include SCE, EMG, Edison Insurance Services, Inc., and EIX Trust III.
Source: Appendix A-1 § I.A of D.06-12-029

Tariffed Service:
"Tariffed Service" means any provision of electric, gas, or telephone service the price, terms, and conditions of which are set by tariffs established by the CPUC or FERC and which are available to all customers meeting the requirements contained in the tariff.
Source: Appendix A § I.G.l of D.93-02-019.

Transaction:
"Transaction" means the provision of any good, property, service, privilege, or act between any two parties for which compensation normally would be provided if each party was independent of the other and acting in its best financial interest.
Source: Appendix A § I.G.m of D.93-02-019

Transactions (Affiliate Transactions):
Transactions between a utility its parent holding company and its affiliates shall be limited to:

- *Tariffed products and services*
- *The sale or purchase of goods, property, products or services made generally available by the utility or affiliate to all market participants through an open, competitive bidding process.*

- *As provided for in Affiliate Rule V.D, V.E, and VII, provided the transactions provided for in Rule VII comply with all of the other adopted Rules.*

Source: Appendix A-1 § III.B of D.06-12-029

Transfer Price:
"Transfer Price" means the price that the utility recorded in its accounting records as either (1) having paid an affiliated entity for the provision of any good, property service, privilege, or act or (2) received from an affiliated entity for providing the affiliated entity with any good, property, service, privilege, or act. If no payment was either received or made, then the transfer price is zero ($0).
Source: Appendix A § I.G.n of D.93-02-019

Transfers of Goods and Services:
Items of merchandise or useful work provided by one EIX company to another.
Source: Appendix C § Attachment A of D.88-01-063

Utility:
"Utility" means any public utility subject to the jurisdiction of the CPUC as an Electric Corporation or Gas Corporation, as defined in California Public Utilities Code Sections 218 and 222, and with gross annual operating revenues in California of $1 billion or more.
Source: Appendix A-1 § I.G of D.06-12-029

Utility Investee:
An entity that is not majority-owned by SCE or a Subsidiary, but is one (i) in which SCE or a Subsidiary has at least a 10% ownership interest, or (ii) with respect to which SCE or a Subsidiary has, or is contractually committed to provide, at least a $2 million debt or equity investment. Entities that meet criterion (i) are considered to be affiliates under D.06-12-029. Whether such entities are subject to the rules adopted by that decision depends on whether that entity meets the definition for classification as a covered affiliate.
Source: Appendix A-1 § I.A of D.06-12-029

Utility Third Parties:
An unaffiliated third party that is not a Utility Investee and that (i) is a partner or joint venturer of SCE or a Subsidiary; or (ii) accounted for, during the previous twelve months, over $10 million in payments from or payments to SCE or a Subsidiary; or (iii) is the ultimate parent of either of the foregoing.

Chapter 3. Implementation

Full and Consistent Implementation of Rules and Policies

Section 3.01 Classes of Affiliates

Principle

Full and Consistent Implementation

Rules

Implementation - Applicability - Classes of Affiliates

Class A Affiliates:
A "Class A" affiliate is one that meets the applicablity criteria of Rule II.B – that is an entity that is engaged in the provision of a product that uses electricity or the provision of services that relate to the use of electricity, unless specifically exempted. In addition, SCE may classify as "Class A" certain affiliates that are directly involved in the management of their "Class A" affiliate subsidiaries, even though that affiliate does not, in its own name, engage in the provision of a product that uses electricity or the provision of services that related to the use of electricity. "Class A" affiliates are also referred to as "Covered" affiliates.

Class B Affiliates:
All other affiliates are "Class B" affiliates. "Class B" affiliates are also referred to as "Non-Covered" affiliates. EMG is a Class B Affiliate.

Discussion

This manual has been developed to set forth business practices to be observed in the relationships between SCE and its Affiliates. All transactions and relationships among the parties, including the flow of information and transfers of assets, goods and services, are to be guided by and conducted in accordance with the policies and rules contained in this manual.

This manual is also intended:

- to provide instructions to employees in SCE organizations on how to account for labor hours and expenses incurred when providing services to Affiliates.
- to implement the *Corporate Policies and Guidelines for Affiliate Transactions* approved by the CPUC when it approved the EIX's holding company structure (as it has been revised over time) and to implement the adopted rules of the Affiliate Transaction Rulemakings and Investigation (the Affiliate Rules)

As provided in Rule I.A, SCE's parent holding company EIX is an affiliate under the rules. However, Rule II.B clarifies that the rules apply to the parent holding company only when a rule explicitly extends its reach to the parent holding company. On that basis, SCE understands that only the following rules to apply to EIX: Rules II.C, V.A, V.B, V.E, V.G, VI.D and VI.E.

In D.00-06-019 (granting a telecommunications affiliate of SDG&E authority to offer facilities-based local exchange service), the CPUC indicated that the applicability definition was not intended to encompass affiliates in unrelated industries or to interpret the phrase "uses gas or electricity" in a hyper-literal or extreme fashion:

> *Although the New Affiliate Rules were written to be applied broadly in scope, the relevant market for purposes of evaluating the applicability of the rules was defined to cover the provision of a product or service that uses gas or electricity. The scope was broadly defined to include various energy-related services, but was not defined to include services in completely different industries such as telecommunications. While [Sempra Communications, the SDG&E affiliate] requires energy as an input to its telecommunications operations, virtually every business requires energy inputs in some fashion or another.* [D.00-06-019, p. 9]

Class A (Covered) Affiliates

A list of Class A affiliates is posted externally at www.sce.com> Home> Regulatory> SCE Affiliate Notices. Affiliates listed as Class A are designated as "covered" as a result of their current offerings of one or more products or services. If these affiliates discontinue these offerings or transfer them to another affiliated or non-affiliated company, such that the affiliate would no longer be subject to the ATRs, and SCE may reclassify the affiliate to Class B. SCE reviews the list of Class A affiliates periodically to validate status. The list of affiliates can also be found on SCE's internal Portal page, at My Company>Policies>Energy Regulatory Compliance>Affiliate Compliance>Rules, Tools, & Forms. SCE reserves the right to reclassify an affiliate as activities of the affiliate require.

Class B (Non-Covered) Affiliates

A list of Class B Affiliates is posted externally at www.sce.com> Home> Regulatory> SCE Affiliate Notices. Class B Affiliates and are not covered by the ATRs as they do not provide a product that uses electricity or engages in the provision of services that relate to the use of electricity. The terms "Class B" or "non-covered," is used throughout this manual, and refers to these companies. The list of affiliates can also be found on SCE's internal Portal page, at My Company>Policies>Energy Regulatory Compliance>Affiliate Compliance>Rules, Tools, & Forms.

See also:

Section 16.3: New Affiliates Reporting

History

D.97-05-040, Interim Guideline 9, Applicable 5/20/97-12/31/97, superseded by provisions of D.97-12-088, Rule II.B, read as follows:

> *The UDC, Southern California Edison, shall have no transactions with an affiliated entity offering direct access transactions that also engages in FERC regulated wholesale transactions unless that entity has been authorized by the FERC to engage in wholesale transactions within the service territory of the UDC. Nothing in this rule would prohibit a UDC from engaging in transactions with an affiliate that provides only retail services and hence would not be subject to regulation by the FERC.*

SCE's compliance statement for that period (filed 6/20/97), read:

Edison Source has a FERC wholesale power marketing license. However, Edison Source has not sought FERC authorization to sell electric power within SCE's control area, which geographically is somewhat different from the utility's service territory (The control area includes the bulk, but not all, of SCE's service territory, as well as those areas where certain municipalities have elected to have SCE provide control area services. The control area also extends beyond the service territory in certain locations where SCE controls scheduling on transmission lines that extend outside of the service area). Nonetheless, since the control area and service area are generally congruent, in compliance with this Guideline, SCE will permit no transactions with Edison Source other than those transactions expressly permitted in accordance with Guidelines 1 and 2. SCE does not believe that Guideline 9 is intended to prohibit the very transactions contemplated and permitted under Guidelines 1 and 2, such as the provision of corporate support services or the provision of tariffed utility services. For example, Guideline 9 cannot reasonably be construed to intend to prohibit SCE from providing tariffed electric service to Edison Source's offices.

D.93-02-019, Rule I.G.d, defined 'Subsidiary' as "any company 10% or more of the outstanding securities of which are directly or indirectly owned, controlled, or held with power to vote, by either a utility or a controlling corporation." Subsidiaries, as defined, of SCE's controlling corporation (EIX), are affiliates for the purposes described in this manual.

Advice letters regarding new affiliates, submitted pursuant to Rule VI.B, are noted in **Section 16.3: New Affiliates Reporting**.

Section 3.02 Applicability of Rules Other Than the ATRs

Principle

Full and Consistent Implementation

Rule

Affiliate Rule II.F (partial)
Existing CPUC rules for each utility and its parent holding company shall continue to apply except to the extent they conflict with these Rules. In such cases, these Rules shall supersede prior rules and guidelines.
Source: D.06-12-029

Applicable to Class A and Class B Affiliates

Discussion

Rules adopted prior to the ATRs include those established in the decision approving the holding company structure for EIX (then SCEcorp) in D.88-01-063. Except where superseded or modified by the ATRs (which apply only to Class A affiliates), the rules adopted in D.88-01-063 continue to apply to all affiliates, both Class A and Class B.

SCE will continue to establish and periodically update those internal procedures that support prevailing Rules as internal compliance processes that do not require CPUC approval.

See Also:

Appendix B: FERC Standards of Conduct
Appendix C: FERC Affiliate Restrictions
Appendix D: Reporting Requirements for Utility Affiliate Transactions
Appendix E: Holding Company Conditions

Section 3.03 Affiliates Officer

Principle

Full and Consistent Implementation

Policy

Affiliates Officer
Compliance by SCE with the policies and procedures set forth in this manual shall be subject to the overall supervision and control of a SCE officer who is described in this manual as the "Affiliates Officer." The Affiliates Officer shall not be an officer or director of, or hold any other position with, any Affiliate. The Affiliates Officer shall be designated from time to time by SCE's Chief Executive Officer. Any change in the identity of the Affiliates Officer shall be subject to the approval or ratification of SCE's Board of Directors.

Affiliates Officer – Authority and Responsibilities
Actions by SCE with respect to the following matters shall require approval by the Affiliates Officer. This may not be complete list of all matters that require approval by the Affiliates Officer:

- The provision of any Directly Requested Service by SCE to an Affiliate, except for Permissible Shared Support services, or services that SCE makes generally available to third parties in the ordinary course of its business and that are provided to the Affiliate in accordance under nondiscriminatory terms and conditions.

- The purchase, lease, license or other acquisition by SCE of any services or any tangible or intangible property, assets or rights from an Affiliate or Affiliate Investee.

- SCE's entry into any joint arrangement, contract, or undertaking with an Affiliate or Affiliate Investee respecting the purchase, sale, lease or license of property, rights or services to or from a third party, except in connection with insurance policies and employee benefit programs to both SCE and to Affiliates or Affiliate Investees.

- Transfer of an SCE employee to an Affiliate or of an Affiliate's employee to SCE.

- The resolution of any litigation or arbitration pending or threatened between SCE and an Affiliate or Affiliate Investee.

- The (a) execution or amendment of, (b) interpretation of ambiguities or waiver of provisions in, or (c) adoption or change of administrative procedures respecting:

Any Nonstandard Contract or Significant Standard Contract between SCE and an Affiliate or Affiliate Investee, or
Any Significant Nonstandard Contract between SCE and a Significant Unaffiliated Third Party or an entity that is known to be a subsidiary of a Significant Unaffiliated Third Party.

- A correction of an error shall not be considered an amendment for purposes of the foregoing. An amendment of the otherwise Standard Contract shall be deemed to render it a Nonstandard Contract if the Contract as amended would be a Nonstandard Contract.

- Certification that the annual report submitted pursuant to D.93-02-019 is complete and accurate, with no material omissions.

- Such other matters as may be described in this manual as requiring the approval of SCE's Affiliates Officer.

In connection with compliance by SCE with the policies set forth in this manual, SCE's Affiliates Officer shall have authority to:

- Establish any administrative and operational procedures he or she deems necessary or appropriate that are consistent with the intent and purposes of such policies.

- Call upon the resources of all departments and resources within SCE and EIX, whether or not such departments or resources ordinarily report to SCE's Affiliates Officer.

- Cause to be conducted or prepared such internal or external compliance investigations, reports and inquiries and audits as he or she deems necessary or appropriate.

- Solicit the advice or opinion of outside experts, appraisers and others as to the fairness to SCE and its ratepayers of any contemplated course of action by SCE that requires his or her approval under this manual.

- Seek the review of EIX's Board of Directors of a contemplated course of action by SCE requiring his or her approval when customary practices of the Board would involve such review.

- Maintain a record of all contracts and supporting bids between SCE and its affiliates.

Applicable to Class A and Class B Affiliates

Discussion

SCE's Affiliates Officer may delegate the functions listed above.

See also:

Section 5.05: Nondiscrimination – Purchasing
Section 9.07: Separation - Employees - Employee Movement
Section 10.02: Separation - Facilities and Equipment - Class B Affiliates

Section 14.01: Separation - Transfer of Goods and Services - Affiliates Officer Approval
Section 14.03: Separation - Transfer of Goods and Services – Competitive Bidding Required
Section 16.10: Maintenance of Records

History

PGACT V1S1
D.93-02-019

Section 3.04 Compliance Plans

Principle

Full and Consistent Implementation

Rule

Affiliate Rule VI.A
Compliance Plans: No later than June 30 each calendar year, each utility shall file a compliance plan by advice letter with the Energy Division of the Commission. The compliance plan shall include:

(1) A list of all affiliates of the utility, as defined in Rule I.A of these Rules, and for each affiliate, its purpose or activities, and whether the utility claims that Rule II.B makes these Rules applicable to the affiliate; and

(2) *A demonstration of the procedures in place to assure compliance with these Rules. The utility's compliance plan shall be in effect between the filing and a Commission determination of the advice letter. A utility shall file a compliance plan annually thereafter by advice letter when there has been some change in the compliance plan (i.e., when there has been a change in the purpose or activities of an affiliate, a new affiliate has been created, or the utility has changed the compliance plan for any other reason).*

Source: D.06-12-029

Applicable to Class A Affiliates

Discussion

SCE's ACO is responsible for maintaining and updating the annual compliance plan. If changes are identified as necessary to ensure compliance, the ACO validates and incorporates such changes into the compliance plan and files updates annually.

SCE's ACO maintains a current list of affiliates on Portal under Org Units, Regulatory Compliance, Affiliate Compliance. This list can also be located on the internet at www.sce.com under Regulatory, SCE Affiliate Notices.

If the CPUC modifies or stays any part of the ATRs in a manner that necessitates changes to the compliance plan, SCE will file an updated compliance plan for those rules affected within 60 days of the CPUC's decision, or as otherwise directed. Resolution E-3539, Findings of Fact 91, describes SCE's procedure for updating its compliance plan as reasonable.

History

D.98-11-027D.06-12-029.

Section 3.05 Affiliates Controller and Affiliates Counsel

Principle

Full and Consistent Implementation

Policy

Affiliates Controller and Affiliates Counsel
The Vice President and Controller of SCE shall designate an Assistant Controller or senior level accounting manager of SCE (the "Affiliates Controller"), and the Executive Vice President and General Counsel of SCE shall designate an Associate or Assistant General Counsel or senior-level attorney of SCE (the "Affiliates Counsel") to render accounting and legal advice and assistance to SCE's Affiliates Officer in carrying out his or her duties. The other duties of the Affiliates Controller and the Affiliates Counsel shall not include general advisory or oversight responsibilities of the accounting or legal affairs, as the case may be, of Affiliates. With respect to providing accounting and legal advice and assistance to SCE's Affiliates Officer, the Affiliates Controller and the Affiliates Counsel shall report directly to SCE's Affiliates Officer rather than to their ordinary superiors.

The Affiliates Counsel shall also be responsible for documenting and monitoring SCE's compliance with sections of the California Public Utilities Code as well as regulatory decisions and rulemakings that address relationships between SCE and its Affiliates and periodically reporting on the same to SCE's Affiliates Officer.

In Support of: D.06-12-029, Rule V.H

Applicable to Class A and Class B Affiliates

Discussion

At the present time, the Affiliates Controller is Jeffery D. Duran.
At the present time, the Affiliates Counsel is Kris Vyas.

History

PGACT V1S1

Section 3.06 Interpretation

Principle

Full and Consistent Implementation

Rule

Affiliate Rule II.H
These Rules should be interpreted broadly, to effectuate our stated objectives of fostering competition and protecting consumer interests. If any provision of these Rules, or the application thereof to any person, company, or circumstance, is held invalid, the remainder of the Rules, or the application of such provision to other persons, companies, or circumstances, shall not be affected thereby.
Source: D.06-12-029

Applicable to Class A and Class B Affiliates

Discussion

If a situation arises that is not specifically addressed by this manual, such situations shall be dealt with in a manner that facilitates and is consistent with the rules and policies described in this manual. Such situations shall, in the case of Southern California Edison, be brought to the attention of the Affiliates Officer, and in the case of an Affiliate, to the attention of the Affiliates Officer and/or of the applicable officer of the Affiliate for review.

History

PGACT 88, p. I-1; PGACT V1S1

Section 3.07 Policy Updates

Principle

Full and Consistent Implementation

Policy

Implementation - Policy Updates
With the approval of the Affiliates Officer or his or her designees, policies and implementation measures will be modified as experience dictates in order to ensure compliance with all affiliate transaction rules and to ensure fair reimbursement of costs associated with transactions with Affiliates on an ongoing basis.

In Support of: D.06-12-029, Rules II.E, VI.A

Applicable to Class A and Class B Affiliates

Discussion

Although SCE may, at its discretion, modify internal policies and implementation procedures, new or additional rules for Class A affiliates require advance approval of the CPUC.

History

PGACT V1S1

PGACT 88, p. I-1:

> *"These policies and guidelines will be modified as experience dictates in order to assure fair reimbursement of costs associated with transactions with affiliates on an ongoing basis."*

Section 3.08 Rule Updates

Principle

Full and Consistent Implementation

Rule

Affiliate Rule II.F
Existing Commission rules for each utility and its parent holding company shall continue to apply except to the extent they conflict with these Rules. In such cases, these Rules shall supersede prior rules and guidelines, provided that nothing herein shall supersede the Commission's regulatory framework for broadband over power lines (BPL) adopted D.06-04-070 not shall preclude (1) the Commission from adopting other utility-specific guidelines; or (2) a utility or its parent holding company from adopting other utility-specific guidelines, with advance Commission approval.
Source: D.06-12-029

Applicable to Class A Affiliates

Discussion

Although additional Rules regarding transactions with Class A affiliates require advance CPUC approval, SCE will continue to establish and periodically update as necessary internal procedures that support prevailing Rules. Establishment and modification of such internal policies and implementation procedures does not require Commission approval.

Section 3.09 Regulatory Oversight - Availability of Witnesses

Principle

Full and Consistent Implementation

Rule

Affiliate Rule VI.D
Affiliated officers and employees shall be made available to testify before the Commission as necessary or required, without subpoena, consistent with the provisions of Public Utilities Code Section 314 and 701, the conditions in the Commission's orders authorizing the utilities' holding companies and/or mergers and these Rules.
Source: D.06-12-029

Applicable to Class A and Class B Affiliates

History

D.88-01-063, Condition 4 ("The officers and employees of Southern California Edison's holding company and its subsidiaries shall appear and testify in Commission proceedings, as necessary or required.")

Section 3.10 Responsibility of Affiliates

Principle

Full and Consistent Implementation

Policy

Responsibility of Affiliates
Each Affiliate is responsible for implementation within its organization of the rules and policies set forth in this manual. Procedures shall be followed by each Affiliate to ensure that Affiliate employees are cognizant of, and can properly implement, such rules and policies.

In Support of: D.06-12-029, Rules I.A, V.F; D.88-01-063, Condition 2

Applicable to Class A and Class B Affiliates

History

PGACT 88, p. I-1: "Each subsidiary is responsible for implementation of the policies within its organization." PGACT V1S1

Chapter 4. Information

Protection of Information Resources

Section 4.01 Acquisition of Information

Principle

Protection of Information Resources

Rule

Affiliate Rule III.E.3
Except as otherwise provided by these Rules, a utility shall not acquire information on behalf of or to provide to its affiliates.
Source: D.06-12-029.

Applicable to Class A Affiliates

Discussion

SCE interprets Affiliate Rule III.E.3 as not precluding the acquisition and exchange of information necessary to perform functions authorized by Rule V.E. Shared services cannot be performed independently of the information required to perform them. For example, in order to perform tax services, SCE must be able to acquire and share with its affiliate's information about changes to tax laws. Similarly, human resources functions cannot be performed as shared support unless information about employment trends, employment law, and even specific employees is also shared. It is not reasonable to expect the utility and affiliates to obtain this information independently of each other, particularly given the shared services provisions of Rule V.E, and the joint purchasing provisions of Rule V.D.

Where existing or potential customers or suppliers submit a communication in error to SCE that is intended for an affiliate, SCE will forward the communications to the intended affiliate. This approach is in keeping with standard business practices.

See also:

Section 12.01: Separation - Shared Support - General
Section 4.09: Supplier Information

Examples

Q: Can SCE purchase a database—or access to a database—and then charge an affiliate for use of that database?
A: No. Although SCE is permitted by Affiliate Rule V.D. to make joint purchases, an SCE purchase of an information resource such as a database would not comply with Rule III.E.3.

Q: Can EIX purchase a database—or access to a database—and then charge SCE and other EIX subsidiaries for use of the information?
A: Yes, provided the affiliate and utility portions of the purchase are clearly identified, in accordance with applicable Commission allocation and reporting rules such as Affiliate

Rules V.D and Rule V.H. The database supplier's licensing restrictions, however, may limit the extent to which the information may be shared.

Q: If membership to a trade or industry organization confers access to certain information, may the membership be held in SCE's name and the information shared with an affiliate?

A: No, if the membership is in SCE's name, the information may not be shared with an affiliate due to the provisions of Affiliate Rule III.E.3. The trade or industry organization may also have restrictions on the sharing of information with its members' affiliates.

Q: May the membership be held in the name of EIX and the information shared with all EIX Companies?

A: Yes, provided the affiliate and utility portions of the purchase are clearly identified, in accordance with applicable Commission allocation and reporting rules. Here again, however, the trade or industry organization may also have restrictions on the sharing of information with its members' affiliates.

Section 4.02 Customer Information

Principle

Protection of Information Resources

Rule

Affiliate Rule IV.A
A utility shall provide customer information to its affiliates and unaffiliated entities on a strictly non-discriminatory basis, and only with prior affirmative customer written consent. Source: D.06-12-029.

Applicable to Class A Affiliates

Discussion

SCE has a protocol by which customer information is released to third parties on a nondiscriminatory basis, with the customer's written consent. This protocol described in the Customer Service Business Unit's *Requests for Customer Information Policy*. In addition, SCE's training materials and online resources emphasize that customer information is confidential and can be release only under our established protocol. As required by Resolution E-3539, the ATR Manual sets forth the organization responsible for determining:

- That the customer has given written, affirmative consent to the release of information; and
- That the information is made available, subject to the customer's authorization, to both affiliates and their competitors in a nondiscriminatory fashion.

Written authorization for release of customer information must be obtained and confirmed prior to information release. SCE may not rely simply on a representation or statement from an Affiliate or third party that a customer has authorized such release. This procedure applies only to customer information which is reasonably related to the goods or services to be provided by the Affiliate or third party, and is information an individual customer would be entitled to receive from SCE. The release of other non-public and proprietary information remains subject to restrictions described elsewhere in this manual.

SCE must record all instances in which customer data and information are released to an Affiliate or third party.

Procedure

Current specific steps to be followed for release of customer information are detailed in the *Requests for Customer Information Policy* established by Customer Service Business Unit (CSBU).

Customers authorize release of customer information to third parties by executing a Customer Information Standardized Request (CISR). By submitting this form the customer designates a

third party as their Agent to receive specified service account information for designated accounts and/or to act on their behalf to accomplish certain initiatives. Resolution E-3539, Ordering Paragraph 10, directed SCE to include in its Revised Compliance Plan the language used to obtain the customer's affirmative consent for release of the customer's information. The statements within the CISRS form constitute that language.

Resolution E-3539, Ordering Paragraph 11, requires that a notice of intent to release customer information to an affiliate be posted on SCE's affiliate transaction Web site prior to such release. SCE will follow this requirement when SCE receives CISR forms authorizing release of customer information to a Class A affiliate. If such forms are received, SCE's Customer Solutions Business Unit will notify the Affiliate Compliance Office, which will arrange for the necessary Internet posting. The information will not be released to the affiliate until such notice is posted. Pursuant to Ordering Paragraph 11, this notice will not include the name of the customer or the specific data to be distributed, but will have a general description of the type of data to be released. The relevant portion of such a notice might include language similar to the following:

> *A customer of Southern California Edison (SCE) has initiated an affirmative request for SCE to release usage and contact information regarding that customer to [name of affiliate], an affiliate of SCE.*

It is important to note here that SCE can release customer information only to the service provider that a customer specifies. Therefore, if another service provider contacts SCE regarding any notice of intent posted as a result of SCE's receipt of a CISR, SCE will be unable to disclose the name of the customer or any further information regarding the transaction. Information released pursuant to a signed customer authorization in compliance with Rule IV.A is not subject to the information release requirements of Rule III.B.1 – i.e., the information cannot be made available to non-affiliated market participants on the same terms, as SCE does not have the customer's permission to release information to any party other than the one named on the CISR.

(It is for this reason that SCE does not, in fact, believe that the Commission intended the Internet posting requirement to be triggered by SCE's receipt of a CISR. However, because the language of Resolution E-3539, Ordering Paragraph 11 is susceptible of the interpretation that a CISR does trigger postings, SCE will post notices as described, subject to the Commission's clarification of its intent. SCE believes that Ordering Paragraph 11 was intended to require posting only when the *utility* solicited the written consent from the customer to release information to third parties generally, or to a particular affiliate. SCE will post notice if these situations occur. However, SCE has no plans to do the former and is prohibited by Rule III.E.5 from engaging in the latter.)

SCE does not interpret the Commission's directive in Ordering Paragraph 11 as requiring SCE to post a notice when performing the purely ministerial function of processing Direct Access Service Requests (DASRs), a tariffed procedure approved by D.97-10-087 (SCE Rule 22, §§ E and C.3.d).

Through the CSBU, SCE will release specific information to a third party and/or Energy Service Provider (ESP) after receiving a valid authorization from the customer. SCE must receive a signed consent form, or letter from the customer's letterhead, before releasing

information. The authorization must contain account information that assures SCE that the customer signing the consent or letter is indeed the same customer whose information is to be released. The authorization must be signed by someone who has authority to financially bind the customer. All requests for customer information, received whether received verbally, by mail, telephone, or facsimile from customer agents who are authorized to act on behalf of the customer (ESPs, rate consultants, consulting firms, SCE affiliates) will be treated as if they were received from a customer.

Third Party Authorizations in the CSBU will:

- Receive and maintain the signed authorization forms and requests.
- Process and/or coordinate the release of customer-specific information.
- Track the number of requests and produce reports.

The individual responsible for determining that the customer has given written affirmative consent to the release of information is the CSBU's *Customer Service Representative for Third Party Authorizations*. Third Party Authorizations maintains the signed authorization forms and requests. Approved requests are normally processed within 10 days. Information is released to the third party via hard copy, diskette or e-mail. Third Party Requests ensures that the process of release of customer information is administered in a non-discriminatory manner, although actual information may be released only to those entities that the customer specifies in his or her authorization.

History

D.97-05-040, Interim Guideline 4, Applicable 5/20/97-12/31/97, superseded by provisions of D.97-12-088, Rule IV.A, read as follows:

> Customer information held by the regulated UDC (Southern California Edison) shall be made available to the affiliated energy service provider (Edison Source) with customer consent and using the same procedures for disseminating such information as is made available unaffiliated energy service providers.

SCE PGACT Manual, May 1996 Supplement (See SCE's Annual Affiliate Transaction Report, May 1, 1997, v.I, p. 340, p. 409)

Section 4.03 Customer Information - Release

Principle

Protection of Information Resources

Rule

Affiliate Rule III.E.5
Except as otherwise provided by these Rules, a utility shall not request authorization from its customers to pass on customer information exclusively to its affiliates.
Source: D.06-12-029

Applicable to Class A Affiliates

Discussion

Affiliate Rules V.F.1 and V.F.4 expressly prohibit SCE from trading upon or promoting affiliates' affiliation with the utility and prohibit joint marketing. These restrictions are noted in SCE's training materials and online resources. These Rules are emphasized in training delivered to employees involved in marketing, handling customer data, advertising, and customer presentations. Since Rule III.E directly addresses situations where utility employees come into contact with external customers, it is particularly important that all employees understand and adhere to these provisions. Discussion of the provisions of this Rule is particularly important and emphasized in affiliate compliance training.

Section 4.04 Non-Customer Specific, Non-Public Information

Principle

Protection of Information Resources

Rule

Affiliate Rule IV.B
A utility shall make non-customer specific non-public information, including but not limited to information about a utility's natural gas or electricity purchases, sales, or operations or about the utility's gas-related goods or services and, electricity-related goods or services, available to the utility's affiliates only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions, and keeps the information open to public inspection. Unless otherwise provided by these Rules, a utility continues to be bound by all Commission-adopted pricing and reporting guidelines for such transactions, and it is necessary to exchange this information in the provision of the corporate support services permitted by Rule V.E. The affiliate's use of such proprietary information is limited to use in conjunction with the permitted corporate support services, and is not permitted for any other use. Nothing in this Rule precludes the exchange of information pursuant to D.97-10-031. Nothing in this Rule is intended to limit the Commission's right to information under California Public Utilities Code Sections 314 and 581.
Source: D.06-12-029

Affiliate Rule III.E.4
Except as otherwise provided by these Rules, a utility shall not share market analysis reports or any other types of proprietary or non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with its affiliates.

Applicable to Class A Affiliates

Discussion

SCE has long maintained and updated policies and procedures for the handling of proprietary and confidential information.[1] SCE has included in its training materials and online resources a discussion of the restrictions on non-customer specific, non-public information imposed by this Rule. SCE reserves the right not to share non-publicly available information with any other parties, whether affiliated or not. Also, consistent with discussion of Rule III.B.2 above, SCE does not construe this Rule to require that offerings of information be made to other service providers individually.[2] SCE will provide information to other requesting service providers in the same format provided to its affiliate. SCE makes information available pursuant to this Rule in two common and easily accessible formats, per

[1] Decision 03-12-059, Findings of Fact 18, granted a waiver from Rule IV.B to Mountainview
[2] Resolution E-3539, at p. 18.

Commission direction. These are compatible with the EDI standards developed in the Commission's Direct Access Proceeding. SCE will determine—whenever possible, through discussion with the service provider obtaining the information—the formats in which information will be released. One such easily-accessible format will be hard copy printed versions of the information.

SCE will make any information transferred pursuant to this Rule available for public inspection at its corporate headquarters in Rosemead at reasonable times consistent with ongoing business responsibilities, subject to the same terms and conditions of release applied to its affiliate. All requests to view information made available pursuant to this rule must be presented, in writing, to:

Janine M. Watkins-Ivie
Director of Regulatory Compliance, Regulatory Policy & Affairs
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770

Pursuant to Rule IV.F, SCE will have three business days to comply with such requests as confirmed by Resolution E-3539.

If SCE is required to perform services in providing non-customer specific, non-public information to its affiliates, it may charge the affiliate for the cost of providing such information pursuant to the pricing provisions of Rule V.H. If so, in order to adhere to the "same terms and conditions" clause in this Rule, SCE will require identical payment and terms for third parties who request the non-public information.

As described for Rule III.B.2, SCE has established an Internet website (http://www.sceaffiliatebb.com) specifically for the notices required by Rules III.B.2, III.F, and IV.B. Notice of availability of information, including relevant terms and conditions of release, is posted as necessary in compliance with this Rule. To be consistent with Rule IV.F, SCE will retain this information for at least three years.

As permitted by this Rule, SCE will exchange certain proprietary information with its affiliates on an exclusive basis in order to perform shared oversight, governance, and support services permitted by Rule V.E. Where such support, governance and oversight services are performed for a Class A affiliate—and the information transferred passes *from* the utility *to* the affiliate—SCE will require that affiliate to pay the costs associated with producing or acquiring the information in accordance with Rule V.H. Where the support services are performed by the *utility*—and the information passes from the affiliate to SCE—SCE need not compensate the affiliate for the affiliate's information. For example, tax preparation is a permitted shared service performed by utility personnel. An affiliate's tax return data will be considered proprietary, and no payment will be required from the utility when such information is transferred from the affiliate to SCE. Permissible shared oversight, governance, and support services performed for affiliates will be charged to the affiliates pursuant to Rules V.E. and V.H.

Further, SCE operates within a holding company structure and is required to report basic financial information to its parent, which reports consolidated financial information as

required by federal and state securities and income tax laws. SCE also operates pursuant to a tax-allocation agreement approved by the Commission, and such basic information must be made available to SCE affiliates in order to operate under that agreement. As required by the Rules, SCE will continue to observe rigorously all Rules prohibiting the dissemination of customer-specific information and other similar market, and competitively sensitive information.

SCE interprets the Rule as not prohibiting the utility from making available at its discretion to senior financial officers of affiliates, on an exclusive basis and without compensation, basic recorded and projected corporate financial performance information (e.g., net income and dividend capacity, financial statistics and projections) outside the scope of performing compensated corporate support, oversight and governance services, when the purpose of doing so is for senior financial executives to meet and confer to capture the benefits of skill and experience across the corporation, thereby improving the overall effectiveness of financial management and lowering costs. Such information would not directly identify or reveal utility "supply, capacity, services or information" (as used in Rule III.B.1), customer information (as governed by Rule IV.A), or utility activities which are expressly not permitted to be shared as by Rules V.D and V.E (such as "gas and electric purchasing for resale … system operations, and marketing"). SCE's making such information available in this context does not prejudice ratepayers or advantage in any way the affiliate.

In December 2004, the CPUC issued D.04-12-048 which approved SCE's Long Term Procurement Plan as modified in the decision, provided direction to utilities on the procurement of identified resources, and lifted the ban on long-term affiliate transactions (D.02-10-062, Findings of Fact 21) for transactions entered into through an open and transparent solicitation process. The Commission maintained the ban on short-term transactions. The decision reaffirmed that the utilities, and in particular their respective risk management committees, must maintain complete procurement planning independence from their affiliates. (D.04-12-048, Ordering Paragraph 27)

On July 21, 2003, SCE filed an application for approval of a potential power purchase agreement between itself and a wholly-owned subsidiary that had not yet been created. On December 18, 2003, the Commission issued a decision substantially approving SCE's application. Certain provisions of that decision addressed issues with respect to applicability of the Affiliate Transaction Rules to the proposed arrangement. However, neither SCE's request nor the Commission's decision affects SCE's compliance statements with regard to the adopted rules or to existing affiliates. Mountainview Power Company, LLC was created as a wholly-owned subsidiary of SCE in March 2004, and became commercially operational on December 9, 2005. Although classified as a Class A affiliate of SCE, this entity is subject to a limited number of the Affiliate Transaction Rules, as specified in D.03-12-059. SCE submitted notification of this reclassified entity on December 12, 2005, as required by Rule VI.B.

SCE interprets the Rule as not prohibiting the utility from disclosing non-customer specific non-public information to affiliated generators for system reliability purposes. Any such disclosure would be limited to ensure local reliability and would apply as with any similarly situated third party generator. To the extent that such information constituted transmission information covered by the FERC Standards of Conduct (Order 2004) such information would be posted on www.sce.com pursuant to Section 358.5(b)(8) of Order 2004.

Procedure

SCE has established an Internet website specifically for the notices required by Affiliate Rules III.B.2 III.F, and IV.B. This site has been linked to the main SCE website, www.sce.com. There are necessary periodic redesigns to SCE's websites that subsequently changes web addresses, to avoid being out of compliance with the Affiliate Transaction Rules required internet and internet postings, SCE's original affiliate notices web address provided to the CPUC, (www.sceaffiliatebb.com) has been retained and automatically reroutes to any new web page addresses. Notice of availability of information, including relevant terms and conditions of release, will be posted on a regular basis in compliance with this Rule by SCE's Affiliate Compliance Office with information provided by the business unit offering the information. All postings on SCE websites shall remain for at least thirty (30) days. To be consistent with Rule IV.F, SCE will retain this information for a period of three years, or longer if the Commission or another government agency requires.

History

The updated compliance statement for this rule was filed on February 20, 2004 in Advice 1278-E-I, the 2004 Interim Compliance Plan Update, which was approved by the CPUC on March 2, 2004.

Section 4.05 Employee Information Directories

Principle

Protection of Information Resources

Policy

SCE may make available to its affiliates electronic or printed directories of utility employees, and affiliates may make directories of its employees available to SCE

In Support of: D.06-12-029, Rules IV.A, V.C, V.E

Applicable to Class A and Class B Affiliates

Discussion

SCE's interpretation of Affiliate Rule V.C is that maintenance of directories of utility and affiliate employees is permissible. Rule V.C, as interpreted in CPUC Resolution E-3539, prohibits the sharing of "e-mail systems" and "supporting infrastructure." SCE does not interpret as being prohibited an address list or printed or electronic directory which permits a utility employee to send an e-mail or place a phone call to an affiliate employee, or vice versa, over the same public Internet or phone lines as that employee would use to contact a non-affiliated entity.

Section 4.06 Modeling Data

Principle

Protection of Information Resources

Policy

If modeling or processing of utility data is performed on computing systems owned by EIX, or using software programs or models owned or licensed by EIX, the following guidelines shall be applied:

- Data sets containing SCE proprietary or confidential information will not be stored on computers where the EIX study is being performed. Where processing of such information is performed for the benefit of SCE, data runs shall not be stored by EIX. Hard copy printouts of such information, while in the possession of EIX, will be marked to note that the information may not be transferred to other EIX companies.

- Where EIX owns or licenses modeling or analytical programs that are used by more than one EIX company, employees of those companies may meet to discuss the programs' modeling capabilities. However, there cannot be any discussion or transfer of confidential customer information or non-public information from SCE to other EIX companies, nor can there be discussion of SCE business strategies in such meetings. Utility employees attending these meetings will have the responsibility of making these restrictions known, at the beginning of the meeting, to other attendees.

In Support of D.06-12-029, Rules III.B.1, IV.A, IV.B

Applicable to Class A Affiliates

Discussion

In December 2004, the CPUC issued D.04-12-048 which approved SCE's Long Term Procurement Plan as modified in the decision, provided direction to utilities on the procurement of identified resources, and lifted the ban on long-term affiliate transactions (D.02-10-062, Findings of Fact No.21) for transactions entered into through an open and transparent solicitation process. The ban was maintained on short-term transactions. The decision reaffirmed that the utilities, and in particular their respective risk management committees, must maintain complete procurement planning independence from their affiliates.

Section 4.07 Gas Transportation

Principle

Protection of Information Resources

Rule

Affiliate Rule II.D
The Affiliate Rules do not apply to the exchange of operating information, including the disclosure of customer information to its FERC-regulated affiliate to the extent such information is required by the affiliate to schedule and confirm nominations for the interstate transportation of natural gas, between a utility and its FERC-regulated affiliate, to the extent that the affiliate operates an interstate natural gas pipeline.

Applicable to Class A Affiliates

Discussion

This Rule is not currently applicable to SCE or any of its current affiliates.

Section 4.08 Proprietary Information

Principle

Protection of Information Resources

Rule

Affiliate Rule IV.B (partial)
A Utility is also permitted to exchange proprietary information on an exclusive basis with its affiliates, provided the utility follows all Commission-adopted pricing and reporting guidelines for such transactions, and it is necessary to exchange this information in the provision of the corporate support services permitted by Affiliate Rule V.E. The affiliate's use of such proprietary information is limited to use in conjunction with the permitted corporate support services, and is not permitted for any other use. Nothing in this Rule precludes the exchange of information pursuant to D.97-10-031. Nothing in this Rule is intended to limit the Commission's right to information under California Public Utilities Code Sections 314 and 581.

Applicable to Class A Affiliates

Discussion

Affiliate Rule IV.B permits SCE to exchange certain proprietary information with its affiliates on an exclusive basis in order to perform shared oversight, governance, and support services permitted by Rule V.E. Where such support services are performed by a Class A affiliate—and the information transferred passes *from* the utility *to* the affiliate—SCE will require compensation from its affiliates for that data, in accordance with Rule V.H. Where the support services are performed by the *utility*—and the information passes from the affiliate to SCE—SCE will not compensate the affiliate for the affiliate's information. For example, tax preparation is a permitted shared service performed by utility personnel. An affiliate's tax return data will be considered proprietary, and no payment will be required from the utility when such information is transferred from the affiliate to SCE. Permissible shared oversight, governance, and support services performed for affiliates will be charged to the affiliates pursuant to Rules V.E. and V.H.

Affiliates and Affiliate Investees are not entitled to other nonpublic proprietary information of Southern California Edison.

In the event that Southern California Edison's nonpublic proprietary information is made available on the same terms and conditions to Affiliates or Affiliate Investees, it shall be compensated for in accordance with the provisions of this manual or also be available to similarly situated third parties.

Subject to these exceptions, personnel of Southern California Edison shall:

- Not transfer to employees of Affiliates information about the businesses of Southern California Edison;

- Avoid publishing within the utility, in a publication that is expected to be distributed to employees of Affiliates (including transmissions via e-mail or closed circuit broadcast), confidential proprietary information concerning the businesses of Southern California Edison; and
- Document in writing, with a copy to the Affiliates Officer, any such communication that has received such prior approval of the Affiliates Officer.

This Rule is not intended to restrict the following communications among employees of Southern California Edison and Affiliates:

- Communications concerning intercompany billings, payments, audits, treasury, financial and tax reporting, and other Permissible Support Services performed pursuant to Rule V.E;

- Communications about general corporate policies and practices;

- Communications of public information or of information also available to similarly situated third parties;

In December 2004, the CPUC issued D.04-12-048 which approved SCE's Long Term Procurement Plan as modified in the decision, provided direction to utilities on the procurement of identified resources, and lifted the ban on long-term affiliate transactions (D.02-10-062, Findings of Fact 21) for transactions entered into through an open and transparent solicitation process. The ban was maintained on short-term transactions. The decision reaffirmed that the utilities, and in particular their respective risk management committees, must maintain complete procurement planning independence from their affiliates.

History

PGACT V1S1

Section 4.09 Supplier Information

Principle

Protection of Information Resources

Rule

Affiliate Rule IV.D
A utility may provide non-public information and data which has been received from unaffiliated suppliers to its affiliates or non-affiliated entities only if the utility first obtains written affirmative authorization to do so from the supplier. A utility shall not actively solicit the release of such information exclusively to its own affiliate in an effort to keep such information from other unaffiliated entities.

Applicable to Class A Affiliates

Discussion

Sharing of all supplier information will be subject to the restrictions of Affiliate Rule IV.D. SCE will not request permission of suppliers to disclose information exclusively to affiliates. If a supplier requests that information be released, or inquires about information release, to affiliates or non-affiliates, SCE will provide the supplier with a copy of the text of this Rule. Any written authorization that suppliers provide for release of supplier information will be maintained by SCE. SCE's Procurement Department has been informed about this Rule and will be responsible for ensuring compliance.

Neither Rule IV.D nor Rule V.D prohibits SCE and its affiliates from independently purchasing goods or services from the same non-affiliated supplier.

See also:

Section 12.19: Joint Purchases

Procedure

Supply Chain Management or another SCE business unit contacts Affiliate Compliance Office about purchasing a good or service with an affiliate. Affiliate Compliance Office determines whether the Affiliate rules allow SCE to purchase the particular good or service in conjunction with the other EIX companies. If the purchase is determined to be in compliance with the Rules, members from the interested affiliated companies meet to discuss possible needs. The following language is sent to the vendor prior to any discussions taking place.

By its signature below, Supplier hereby acknowledges the intent of SCE to negotiate with Supplier on behalf of, or jointly with, one or more of the EIX affiliated companies, and grants to SCE the nonexclusive right to freely disclose to any of those affiliated companies any information pertaining to its negotiations with Supplier.

After obtaining the appropriate signature on the language above, negotiations begin. Should the negotiations result in a contract, the following language is incorporated into the contract:

> By its signature below, Supplier hereby grants to SCE the right to disclose to any and all of the EIX affiliated companies the offer price and other terms contained herein, and hereby offers to sell to such affiliates on such same terms and conditions. In the event sales to any of such affiliates are consummated, the quantities sold to such affiliate(s) shall be separately stated.

History

The negotiation and contract language noted under Procedure was established in 1999.

Section 4.10 Use of EIX Shareholder Information

Principle

Protection of Information Resources

Policy

Use of EIX Shareholder Information
Shareholder information is not customer information. EIX may, at its own discretion, use its lists of shareholders and its own independently developed mailing lists to distribute information about any EIX company, including marketing materials relating to products and services offered by its non-utility subsidiaries. Although some EIX shareholders are customers of SCE, shareholder and customer information is maintained separately.

In Support of: D.06-12-029, Rule V.A and Rule IV.A

Applicable to Class A and Class B Affiliates

Chapter 5. Nondiscrimination

Section 5.01 Nondiscrimination - No Preferential Treatment

Principle

Nondiscrimination

Rule

Affiliate Rule III.A.1
Unless otherwise authorized by the Commission or the FERC, or permitted by these Rules, a utility shall not:

1. represent that, as a result of the affiliation with the utility, its affiliates or customers of its affiliates will receive any different treatment by the utility than the treatment the utility provides to other, unaffiliated companies or their customers; or

2. provide its affiliates, or customers of its affiliates, any preference (including but not limited to terms and conditions, pricing, or timing) over non-affiliated suppliers or their customers in the provision of services provided by the utility.

Affiliate Rule V.F.2
A utility, through action or words, shall not represent that, as a result of the affiliate's affiliation with the utility, its affiliates will receive any different treatment than other service providers.

Affiliate Rule V.H.4
Goods and services produced, purchased or developed for sale on the open market by the utility will be provided to its affiliates and unaffiliated companies on a nondiscriminatory basis, except as otherwise required or permitted by these Rules or applicable law.

Applicable to Class A and Class B Affiliates

Discussion

SCE will neither claim, nor provide preferential treatment to, its affiliates or its affiliates customers, in compliance with Affiliate Rules III.A and V.F.2.

The requirements of this Rule were noted in the revised All-Employee Affiliate Implementation (AEAI) Package distributed to all employees of EIX companies on October 8, 1998.

There shall be no preferential treatment by SCE in favor of its Affiliates, Affiliate Investees or Affiliate Third Parties in business activities that SCE also conducts with unrelated or disinterested third parties. Transactions between SCE and its Affiliates will be conducted on an "arm's length" basis. An arm's length basis of conducting business is one where a party seeks to satisfy its separate best interests in dealing with another party. Therefore, in

conducting business transactions with its Affiliates, SCE will seek to satisfy the utility's best interests rather than the Affiliates' interests.

Rules III.A, V.F.2 and V.H2 make it clear that SCE and its employees may not give preference to its affiliates or its affiliates' customers when providing utility services. Among other things, "preference" might include specially expedited or out-of-order processing of requests for services, sharing of customer information (or other non-public information) in a manner not authorized by the Affiliate Rules, allocation of unused capacity or supply to affiliates in a manner not consistent with Rule III.B.1, or offering of discounts to affiliates and their customers in a manner not consistent with Rule III.F. Any utility information, goods and services, unused capacity or supply offered to affiliates, except for shared support services, must be made available contemporaneously to other parties under the same terms and conditions. SCE may not offer the affiliates and their customers any discounts, rebates, or fee waivers that are not also offered to non-affiliate entities. The forms used to provide notice of offering of excess supply, capacity, information or services to affiliates ("3B Report") are available to utility employees from SCE's Portal, under "Policies," by selecting "Affiliate Transactions Requiring Special Reports." The form used to provide notice of discounts offered to affiliates ("3F Report") is available at the same location.

See also

Section 5.02: Access to Supply, Capacity, Services, Information
Section 5.04: Discounts
Section 5.08: Types of Transactions Permitted
Section 14.03: Competitive Bidding Required
Section 14.04: Pricing Transfer of Goods and Services

History

The Affiliate Rules noted above are broader than, and inclusive of, the situation described in D.88-01-063, Condition 15, and therefore supersede that Condition 15:

> *Neither Edison's holding company nor its subsidiaries shall provide interconnection facilities and related electrical equipment to Edison, directly or indirectly, where third-party power producers are required to purchase or otherwise pay for such facilities and equipment in conjunction with the sale of electrical energy to Edison, unless the third party may obtain and provide facilities and equipment of like or superior design and quality through competitive bidding. The holding company and its nonutility subsidiaries may participate in any competitive bidding for such facilities and equipment.*

PGACT V1S1

Section 5.02 Access to Supply, Capacity, Services and Information

Principle

Nondiscrimination

Rule

Affiliate Rule III.B.2
Except as provided for in Rules V.D, V.E, and VII, a utility shall provide access to utility information, services, and unused capacity or supply on the same terms for all similarly situated market participants. If a utility provides supply, capacity, services, or information to its affiliate(s), it shall contemporaneously make the offering available to all similarly situated market participants, which include all competitors serving the same market as the utility's affiliates.
Source: D.06-12-029

Applicable to Class A Affiliates

Discussion

"[U]tility information, services, and unused capacity or supply," as used in this Affiliate Rule III.B.2, covers all activities of the utility, except as provided for in Rules V.D, V.E, and VII. This includes customer information and operating information. As noted in the text of this Rule, SCE is not precluded from offering to affiliates, on an exclusive basis, services permitted by Rules V.D and V.E. SCE acknowledges that it may not, however, offer other capacity or functions to affiliates on an exclusive basis. Services subject to the requirements of Rule III.B.1 include, but are not limited to, vacant space in utility facilities, use of available utility-owned office furniture and equipment, vehicle maintenance services, and utility aircraft. Because any such goods and services, if offered to affiliates, would similarly be offered to non-affiliates, transfers of such goods and services would be priced at fair market value, pursuant to Rule V.H.1.

SCE will consider notice given to the *market* in which an affiliate operates as satisfying the requirements of this Rule. SCE will not maintain a list of all individual competitors of affiliates in any market, nor does SCE interpret the Rule to require that offerings be made individually to those competitors. Further, SCE does not interpret this Rule as requiring identification and notice of *potential* competitors, nor does it require a general mass media campaign. CPUC Resolution E-3539, Findings of Fact 27, agrees with this interpretation.

CPUC Resolution E-3539, Findings of Fact 31, confirms that Rule III.B is inapplicable to tariffed services. Similarly, Rule III.B.1 excludes from its noticing requirements those products and services offered pursuant to the provisions of Rule VII.

See also:

Section 5.08: Types of Transactions Permitted

Procedure

If supply, capacity, services or information required to be made available to other market participants is offered to Class A affiliates, a notice of availability will be contemporaneously posted on an SCE electronic bulletin board by SCE's Affiliate Compliance Office with information provided by the business unit making the offering. SCE will also give notice in industry publications that are targeted to the relevant market(s) its affiliates serve. SCE will provide notice in at least one trade publication for each affiliate whose competitors may take advantage of the offering.

SCE has established an Internet website (http://www.sceaffiliatebb.com) specifically for the notices required by Rule III.B.1. This site has been linked to the main SCE site. Information will be posted on a regular basis, as necessary, in compliance with this Rule.

History

SCE included the following interpretation in its Supplemental Compliance Plan. This interpretation was in effect from 1/30/98 until the adoption of Resolution E-3539 on 9/17/98, which rejected this interpretation.

> *SCE interprets "utility information, services, and unused capacity or supply," as used in this Rule, to refer exclusively to information, services, and unused capacity related to SCE's transmission and distribution functions, and its remaining generation operations. This includes customer and operating information. SCE interprets this Rule as not precluding the offering to affiliates, on an exclusive basis, of non-electricity-related services or capacity for functions permitted by Rule V.E. Such products and services include, but are not limited to, vacant space in utility facilities (where the access restrictions of Rule V.C are also met), use of available utility-owned office furniture and equipment, as-available use of vehicle maintenance services, and as-available use of utility aircraft. Rule V.H.5, in providing for transfer of "goods and services not produced, purchased or developed for sale by the utility," anticipates such transactions "priced at fully loaded cost plus 5% of direct labor cost."*

Section 5.03 Assignment of Customers

Principle

Nondiscrimination

Rule

Affiliate Rule III.D
A utility shall not assign customers to which it currently provides services to any of its affiliates, whether by default, direct assignment, option or by any other means, unless that means is equally available to all competitors.

Applicable to Class A and Class B Affiliates

Discussion

SCE does not "assign" customers to any provider. CPUC Resolution E-3539 describes this as satisfactory.

History

Edison O&M Services
D.00-07-047, Ordering Paragraph 7, authorized the following limited exemption to this rule:

> Edison's existing contracts for generation-related operation and maintenance services shall be directly assigned to Edison O&M [Services].

All assignments pursuant to this exemption were completed in 2001.

Section 5.04 Discounts

Principle

Nondiscrimination

Rule

Affiliate Rule III.B.3
Except when made generally available by the utility through an open, competitive bidding process, if a utility offers a discount or waives all or any part of any other charge or fee to its affiliates, or offers a discount or waiver for a transaction in which its affiliates are involved, the utility shall contemporaneously make such discount or waiver available to all similarly situated market participants. The utilities should not use the "similarly situated" qualification to create such a unique discount arrangement with their affiliates such that no competitor could be considered similarly situated. All competitors serving the same market as the utility's affiliates should be offered the same discount as the discount received by the affiliates. A utility shall document the cost differential underlying the discount to its affiliates in the affiliate discount report described in Affiliate Rule III.F.7 below.

Applicable to Class A Affiliates

Discussion

SCE will provide no preferential treatment by the utility, such as discounts, in favor of affiliates. In addition to SCE policy previously stated in the PGACT manual and the provisions of Rule III.B.3, procedures and mechanisms that prevent discounts or waivers from being offered on a discriminatory basis include those measures described in this manual regarding Affiliate Rules III.B.2 posting of and access to utility supply, capacity, information and services), III.F (reporting of discounts), IV.F (requirement to record all transactions), V.H.1, V.H.3, V.H.4, and V.H.5 (pricing of goods and services provided by the utility to its affiliates). The Finance Division of SCE's CSBU, in consultation with SCE's Controller's Department, is responsible for reviewing the proposed pricing of offerings, including proposed discounts and fee waivers. Pricing plans that may include a discount from the otherwise applicable tariff are also reviewed by RP&A's Rate Design group and are subject to review and approval by the Commission. This review both evaluates the basis for the proposed pricing and ensures that the proposed offering is not discriminatory.

SCE interprets Rule III.B.3 not to exclude the nondiscriminatory offering of percentage-based discounts to competitors in a particular market. In other words, a uniform 5% discount offered to all competitors would comply, although the absolute discount amount for two or more particular competitors would thereby vary. CPUC Resolution E-3539, Findings of Fact 34, confirms that percentage-based discounts or discounts based on absolute amounts, if offered in a nondiscriminatory manner, comply with this Rule. Discounts for FERC-jurisdictional transmission services will be governed by FERC Orders 889 and 889A, and as adopted by FERC Order 2004.

SCE interprets Rule III.B.3 as applying only to those discounts or waivers which it has the ability to offer. For example, from time to time suppliers may offer discounts on purchases made pursuant to Rule V.D. SCE will pass such discounts along to affiliates, but would be unable to offer the same discounts to other market participants.

See also

Section 16.05: Discounts – Notice of Availability

Procedure

See Chapter 16 for requirements related to posting Notices of Availability of discounts.

History

PGACT V1S1, p. I-5

Section 5.05 Nondiscrimination - Purchasing

Principle

Nondiscrimination

Policy

Affiliate Rule III.B.6
In order to ensure that purchases from affiliates are conducted on a nondiscriminatory basis, SCE's Procurement and Material Management Department will complete a checklist in conjunction with the processing of Purchase Orders and Change Orders with affiliated entities.

In Support of: D. 06-12-029, Rules III.A.2 and V.F.2

Applicable to Class A and Class B Affiliates

Discussion

Purchase Orders engaging the services of SCE's nonutility entities or affiliates must be closely examined. The Affiliate Transaction Checklist for Procurement must be completed if the supplier/contractor is on the nonutility entity List or is an SCE affiliate. Completion of the checklist will help determine whether the Purchase Order requires the approval of SCE's Affiliate's Officer.

In addition, prior to execution, SCE's Law Department shall review all Significant Nonstandard Contracts of SCE, all Significant Standard Contracts between SCE and an affiliate or affiliate investee, and all amendments to any such contracts. All departments of SCE shall be responsible for reporting to SCE's Law Department, on a current basis and prior to execution, of all such contracts and amendments.

See also

Section 12.01: Separation - Shared Support
Section 3.03: Affiliate Officer

Procedure

The Affiliate Transaction Checklist for Procurement includes the following questions:

1. Type of Nonutility Entity (select one):
   (a) Nonutility Investee (b) Nonutility Third Party (c) Nonutility Subsidiary
2. Purchase Order Amount: $_____

3. Type of Award (select one):
   (a) Selected Competitive (SC) (b) Evaluated Low Bid (EL) (c) Low Bid (LB)
   (d) Directed Award (DI) (e) Single Source (SS) (f) Selected Non-competitive

If the answer to any of the following is (b), the transaction requires SCE's Affiliates Officer Approval:

4. Is the Contractor/Supplier an SCE Affiliate? (a) no (b) yes
5. Did the Purchase Order use Standard terms and conditions or a Master Agreement? (a) yes (b) no
6. Is the Purchase Order non-cancelable for 2 years or more? (a) no (b) yes
7. Is the Purchase Order over $500,000 and tied to a Master Agreement? (a) no (b) yes
8. Is the Purchase Order a joint agreement with a nonutility entity to purchase, sell, lease, or license a good or service from a third party? (a) no (b) yes
9. Is the Purchase Order in the amount of $10 million or more? (a) no (b) yes
10. Explain award basis:

SCE suppliers who have been set up as a nonutility entity or affiliate are indicated by the purple screens on the MMS file.

History

PGACT V1S1

Section 5.06 Processing Requests for Service

Principle

Nondiscrimination

Rule

Affiliate Rule III.B.6
A utility shall process requests for similar services provided by the utility in the same manner and within the same time for its affiliates and for all other market participants and their respective customers.

Applicable to Class A and Class B Affiliates

Discussion

This Rule essentially duplicates the requirements of Affiliate Rule III.A.2. **See Section 5.01: Nondiscrimination – No Preferential Treatment**.

History

D.97-05-040, Interim Guideline 3, Applicable 5/20/97-12/31/97, superseded by provisions of D.97-12-08, Rule III.B.5, read as follows:

> *The regulated UDC (Southern California Edison) shall not discriminate in the treatment of the affiliated electric service provider (Edison Source) and the non-affiliated electric service providers in the processing of direct access requests or other transactions.*

Section 5.07 Tariffs

Principle

Nondiscrimination

Rule

Affiliate Rule III.B.4
If a tariff provision allows for discretion in its application, a utility shall apply that tariff provision in the same manner to its affiliates and other market participants and their respective customers.

Affiliate Rule III.B.5
If a utility has no discretion in the application of a tariff provision, the utility shall strictly enforce that tariff provision.

Applicable to Class A and Class B Affiliates

Discussion

Affiliate Rules III.B.4 and III.B.5 reflect requirements that are imposed by California Public Utilities Code Section 453 rate discrimination for SCE. Further, Rule III.B.4 is closely related to Rules III.B.2, III.A.2, and III.F. CPUC Resolution E-3539 agrees.

Section 5.08 Types of Transactions Permitted

Principle

Nondiscrimination

Rule

Affiliate Rule III.B
Transactions between a utility its parent holding company and its affiliates shall be limited to tariffed products and services, to the sale of goods, property, products or services made generally available by the utility or affiliate to all market participants through an open, competitive bidding process, to the provision of information made generally available by the utility to all market participants, to commission- approve resource procurement by the utility, or as provided for in Rules V.D (joint purchases) and V.E (corporate support), and VII (utility products and services) below.

Rule III.B.1 Resource Procurement. No utility shall engage in resource procurement, as defined in these Rules, from an affiliate without prior approval from the Commission. Blind transactions between a utility and its affiliate, defined in those transactions in which neither party knows the identity of the counterparty until the transaction is consummated, are exempted from this Rule. A transaction shall be deemed to have prior Commission approval (a) before the effective date of this Rule, if authorized by the Commission specifically or through the delegation of authority to Commission staff or (b) after the effective date of this Rule, if authorized by the Commission generally or specifically or through the delegation of authority to Commission staff.

Source: D.06-12-029
Source: D.04-12-048, Ordering Paragraph 27

Applicable to Class A Affiliates

Discussion

SCE purchases from affiliates (except those made under Affiliate Rules V.D and V.E, as permitted or as authorized by D.00-07-047) are required to be made through an open, competitive bidding process. SCE's Procurement and Material Management Department will ensure compliance with this provision. For any products or services where the utility or affiliate is the sole available source (e.g., licensing of certain intellectual property), SCE's Procurement and Material Management Department will obtain approval of SCE's Affiliates Officer prior to such purchase.

Energy Procurement
SCE power procurement responsibilities are governed by a wide-range of rules, guidelines, and protocols established by the CPUC and FERC. In D.04-12-048, the CPUC lifted its ban on affiliate transactions involving long-term procurement. However, the CPUC cautioned that the utility procurement process must be "effective in preventing conflicts of interest and

cross- subsidization." This requirement is consistent with the CPUC's "Holding Company" decision, D.88-01-063, which authorized a holding company structure for SCE and its non-utility subsidiaries. D.04-12-048, in part, requires that an "Independent Evaluator" must review any long-term procurement involving affiliates to ensure that there is no favoritism shown to the utility's affiliates. D.04-12-048 further reaffirmed that the utility, and in particular its respective risk management committees, must maintain complete procurement planning independence from its affiliates.

When the CPUC instituted the ban on affiliate transactions in D.02-10-062, it specifically carved out an exception to the ban for anonymous transactions conducted through the Independent System Operator (ISO). In D.03-06-076, the CPUC expanded the scope of that exception to include anonymous transactions with affiliates conducted through brokers or exchanges.

SCE has developed processes and procedures to comply with the rules governing affiliate transactions, including the prevention of conflicts of interest and cross-subsidization. In addition to the CPUC requirements regarding transactions with affiliates, SCE also complies with FERC requirements that govern power sales transactions with affiliates. These processes and procedures include the use of an "Independent Evaluator" for competitive solicitations that involve participation by SCE's affiliates, use of CPUC approved brokers and exchanges for anonymous transactions, consultation with SCE's Procurement Review Group (PRG), educating SCE's power procurement employees regarding various restrictions involving interactions with affiliates, and the application of internal procedures for the ongoing contract administration of contracts/agreements.

See also:

Section 5.05: Nondiscrimination – Purchasing
Section 12.19: Joint Purchases
Section 14.03: Transfer of Goods and Services – Competitive Bidding Required
Appendix F: Policies and Procedures Concerning Affiliate Participation in SCE Requests for Offers and Requests for Proposals

History

D.97-05-040, Interim Guideline 3, Applicable 5/20/97-12/31/97, superseded by provisions of D.97-12-08, Rule III.B.5, read as follows:

> *Transactions between the regulated Utility Distribution Company (Southern California Edison) and the unregulated affiliated provider (Edison Source) shall be limited to the purchase of tariffed items generally available to other similarly situated electric service providers.*

Chapter 6. Separation – General

Section 6.01 Separation of Corporate Entities

Principle

Separation

Rule

Affiliate Rule V.A
A utility its parent holding company and its affiliates shall be separate corporate entities.

Applicable to Class A and Class B Affiliates

Discussion

SCE and its affiliates are separate corporate entities.

History

D.97-05-040, Interim Guideline 5, applicable 5/20/97-12/31/97, superseded by provisions of D.97-12-088 and D.06-12-029, Rule V.A, read as follows:

> *The affiliated entity offering electric service (Edison Source) shall operate independently of the investor-owned utility (Southern California Edison).*

SCE's compliance statement for that period (filed 6/20/97) read:

> *Edison Source is a distinct corporation that is legally separate from Southern California Edison. Edison Source employs its own staff and management, maintains physically separate offices, and utilizes office equipment and other supplies which are not commingled with those of SCE. In all these respects, Edison Source operates independently. As noted in regards to Guideline 1, above, SCE provides certain corporate support services and temporary use of employees to its affiliates, billed back by the parent holding company. This structural separation is consistent with 'independent operation,' as the Commission recognized in D.88-01-063.*

Section 6.02 Separation of Accounting

Principle

Separation

Rule

Affiliate Rule V.B
A utility its parent holding company and its affiliates shall keep separate books and records.

Edison, Edison's holding company, and each of its subsidiaries and the joint ventures of the holding company and/or its subsidiaries shall employ accounting and other procedures and controls related to cost allocations and transfer pricing to ensure and facilitate full review by the Commission and to protect against cross-subsidization of nonutility activities by Edison's customers.
Source: D.88-01-063, Condition 2 (partial)

Applicable to Class A and Class B Affiliates

Section 6.03 Separation – Applicability to All Relationships

Principle

Separation

Policy

All relationships between Southern California Edison and its Affiliates are to be conducted in such a fashion so as to avoid cross-subsidization of Affiliate operations by Utility ratepayers or adverse impacts upon the rates and services of the Utility Subsidiaries.

In Support of: D.88-01-063, Condition 2

Applicable to Class A and Class B Affiliates

History

PGACT V1S1

Chapter 7. Separation – Advertising & Marketing

Section 7.01 Appearances

Principle

Separation

Rule

Affiliate Rules III.E.6, III.E.7
Except as otherwise provided by these Rules, a utility shall not give the appearance that the utility speaks on behalf of its affiliates or that the customer will receive preferential treatment as a consequence of conducting business with the affiliates or give any appearance that the affiliate speaks on behalf of the utility.

Applicable to Class A Affiliates

Discussion

Conflicts of interest and the appearance of conflicts of interest shall be avoided. Accordingly, employees of Southern California Edison shall not serve in a representative capacity on behalf of Affiliates and Affiliate Investees in connection with business transactions in which Southern California Edison has an opposing interest. This prohibition does not include representation requested for permitted shared support functions such as law, regulatory affairs, or lobbying. See Rule V.E.

See also:

Section 7.03: Joint Activities

History

PGACT V1S1

Section 7.02 Advice/Assistance to Customers

Principle

Separation

Rule

Affiliate Rule IV.E
Except as otherwise provided in these Rules, a utility shall not offer or provide customers advice or assistance with regard to its affiliates or other service providers.

If a caller to the Utility Distribution Company (UDC) is having a problem with an Energy Service Provider (ESP), the UDC should be directed to inform the caller that they should call the ESP directly or call the Commission's complaint line.

The tracking and reporting of ESP complaint information by the UDCs, and providing callers with the Commission's complaint telephone line or the ESP's telephone number under the circumstances described in D.99-05-034 shall not be construed as a violation of Rule IV.E. of the affiliate transaction rules as adopted in D.97-12-088 and superseded by the provisions of D.06-12-029..
Source: D.99-05-034, Ordering Paragraphs 14 and 15

We will permit the UDCs to give out the telephone number of an ESP if the caller is complaining about a particular ESP and does not have the ESP's telephone number. If, however, the caller is simply asking for information about an ESP, D.97-12-088 (Revised by D.06-12-029) prevents the UDCs from providing that kind of information.
Source: D.99-05-034, *mimeo*, pp. 55-56

Applicable to Class A Affiliates

Discussion

Advice or assistance with regard to any service provider, including affiliates, may not be offered or provided. Customer contact employees such as account managers and other customer service field personnel must be especially watchful to avoid giving advice, or appearing to give advice, about specific service providers.

Pursuant to Affiliate Rule IV.E, SCE will not offer or provide advice or assistance with regard to any of its Class A affiliates or regarding non-affiliated service providers. CPUC Resolution E-3539, Findings of Fact 53, defines "service providers" as providers of gas-related, electricity-related, or other utility-related goods and services, including SCE's affiliates.

In its April 15, 1998 comments on consumer protection issues, filed in docket R.94-04-031/I.94-04-032 shortly after adoption of the Commission's Consumer Protection Decision

(D.98-03-072), SCE noted that when the utility has received calls expressing confusion or unhappiness with a specific ESP, it has been SCE's practice to refer those customers to their ESP for resolution. SCE does not interpret Rule IV.E as prohibiting this assistance.

This Rule does not prohibit advice or assistance that is not related to service providers, such as assistance in understanding electric restructuring generally, without reference to or discussion of specific service providers. Such assistance will not be used to elicit customer requests for service provider information as covered under Rule IV.C. CPUC Resolution E-3539, Findings of Fact 54, confirms that such discussion is allowed.

Where SCE is obligated under existing contracts to provide energy advisor services to specific customers, it shall be permitted to provide advice or assistance for the duration of such agreements, provided that in no case will SCE promote any of its affiliates or participate in joint communications proscribed or restricted by these rules. Resolution E-3539, Findings of Fact 55, notes that this is reasonable.

AB 1890 requires the new owners of generation facilities that SCE has divested or that it may divest in the future to contract with SCE or an affiliate for operation and maintenance of such divested facilities for at least two years. Rule IV.E does not affect SCE's ability to provide to the new owners, at their request, advice and assistance necessary for the safe and reliable operation and maintenance of these facilities, including advice regarding suppliers of equipment, materials, or services.

The Operations & Maintenance Service Contracts with the new owners of divested generating facilities explicitly require that SCE provide procurement services. The Service Contracts, as approved by the Commission, state, for example, that SCE shall "Procure Material, chemicals, lubricants, and spare and replacement parts as required to perform the Work" (§ 6.4). Notably, the Contracts also already make clear that SCE may not offer any services or advice regarding the provision of natural gas or electricity (§ 11.1(h)).

In D.99-05-034, the Commission clarified its interpretation of Rule IV.E as it relates to SCE's ability to respond to customers complaining about their ESPs. Specifically, if a caller to SCE is having a problem with his or her ESP, SCE may direct the caller to phone the ESP directly or call the CPUC's complaint line. If, however, the caller is simply asking for information about an ESP, SCE cannot provide that information.

See also:

Section 7.07: Referrals

Example

Q: A customer informs me that they are dissatisfied with an affiliate's performance, or with a product or service that they received from the affiliate. What can I say?

A: Express to the customer that the affiliate is a different company than SCE. You cannot tell the customer that you will speak to the affiliate. You can, however, contact the affiliate to tell them that you received a complaint and that a customer was dissatisfied — you may not, however, disclose the name of the customer or provide to the affiliate any confidential utility customer information. If complaints are logged or otherwise handled

in accordance with the CPUC's Consumer Protection decisions (e.g., if, in response to complaints regarding ESPs, SCE customarily provides the phone number of that ESP to the customer), you may follow those requirements.

History

The following statement, which appeared in the 5/96 Supplement to the PGACT manual, has been superseded by Affiliate Rule IV.E.

> *Account Executives and Account Managers may assist customers in identifying and explaining opportunities to purchase energy-related goods or services offered by third parties, including Affiliates.*

Section 7.03 Joint Activities

Principle

Separation- Corporate Identification and Advertising

Rule

Affiliate Rule V.F.4
SCE shall not participate in joint advertising or joint marketing with its affiliates. This prohibition means that SCE may not engage in activities which include, but are not limited to the following:

(a) SCE shall not participate with its affiliates in joint sales calls, through joint call centers or otherwise, or joint proposals (including responses to requests for proposals (RFPs)) to existing or potential customers. At a customer's unsolicited request, SCE may participate, on a nondiscriminatory basis, in non-sales meetings with its affiliates or any other market participant to discuss technical or operational subjects regarding SCE's provision of transportation service to the customer;

(b) Except as otherwise provided for by these Rules, SCE shall not participate in any joint activity with its affiliates. The term "joint activities" includes, but is not limited to, advertising, sales, marketing, communications and correspondence with any existing or potential customer.

Applicable to Class A Affiliates

Discussion

SCE interprets this Rule to permit extant joint responses to customer requests which were transmitted prior to January 1, 1998 to continue through the selection process (that is, they need not be withdrawn). CPUC Resolution E-3539, Findings of Fact 78, acknowledges that such withdrawal should not be required.

Affiliate employees should not raise marketing issues in any meetings conducted pursuant to Rule V.F.4.a. Any SCE employee attending such a technical meeting must explain the prohibition on joint marketing (Rule V.F.4.b) and on the provision of advice or assistance regarding any service provider (Rule IV.E) if marketing or sales promotion issues are raised unexpectedly by a third party, whether affiliated or non-affiliated. The SCE employee need not leave the meeting, but will not participate in that portion of the discussion.

SCE's phone center has not been used for solicitation of Direct Access services. At the time of adoption of D.97-12-088, SCE had fully-compensatory arrangements with its affiliates for use of the phone center for solicitation of other services. Because these arrangements were fully compensated, concerns about inappropriate subsidies were addressed. SCE ceased, as of January 30, 1998, the use of its phone centers for solicitations by covered affiliates.

D.98-08-035 permits SCE to apply for permission to provide marketing services through its phone centers on a non-discriminatory basis to all parties, including affiliates. If SCE files

such an application, the performance of such services will be consistent with the Commission's Rules.

SCE interprets this Rule to permit separate—and separately purchased—advertisements and communications by the utility and affiliates in a publication or at a facility where communications are also solicited and accepted by non-affiliated parties. For example, SCE and an affiliate may have separate advertisements in the same magazine, as long as SCE and the affiliate are not the only advertisers in that magazine. Similarly, SCE interprets this Rule to permit separate sponsorships of an event, where that event includes additional sponsors. This would include such activities as community events (a local 10-K run), charitable events (separate table sponsorships at an awards dinner), and industry conferences. Resolution E-3539 (slip op., p.31) describes the steps SCE has taken to comply with Rule V.F.4.c as reasonable.

To avoid the appearance of utility employees speaking on behalf of an affiliate, (or vice versa), and to further preclude sharing of information and joint marketing or advertising, a booth, table, exhibit, or advertisement sponsored by SCE will not be contiguous with any such booth, table, exhibit, or advertisement sponsored by an affiliate, to the extent that non-contiguous space remains available at the time of SCE's sponsorship.

Class A affiliates will not be permitted to establish promotional displays at SCE's Customer Technology Applications Center (CTAC) or Agricultural Technology Applications Center (AgTAC) facilities, except where displays by competing market participants appear at those centers contemporaneously and are established under the same terms and conditions. In no case will the affiliate's affiliation with SCE be promoted.

SCE and EIX have designed their sites on the Internet to delineate clearly utility and non-utility activities. EIX and SCE now have separate addresses on the Internet (www.edison.com and www.sce.com, respectively). SCE's Corporate Communications Department and the Affiliate Compliance Office review the websites of SCE and all Class A affiliates for conformity with the requirements of these Rules, particularly the disclaimer requirements of Rule V.F.1, and the prohibition on joint marketing established by Rule V.F.4. Outside of SCE's Affiliate Transaction web site, SCE's web pages do not contain references or links to Class A affiliates.

Example

Q: Can EIX prepare a promotional brochure or guide that discusses or lists all of the EIX companies?

A: As the holding company, EIX may prepare promotional brochures that list all of its subsidiaries. If the brochure will be distributed only by EIX, disclaimers are not required. If the brochure will be distributed by SCE's affiliates, the appropriate disclaimer should be included. Note that the disclaimer is not required on annual reports to shareholders or on communications to governmental bodies that are not related to product sales (e.g., regulatory filings).

Source: D.98-11-027

Q: Who can—and cannot—distribute such brochures?

A: Employees of EIX and of Class A and Class B affiliates may distribute such EIX-prepared brochures. Utility employees may not, because of Affiliate Rule IV.C's restrictions on utility distribution of lists, Rule V.F.1's prohibition on utility promotion of affiliates' affiliation with the utility, and Rule I.A's prohibition on use of the holding company to circumvent other rules. SCE employees are permitted to distribute copies of EIX's annual report, regulatory documents (such as SEC filings) that are exempt from disclaimer requirements, and materials prepared by SCE's Investor Relations organization in the performance of its permissible shared support activities.

History

D.97-05-040, Interim Guideline 10, applicable 5/20/97-12/31/97, superseded by provisions of D.97-12-088 and superseded by the provisions of D.06-12-029., Rule V.F.4, read as follows:

> *Joint marketing of electrical services by Southern California Edison and Edison Source shall be prohibited.*

Section 7.04 Leads

Principle

Separation – Business Development and Customer Relations

Rule

Affiliate Rule III.E.1
Except as otherwise provided by these Rules, a utility shall not provide leads to its affiliates.

Applicable to Class A Affiliates

Discussion

The definitions of "Leads" and "Referrals" can be found in **Section 2.01**.

SCE interprets Rule III.E.1 as permitting SCE to refer third parties who are not acting as existing or potential customers to its Class A affiliates. Such third parties include representatives of regulatory or governmental agencies and the media. Rule III.E seeks to address Business Development issues. Referring third parties who are not acting as "existing or potential customers"—this language is taken directly from related Rule V.F.4.a—does not serve the interest, positively or negatively, of development of SCE's or its affiliates' businesses, and therefore is not prohibited by Rule III.E.

Section 7.05 Service Provider Lists

Principle

Separation

Rule

Affiliate Rules IV.C
Except upon request by a customer or as otherwise authorized by the Commission, or another governmental body, a utility shall not provide its customers with any list of service providers, which includes or identifies the utility's affiliates, regardless of whether such list also includes or identifies the names of unaffiliated entities.

Applicable to Class A Affiliates

Discussion

SCE understands the term "service providers" to mean "providers of gas-related, electricity-related, or other utility-related goods and services, including the utility's affiliates." This rule does not prohibit SCE from compiling lists of service providers, and providing such lists to customers who request them, as long such lists do not contain SCE Class A affiliates

SCE does not believe that the Commission intended this Rule to preclude providing customers information about the competitive market established in the restructuring dockets. SCE does not interpret this Rule to prevent referral of customers who request information about non-affiliated ESPs to other lists, including the Commission's Web site or to the page on that site which includes the Commission-maintained list of all currently registered ESPs. CPUC Resolution E-3539, Findings of Fact 49, describes this as reasonable. SCE also does not interpret this Rule as prohibiting a printing of the Commission's list directly from the screen for provision to customers at their request. In accordance with these Rules, in no case will SCE emphasize the inclusion of its affiliates, if any, within this list nor will the list in any way note the relationship of affiliates to SCE.

Procedure

Referrals to Generally Available Lists of Service Providers
SCE will continue to refer customers to "generally-available" lists of service providers if that is the most expeditious and efficient means approved by the Commission to respond to customer requests for information.

Focused Lists of Non-Affiliated Service Providers
Prior to the adoption of Resolution E-3539, SCE had routinely provided lists, upon request, of manufacturers, distributors or other service providers (or had made links available on its websites) to inform customers of providers with offerings related to energy efficiency, safety, and new or emerging technologies. In approving Advice 1342-E-B and 1450-E, the

Commission again authorized SCE to provide certain "Focused Lists of Non-Affiliated Service Providers" to its customers upon request.

One particular Focused list is the *Southern California Edison List of Approved Contractors.* The contractors on this list are all authorized to work in hazardous environments and have agreed to perform services according to SCE's operating and safety requirements. In the interest of public health and safety, SCE issues updated versions of this list.

With the onset of energy supply shortages during 2001 and the Governor's request that Californians conserve energy, SCE continued to receive a large number of requests from business and residential customers for information related to energy efficiency, conservation and sources of back-up generation. Businesses, who are very concerned about the impacts of shortages and recent rate increases on their production and operation capabilities, as well as the safety of their employees, are looking for options to conserve energy and protect themselves against rolling blackouts and other interruption events, while many customers are concerned about the price of electricity and how to conserve or more efficiently use the resources.

In the interest of providing these customers with the information necessary to identify and implement energy efficiency solutions, SCE began, immediately upon filing Advice 1491-E-C, to distribute the updated energy efficiency lists contained in that filing. As previously identified, SCE had already begun distributing the List of Backup Generation Equipment Suppliers, which was initially provided to the Commission in Advice 1491-E-A, filed March 27, 2001. These lists do not include any companies affiliated with SCE.

Pursuant to Affiliate Transaction Rule V.F.1, SCE will place the then-current disclaimer language on all lists that include any of SCE's Class A (covered) affiliates.

See also:

Section 7.13: Utility Name and Logo (Disclaimers)

History

CPUC Resolution E-3539, Findings of Fact 53, defines "service providers" as "providers of gas-related, electricity-related, or other utility-related goods and services, including the utility's affiliates." SCE informed employees in the revised AEAI Package that lists of service providers may not be distributed to customers unless and until a Commission-approved list is available, and then only at the customer's request. SCE informed employees that all then-existing lists of service providers must be removed from circulation and links to service providers' websites must be suspended, pending approval of a Commission-authorized list. Rule IV.C.1 is a change from the Commission's previous policy in D.97-05-040, which required that lists of ESPs be distributed to customers when and if referrals to the utility's energy-marketing affiliate were made.

SCE initially interpreted Rules IV.C.1 and IV.C.2 in its Preliminary and Supplemental Compliance Plans as precluding SCE from distributing only those lists which included affiliates covered by the rules adopted in D.97-12-088. CPUC Resolution E-3539 clarified

that the Commission's prohibition on the distribution of lists was intended to include all lists, whether or not they included SCE's affiliates.

Upon adoption of Resolution E-3539, SCE discontinued distributing all lists of service providers as defined by the Commission. Additionally, SCE removed or disabled links from SCE's websites to sites of other service providers.

Advice 1342-E-B, which the Commission approved by letter on February 1, 2000, described SCE's procedure (required by Rule IV.C.2 and Resolution E-3539) for the creation of the "list of all providers of gas-related, electricity-related, or other utility-related goods and services operating in its service territory, including its affiliates," to be provided to a customer requesting information about any affiliated service provider. The Commission also approved Advice 1342-E-B's request to continue referring customers to generally available lists of service providers, to resume distribution of focused lists of non-affiliated service providers, and to resume the distribution of government-approved lists. The Commission next approved Advice 1450-E on May 8, 2000, which provided the Commission with updated versions of the lists initially approved in 1342-E-B. SCE has since filed Advice 1491-E (October 16, 2000), Advice 1491-E-A (March 27, 2001), Advice 1491-E-B (May 8, 2001), Advice 1491-E-C (November 26, 2001), Advice 1491-E-D (June 20, 2002), Advice 1491-E-E (December 18, 2002), Advice 1491-E-F (June 16, 2003), Advice 1491-E-G (December 16, 2003), Advice 1491-E-H (June 17, 2004), and Advice 1491-E-I (December 17, 2004), rendered moot the previous filings. The Commission approved Advice 1491-E-I in January 2005.

Section 7.06 Marketing Affiliate Products to Utility Employees

Principle

Separation

Policy

The principles supporting Affiliate Transaction Rules require:

(1) that there be separation of the activities of SCE and its Affiliates;
(2) that Affiliates be given no preferential treatment or opportunities over non-affiliated companies; and
(3) that the primary allocation of utility employees' time must be for utility work. These principles limit the extent to which affiliates may market affiliate products to utility employees during those employees' working hours and at utility facilities.

In Support of: D.06-12-029, Rules III.B.1, IV.E, V.C., V.F.

Applicable to Class A Affiliates

Examples

Q: Can Affiliates make presentations to utility employees regarding their products and services?

A: Products and services of Affiliates may not be promoted or presented to Southern California Edison employees, for purchase, in meetings and general assemblies during utility employees' paid time. Description and discussion of Affiliate companies' business lines and products may occur for informational purposes only. Affiliate products and services may be advertised to SCE employees for purchase through those communication channels and facilities available to SCE's vendors or to non-affiliated companies, and through publications of EIX. Exception: Affiliate bidders on a power procurement RFO may make presentations consistent with the instructions defined in D.04.12.048, which lifted the ban on affiliate transactions for long-term power procurement.

Q: Can flyers or advertisements for affiliate products and services be posted in utility facilities?

A: From time to time, SCE permits vendors and non-affiliated companies to make offers to its employees. Affiliates may use these same methods of communication, on the same terms and conditions.

Q: Can an affiliate offer discounts or incentives to SCE employees to purchase the affiliate's products?

A: Yes, an affiliate is free to price its product and service offerings as it chooses—including, at its discretion, discounts offered to employees of Southern California Edison. Affiliates may not, however, describe any such discounts as an "employee benefit" because it is not provided directly to the employee by SCE and because the employment by SCE confers no right or expectation of such benefits.

Q: Can affiliates obtain lists of utility employees' addresses for promotional purposes?

A: Release of employee lists to affiliates will conform to prevailing policies of Southern California Edison's Human Resources Department regarding release of such information to third parties. Affiliates cannot obtain such information directly from SCE if SCE does not permit such release to non-affiliated companies. EIX, however, is entitled to information regarding employees at all of its subsidiaries. EIX may use or distribute this information at its own discretion—including, if it chooses release of SCE employee information to its non-utility subsidiaries. Although some employees of SCE are also SCE customers, this dual relationship is coincidental. Employee information is maintained by SCE's Human Resources department and does not indicate whether the employee is also an SCE customer. Therefore release of employee information to EIX (or from EIX to another affiliate) does not constitute release of customer information subject to Rule IV.A.

Q: May advertisements or announcements for affiliate products and services be included in SCE employees' paycheck envelopes?

A: No. SCE uses its paycheck envelopes for its own purposes. Affiliate communications are not permitted inside the envelope in order to avoid the appearance that the utility is speaking on behalf of the affiliate or is promoting the affiliate's products and services. Further, the paycheck envelope is a vehicle which an employee must open in order to review his or her compensation. In this regard, the paycheck envelope is similar to a required staff meeting—an event where affiliate promotion of products and services is not permitted.

Q: May affiliates promote their products and services in departmental newsletters or other publications of Southern California Edison?

A: Rule V.F.3 prohibits SCE from offering advertising space in any "written customer communication" unless such access is available to other providers on the same terms and conditions. The principles of nondiscrimination on which the rules are based would similarly prohibit advertisements in SCE internal publications. Non-promotional description of affiliate activities and plans may, however, be included within SCE internal publications. Publications of EIX, including the *Edison News*, may include promotions of affiliate products and services, at the discretion of EIX.

Section 7.07 Referrals

Principle

Separation

Policy

SCE employees may not refer existing or potential customers to SCE's Class A affiliates.

In Support of: D.06-12-029, Rule III.E.1

Applicable to Class A Affiliates

Discussion

The definitions of "Referrals" and "Leads" can be found in **Section 2.01**.

SCE interprets Rule III.E.1 as permitting SCE to refer third parties who are not acting as existing or potential customers to its Class A affiliates. Such third parties include representatives of regulatory or governmental agencies and the media. Rule III.E seeks to address Business Development issues. Referring third parties who are not acting as "existing or potential customers"—this language is taken directly from related Affiliate Rule V.F.4.a—does not serve the interest, positively or negatively, of development of SCE's or its affiliates' businesses, and therefore is not prohibited by Rule III.E.

Edison Operators who work as part of the Information Technology Department may connect callers, upon request, to the various EIX companies. The service that the Edison Operators provide is considered a permissible shared support activity under Affiliate Transaction Rule V.E (both Telecommunications Services and Directory Services). This makes the Edison Operators distinctly different than *SCE's* call centers or customer service personnel, whose central purpose is to assist the *utility's* customers (and where provision of an affiliates' phone number, even upon request, is clearly prohibited). The operators' connection of callers to the appropriate EIX company or employee is permissible, provided:

(a) the operators' services are not characterized or presented as a utility service (i.e., the lines are not answered, "Southern California Edison");
(b) a mechanism is in place for allocating general operators' costs to affiliates (these costs have been allocated among the companies for several years) and that there is a mechanism in place for identifying and directly charging affiliates properly for any extraordinary services performed for them (for example, holding a multi-party international teleconference);
(c) the Edison Operators are not the primary telephone contact between the public and the utility—i.e., the numbers that SCE invites the public to use if they want to contact the utility do not typically lead to the Edison Operators; and
(d) the Edison Operators are responding to requests and are not offering advice or assistance about any affiliate products or services.

See also:

Section 7.02: Advice/Assistance to Customers
Section 12.01: Shared Support – General

Examples

Q: What can employees say in response to customer questions regarding affiliates?
A: The following are representative questions and responses.

"I saw your ad for appliance repair. Tell me about that."
SCE does not offer appliance repair services. Information about appliance repair may be found in the Yellow Pages.

"Can you recommend an Energy Service Provider?"* or *"What can you tell me about XYZ Energy Service Provider?"
As an employee of SCE, the utility that distributes power to most of Central and Southern California, I am prohibited by law from commenting or giving advice about any particular service provider. If you have access to the internet, you can look at the CPUC web site, which includes a list of registered ESPs. The web site address is: www.cpuc.ca.gov.

"I'd like to set up a meeting with Edison Mission Energy. Can you help me?"
You are referring to company other than Southern California Edison. As an employee of the distribution utility, I am prohibited by California Public Utilities Commission regulations from setting up meetings with SCE's affiliates.

Q: What can SCE employees say to neighbors/friends/family about affiliates' products and services?
A: If you are on SCE business, you may not give opinions about affiliate products and services or refer customers to affiliates. This applies regardless of the hour, how much time you've already put in that day, whether you're representing SCE at a charitable or community event, and applies in any other circumstance in which you might otherwise claim to be representing or speaking for SCE. Outside of your SCE duties–in communicating with friends, family, neighbors–you may express your opinion.

History

D.97-05-040, Interim Guideline 6, applicable 5/20/97-12/31/97, superseded by provisions of D.97-12-088, Rule III.E.1, read as follows:

If a customer requests information about direct access providers, the UDC (Southern California Edison) shall provide a list of all energy service providers providing direct access services in its service territory, including its affiliate, Edison. The UDC, Southern California Edison, shall not promote its affiliate, Edison Source.

Edison's previous referral practices were described in SCE's Comments on ALJ Wong's Proposed Decision on Direct Access, in the Reply Comments of Edison Source to the Direct

Access Working Group Report, and in SCE's 6/20/97 compliance filing regarding the interim guidelines presented in D.97-05-040. For parallels in the telecommunications industry, see, for example, D.87-12-067, *mimeo*. At 279-80 (Pac Bell); D. 88-08-061, 29 CPUC2d 63, 85-86 (GTEC); D. 92-07-072, 45 CPUC2d 109, 123 (Pac Bell); and D. 96-07-059, *mimeo* at 15-18 (Roseville).

Section 7.08 Referrals – Voice Response Units

Principle

Separation

Policy

Voice response units or electronic telephone option menus established for utility purposes may not refer or transfer customers to affiliates or to non-affiliated service providers, nor may they provide additional information about affiliated service providers.

In Support of: D.06-12-029, Rule III.E.1, IV.C.1, IV.E

Applicable to Class A Affiliates

Discussion

SCE should not make reference to any of its affiliates (or non-affiliated service providers of gas-, electric-, or utility-related products and services) in any voice response unit (VRU) or electronic telephone option menu. Such listings would not be in compliance with CPUC restrictions on referrals, on provision of lists in the absence of a customer request, and on advice or assistance regarding service providers.

Section 7.09 Soliciting for Affiliates

Principle

Separation

Rule

Affiliate Rule III.E.2
Except as otherwise provided by these Rules, a utility shall not solicit business on behalf of its affiliates.

Applicable to Class A Affiliates

Discussion

SCE and its employees may not encourage or suggest that existing or potential customers or existing or potential suppliers consider or purchase goods or services from Class A affiliates.

Section 7.10 Trade Shows

Principle

Separation

Rule

Affiliate Rule V.F.4.c
A utility shall not participate with its affiliates in trade shows, conferences, or other information or marketing events held in California.

Applicable to Class A Affiliates

Discussion

SCE interprets Rule V.F.4.c to permit attendance by utility and affiliate employees at the same trade shows, conferences or similar events, and to allow separate trade booths, etc. at the same events. SCE has informed employees of the restriction on joint booths, presentations, etc. in California both in the revised AEAI package and in employee trainings.

SCE interprets this Rule to permit separate sponsorships of an event, where that event includes additional sponsors. This would include such activities as community events (a local 10-K run), charitable events (separate table sponsorships at an awards dinner), and industry conferences. Resolution E-3539 (slip op., p.31) describes the steps SCE has taken to comply with Rule V.F.4.c as reasonable.

To avoid the appearance of utility employees speaking on behalf of an affiliate, (or vice versa), and to further preclude sharing of information and joint marketing or advertising, a booth, table, exhibit, or advertisement sponsored by SCE will not be directly adjacent to any such booth, table, exhibit, or advertisement sponsored by an affiliate, to the extent that non-contiguous space remains available at the time of SCE's sponsorship.

Section 7.11 Tying Prohibited

Principle

Separation

Rule

Affiliate Rules III.C
A utility shall not condition or otherwise tie the provision of any services provided by the utility, nor the availability of discounts of rates or other charges or fees, rebates, or waivers of terms and conditions of any services provided by the utility, to the taking of any goods or services from its affiliates.

Applicable to Class A Affiliates

Discussion

SCE will not tie, or imply ties between, utility services and the goods or services of Class A affiliates. This prohibition is closely related to the provisions of Affiliate Rules III.A.1 and III.B. "Tying" has an accepted meaning in antitrust law. CPUC Resolution E-3539 accepts this.

History

D.97-05-040, Interim Guideline 11, applicable 5/20/97-12/31/97, superseded by provisions of D.97-12-088, Rule III.C, read as follows:

> *The UDC, Southern California Edison, shall not require as a condition of any offer to, or agreement with, a customer, that the customer agree to engage Edison Source, an affiliated entity of the UDC or give preference to an affiliated entity's (Edison Source's) business proposal.*

Section 7.12 Utility Bill Envelope

Principle

Separation

Rule

Affiliate Rule V.F.3
A utility shall not offer or provide to its affiliates advertising space in utility billing envelopes or any other form of utility customer written communication unless it provides access to all other unaffiliated service providers on the same terms and conditions.

Applicable to Class A Affiliates

Discussion

SCE currently uses its billing envelope space exclusively for utility purposes. If SCE were to decide to offer billing envelope space or advertising space in other written communications to its Class A affiliates, SCE would make such space available to other service providers on the same terms and conditions, to the extent required under applicable affiliate Rules. SCE has not identified any other form of utility written communication to which it offers advertising space to affiliates. If such communications are identified in the future, and if advertising space is offered to affiliates, it will be offered to other non-affiliated service providers on the same terms and conditions, pursuant to Affiliate Rule III.B.2. This Rule applies only where such space is made available to SCE's affiliates. This rule does not prohibit SCE from offering billing envelope space or advertising space in other written communications, on a selective basis, to non-affiliated entities.

The bill envelope space refers to insertions into the envelope that carries a customer's invoice for utility services. It does not include the bill itself. Access to billing services (for example, another company's charges being included on the SCE bill), if offered, may be governed by different rules and regulated by other procedures.

Principle

Separation

Rule

Affiliate Rule V.F.4.a (partial)
A utility shall not participate with its affiliates in joint sales calls, through joint call centers or otherwise.

Applicable to Class A Affiliates

Discussion

SCE's phone center has not been used for solicitation of Direct Access services.

D.98-08-035 states that SCE "may apply for an exemption from these [Affiliate] Rules and seek authority for a more detailed proposal concerning [joint use of] its call center if it wishes." Such a request should be in the form of a new application which should be served on, at minimum, the service list of OIR 97-04-011/OII 97-04-012. SCE's application should clearly indicate that it seeks a modification of the Affiliate Rules and should also clearly set forth its detailed proposal. If SCE files such an application, the performance of such services will be consistent with the Commission's Rules.

History

Prior to adoption of the Affiliate Rules, SCE had existing fully-compensatory arrangements with its affiliates for use of the phone center for solicitation of other services. Because these arrangements were fully compensatory, SCE's affiliates were not inappropriately subsidized. To the extent required by applicable affiliate Rules, SCE has ceased, as of January 30, 1998, the use of its phone centers for solicitations by covered affiliates.

Section 7.13 Utility Name and Logo (Disclaimers)

Principle

Separation

Rule

Affiliate Rule V.F.1

A utility shall not trade upon, promote, or advertise its affiliate's affiliation with the utility, nor allow the utility name or logo to be used by the affiliate or in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first point where the utility name or logo appears that:

- The affiliate "is not the same company as SCE, the utility,"
- The affiliate is not regulated by the California Public Utilities commission; and
- "You do not have to buy [the affiliate's] products in order to continue to receive quality regulated services from the utility."

If a Class A affiliate that conducts business in California includes:

- the utility name, or
- the corporate tag line used by SCE (i.e., "An Edison International Company") on materials circulated within California, or
- the utility's "plug and color bars" logo

the affiliate uses the following disclaimer:

The affiliate "is not the same company as [SCE], the utility, and the California Public Utilities Commission does not regulate the terms of [the affiliate's] products and services

The application of the name/logo disclaimer is limited to the use of the name or logo in California.

The disclaimer must be sized and displayed commensurate with the 'signature' (i.e., the logo or name identification), so that the disclaimer is no smaller than *the larger of*: (a) 1/2 the size of the type which first displays the name or logo, or (b) 6-point type, and is positioned so that the reader will naturally focus on the disclaimer as easily as the 'signature." The disclaimer shall not be displayed upside down, sideways, in a different language, or in any other way which would have the effect of minimizing its appearance.
Source: D.98-04-029 as modified by D.98-11-027

Rule V.F.1's disclaimer requirement is clarified so that it shall not apply in certain limited instances defined below. These situations are narrowly limited to:

(1) communications with governmental bodies, where the parties involved either know, or should have reason to know, the legal status and interrelationship of the utility and affiliates, *and* the communications are not related to product sales;
(2) annual reports to shareholders;
(3) or internal written communications between the holding company, the utility, and any of the affiliates covered by the Rules, provided that the internal communications are not also sent to third parties outside of the company. The situations covered by item one, listed above, are legal or regulatory proceedings, written communications with governmental bodies regarding actual or proposed legislation, and written communications to federal, state, or municipal agencies which relate to an agency requirement or power (other than the power of the agency to buy products and services).

Source: D.98-11-027

The CPUC views a "tag line" that includes the name of the utility's corporate parent, if it is used by the utility, as either part of the logo, or part of the utility's name for the purposes of Rule V.F.1.
Source: D.98-11-027

SCE and other utilities subject to the Affiliate Transaction Rules are granted a narrow exemption from Rule V.F.1 of the Affiliate Transaction Rules with respect to the types of building signs set forth below, provided that the signs set forth below are used as identification, and not to expressly market a product or service or the company.

(a) Outdoor signs located on a building in which the affiliate is located.
(b) "Monument signs" outside buildings in which the affiliate is located. These signs are usually freestanding signs jutting up from lawns or concrete walkways.
(c) Building entrance signs in a building in which the affiliate is located, or in an adjacent or nearby parking structure servicing the affiliate's offices. These signs include those placed on buildings and adjacent to entry doors as well as signs placed directly on such doors (e.g., the company's name applied by paint, decal, adhesive placard, or through etched glass.) The intent of these signs is to indicate the correct entrance to use for a particular facility.
(d) Lobby signs located in a building which is occupied by the affiliate.
(e) Reception area signs in the affiliate's business offices, which offices do not also operate as retail stores or other similar types of areas open to the general public. These types of signs include signs at suite door entrances, directional signs, reception desk name plates, etc.

Source: D.99-04-069, Ordering Paragraph 2

SCE and other utilities subject to the Affiliate Transaction Rules are granted a narrow exemption from Rule V.F.1 of the Affiliate Transaction Rules with respect to the types of affiliate company vehicles and employee uniforms set forth below, provided that the name or logo is used as identification, and not to expressly market a product or service or the company. For example, such signs should not routinely include telephone numbers, promotional banners, or other product advertisements. In the event it is necessary to include an affiliate telephone number on a company vehicle (such as a security patrol car) to indicate where the consumer can call if there are any problems, the number should connect to an affiliate's "trouble shooting" desk. A utility shall not use company vehicles or uniforms to

co-advertise or co-brand with its affiliate. The affiliate company vehicles and employee uniforms included within this exemption include:

(a) Uniforms worn by a retail affiliate's filed service employees (i.e., repair persons, installers and security officers) while performing their duties within California. (For SCE, this includes employees of Edison Select and Edison Source and their respective subsidiaries.)
(b) Field service trucks, patrol cars, and similar vehicles used by a retail affiliate's (sic) in the course of installation or repair of customer premises equipment or response to security alarms within California.

Source: D.99-04-069, Ordering Paragraph 3

SCE and other utilities subject to the Affiliate Transaction Rules are granted a narrow exemption from Rule V.F.1 of the Affiliate Transaction Rules with respect to affiliate-installed equipment provided that the customer has been exposed to the disclaimer in the affiliate's marketing of the product, and provided that the utility name or logo on the equipment is not accompanied by additional marketing information (i.e., that it is not accompanied by a phone number where the customer can buy similar products or receive compatible services, etc.).
Source: D.99-04-069, Ordering Paragraph 4

Utilities should not be found in violation of the Affiliate Transaction Rules if they comply with either the original D.97-12-088 or modified D.02-02-046 version of Rule V.F.1.
Source: D.02-02-046, Conclusion of Law 2

Although this rule does not explicitly apply to EIX, SCE believes use of the disclaimer may be appropriate in some instances to avoid confusion. If EIX issues material circulated in California that makes reference to both the utility and a Class A affiliate, EIX may use the following disclaimer regarding the mentioned affiliate:

> The affiliate is not the same company as SCE, the utility, and the CPUC does not regulate the terms of the affiliate's products and services.

Applicable to Class A Affiliates

Discussion

SCE's prevailing compliance statements with regard to Rule V.F.1 are included in the Compliance Plan Update for 2002 (CP02), filed December 12, 2001 (Advice 1278-E-G). CPUC Resolution E-3539 noted that the Commission would discuss SCE's compliance with Rule V.F.1 in a future resolution. Where required, and subject to whatever rights and remedies it has, SCE will take actions necessary to comply with that future resolution.

Without conceding the enforceability of Rule V.F.1 or waiving any right to challenge it, all Class A affiliates are required to use the following disclaimer on materials circulated in California and on their websites if the business location is in or if they conduct business in California whenever those materials or websites:

(1) include the corporate tag line used by SCE (i.e., "An Edison International Company");
(2) include the utility's name (Southern California Edison, Southern California Edison Company, or SCE); and/or
(3) include the utility's "plug and color bars" logo.

"[Affiliate] is not the same company as Southern California Edison (SCE), the utility and is not regulated by the California Public Utilities Commission."

Any affiliate website with direct business in California or potential customers from California must have the disclaimer statement presented on at least the homepage and the contact page of the site. If possible, the disclaimer statement should be included in a common footer file thereby displaying the affiliate statement on every page in the website. This allows for easy maintenance and compliance for any section within the website.

D.98-11-027 permitted, and D.02-02-046 required, Energy Service Providers (ESPs)—of which SCE's affiliate Edison Source previously was one—to replace the second clause of the first sentence of the required disclaimer with the following statement:

"The California Public Utilities Commission does not regulate the terms of [the affiliate's] products and services."

In D.99-09-033, the Commission revised the disclaimer originally adopted as it pertained to affiliates of SDG&E and SoCal Gas, by eliminating the last sentence. That decision did not alter the disclaimer requirement for SCE's affiliates, but a subsequent decision, D.02-02-046, did permit SCE's affiliates to use the shortened disclaimer when required by Rule V.F.1. In Conclusion of Law 2 of D.02-02-046, the Commission further noted that utilities should not be found in violation if they comply with either the original or modified version of Rule V.F.1. Prior to February 2002, the disclaimer required by Rule V.F.1 read:

"[Affiliate] is not the same company as Southern California Edison (SCE), the utility and is not regulated by the California Public Utilities Commission. You do not have to purchase [Affiliate's] products in order to receive quality regulated services from SCE."

Pursuant to the Commission's guidance presented in D.98-04-029 and revised by D.98-11-027, the disclaimers will be the larger of: one-half of the size of the type which first displays the utility's name or logo, or 6-point type. Disclaimers may not be displayed upside down, sideways, in a different language, or in any other way which would have the effect of minimizing their appearance.

D.98-11-027 finds that a corporate "tag line," if used by the utility, shall be considered part of the utility's name and logo. Many SCE materials include the corporate tag line "An Edison International Company." Therefore, if a Class A affiliate uses the same tag line, it must use an appropriately-sized disclaimer on materials that it circulates in California. Therefore, Class A affiliates who use the term "An Edison International Company" in their materials are required to incorporate the disclaimer on those materials that they circulate in California.

The "plug and color bar" logo, which is owned and was used for many years by SCE, is not used in any form by any SCE affiliate. Early in 1996, the utility elected to begin using the

EIX "sunburst" logo. This is not a utility logo and is owned by SCE's parent company. SCE does not currently use a logo that it owns. SCE uses the "sunburst" logo, as do other EIX subsidiaries, with EIX's permission. SCE does not construe the Rule as applying to communications that include the EIX "sunburst" logo or to the word "Edison" alone (that is, used without the remainder of the utility's name).

In those circumstances where the utility makes permissible reference to any Class A affiliate in material circulated within California, SCE will include the appropriate disclaimer regarding that affiliate.

D.98-11-027 provides that in specific limited circumstances a disclaimer is not required. These include:

(1) communications with governmental bodies, where the parties involved either know, or should have reason to know, the legal status and interrelationship of the utility and its affiliates, *and* where the communications are not related to product sales. D.98-11-027, Conclusion of Law 3, clarifies that situations covered by this item are "legal or regulatory proceedings, written communications with governmental; bodies regarding actual or proposed legislation, and written communications to federal, state, or municipal agencies which relate to an agency requirement or power (other than the power of the agency to buy products and services)";
(2) annual reports to shareholders; and
(3) internal written communications between the holding company, the utility, and any of the affiliates covered by the Rules, provided that the internal communications are not also sent to third parties outside of the company.

SCE and its affiliates will not include disclaimers on these items.

In D.99-04-069, the CPUC approved limited exemptions from the disclaimer requirement of Rule V.F.1 with regard to: (1) building signage; (2) company vehicles; (3) employee uniforms; (4) installed equipment on customer premises.

All operating units are responsible for including disclaimers where required. EIX Corporate Communications has agreed to review publications, advertisements, affiliate web pages, affiliate "giveaways," and other materials to ensure compliance with this Rule. The EIX Corporate Communications Department and Affiliate Compliance Office bring non-compliance to the attention of SCE's Affiliates Officer. The EIX Vice President of Corporate Communications will direct immediate termination of the distribution of any communications and materials found not to comply with this Rule.

Resolution E-3539 confirms that SCE's holding company, EIX, is not an affiliate subject to the Affiliate Rules. EIX, therefore, may distribute materials at its discretion and under its own name, that reference or describe multiple subsidiaries, including the utility, without disclaimers. An example would be an EIX-level press release that notes the names of several EIX companies, including the utility.

Prior to adoption of D.97-12-088, press releases issued by SCE included a closing paragraph that listed the major EIX companies. SCE has revised this paragraph to exclude specific mention of its affiliates' names in the utility's press releases.

In D.99-09-033, the CPUC revised the disclaimer as it pertains to affiliates of San Diego Gas & Electric and So Cal Gas, by eliminating the last sentence. D.99-09-033 did not, however, alter the disclaimer that SCE's affiliates must use when required by Rule V.F.1. On February 21, 2002, the Commission issued D.02-02-046, which permits SCE's affiliates to use the shortened disclaimer.

Examples

EXAMPLES OF AFFILIATE-INSTALLED EQUIPMENT ON CUSTOMER PREMISES[1]

Device	Typical Installation	Primary Purpose
Security-Related Products		
Alarm Control Panel	Inside a closet or concealed interior location	The alarm panel contains the primary electronic processing unit that controls incoming and outgoing signals. It is considered the "brain" of the system. The system identifies the types of signals coming in and based on previous programming and current arming levels, decides how to handle the signal.
Keypad	Interior wall	The keypad is one of the primary user interface devices. It allows the user to arm and disarm the system as well as perform other functions with the security system.
Yard Sign	In a conspicuous location on the exterior of the premises	The yard sign is designed to be a deterrent against crime. The sign also provides the local authorities, neighbors and the customer with the security company name and phone number in case of an event.
Training Manual and Videos	Hand-held	Educate and train the user regarding the security system.
Window Stickers	Exterior ground-floor windows	Window stickers are designed to be a deterrent against crime. They also provide the local authorities, neighbors and the customer with the security company name and phone number in case of an event.
Door/Window Contacts	Mounted on the surface or recessed in any door or window that could allow entry into the premise. The device can be hardwired or wireless.	Prevents intrusion by detecting if the door or window has been opened and sends a signal to the alarm control panel.
Motion Detector	The device can be hardwired or wireless and is typically mounted on an interior wall	Detects the movement of an intruder within the premises.
Security Screens	Replaces the existing window screen	Prevent intrusion by detecting if the screen has been removed or cut and sends a signal to the alarm control panel.
Smoke Detector	Ceiling	Detects the presence of smoke and sends a signal to the alarm control panel.

Device	Typical Installation	Primary Purpose
Heat Sensor	Ceiling mount, typically in kitchens, utility rooms and garages	Detects a rapid rise in temperature and sends a signal to the alarm control panel.
Sound Sensor	Interior wall	Detects the high-frequency sound of glass breaking and sends a signal to the alarm control panel.
Glass Guard Sensors	On a window	Mounted on the surface of a window to detect glass breakage.
Shock Sensors	On the frame of a window	Designed to detect glass breakage.
Wireless Keyfob	Hand-held	Allows limited control of the alarm system. Functions typically include arming, disarming and possibly garage door and lighting controls.
Wireless Keypads	Hand-held	Allows many, if not all of the functions of the wall-mounted keypad but in a hand-held wireless form.
Interior Siren	Various locations, typically mounted high on a wall or out of reach	Primary purpose is to provide an audible warning during an alarm condition. Also may enunciate voice commands and other signals to notify the user of a condition.
Exterior Siren	Attic or high on the exterior of the premises	Provides an audible warning to others that an event is occurring at the premises.
Panic Pendants (Hardwire and wireless)	Hand-held – may be worn around the neck. Hardwired versions may be located in bedrooms or other areas	Provides the user with the ability to immediately send an alarm signal to the control panel.
X-10 Modules	Various – power line carrier device is plugged into standard outlet	Provides a variety of functions such as lighting control.
Thermostat Modules	Typically replaces the wall-mount thermostat	Provides control of HVAC systems through the alarm system.
Video Camera Systems	Various interior and exterior locations	Typical use allows customer to visually identify someone at the front door. Systems could also allow video monitoring at the central station.
Video Monitor	Various locations	Allows viewing video images from camera systems.
Access Control Systems	Various entry/exit locations	Allows controlled entry and exit to premises.
Cellular Backup Systems	Adjacent to the Control Panel or other hidden location	Provides backup communications using cellular technology to the central station if the premise phone line has been cut.
Radio Backup Systems	Adjacent to the Control Panel or other hidden location	Provides backup communications using long-range radio to the central station if the premise phone line has been cut.
Fire Pull Stations	Various locations such as Kitchens or Garages	A manually activated sensor that provides additional fire protection.
Sprinkler Systems	Various locations – typically in commercial establishments	Provides water flow capability during a fire.

Device	Typical Installation	Primary Purpose
Freeze Sensors	Various	Provides notification if the temperature drops below a set temperature.
Intercom System	Various wall mount locations	Provide two-way voice communication throughout the premise.
Power Supply	Plugs into a standard outlet. Typically mounted in an area where power supply will not be disturbed	Provide power for the entire alarm system.
Backup Battery	Located inside the alarm panel	Provides power during an interruption of service from the power supply.
Refrigeration-Related Equipment		
Refrigeration Compressor Racks	Refrigeration compressor racks are typically installed in the machine rooms of refrigeration customers. These racks consist of compressors, valves, piping, tubing, wiring, and controls.	Holds the equipment in place.
Refrigeration Service Labels	Major pieces of equipment in a customer's machine rooms and on roofs include labels which identify maintenance contractor and provide a phone number for service requests.	Identifies maintenance contractor for service needs.
Refrigeration Monitoring Equipment	Sensors and data loggers	Used to monitor and assess the energy performance of a store/client.

History

On April 9, 1998, the Commission issued D.98-04-029, which clarified certain provisions of Rule V.F.1, particularly provisions regarding the required size of disclaimers. This guidance was further revised on November 6, 1998 with the issuance of D.98-11-027. From April 9, 1998 until November 6, 1998, the Commission's guidance on disclaimer sizing read:

> *The disclaimer must be sized and displayed commensurate with the 'signature' (i.e., the logo or name identification), so that the disclaimer is no smaller than ¾ the size of the type which first displays the name or logo, and is positioned so that the reader will naturally focus on the disclaimer as easily as the 'signature'." The disclaimer shall not be displayed upside down, sideways, in a different language, or in any other way which would have the effect of minimizing its appearance.*

Since the disclaimer requirement of Rule V.F.1 was new as of January 1, 1998, SCE interpreted it to allow depletion of existing materials which would have been required to, but

did not, include the disclaimer. Use of previously existing stock was discontinued as of January 30, 1998.

D.02-02-046 revised the text of Rules V.F.1.a and V.F.1.b and eliminated Rule V.F.1.c. Prior to adoption of D.02-02-046 on February 21, 2002 Rules V.F.1.a through V.F.1.c read as follows:

V.F.1.a.	*the affiliate "is not the same company as SCE, the utility,"*
V.F.1.b.	*the affiliate is not regulated by the California Public Utilities Commission; and*
V.F.1.c.	*"you do not have to buy [the affiliate's] products in order to continue to receive quality regulated services from the utility."*

D.02-02-046 also codified as Rule V.F.1.b the following instruction that had previously been issued in D.98-11-027:

> In the case of electric service provider (ESP) affiliates, the second line of the disclaimer may read as follows: "The California Public Utilities Commission does not regulate the terms of that affiliate's products and services."

In the absence of a Commission determination on the statements made by SCE in its Supplemental Compliance Plan regarding this Rule, SCE's compliance statements therein continued to apply, pursuant to Rule VI.A. So that SCE's Revised Compliance Plan would supersede the Supplemental Compliance Plan in its entirety, the compliance statements from the Supplemental Compliance Plan were reprinted in the Revised Compliance Plan, with only minor changes made for clarity and to reflect the Commission's guidance in D.98-04-029. In February 1999, SCE filed its Amended Revised Compliance Plan, which revised the compliance statements regarding Rule V.F.1, in order to reflect the Commission's instructions in D.98-11-027. Further minor revisions were incorporated in SCE's Updated Compliance Plan filed in November 1999 and in the Modified Compliance Plan filed in December 2001.

Implementation Procedures for Edison Source, 5/5/98-10/10/02
SCE's affiliate, Edison Source, agreed that as of May 5, 1998, it would include the disclaimer whenever Edison Source used the name "Edison" or the sunburst logo on marketing-related materials anywhere in California. Edison Source committed to take this action voluntarily, until such time as the Commission resolved the complaint (Case 98-04-019) filed by the Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN). The Commission formally dismissed the complaint without prejudice on October 10, 2002 (D.02-10-033). At this time, most assets of Edison Source have been sold and most of its business lines discontinued. The basic steps that were required are noted below:

(1) The following disclaimer has been included in the Edison Source and Earth Source websites:
"Edison Source is not the same company as Southern California Edison, the utility, and is not regulated by the California Public Utilities Commission. You do not have to buy Edison Source's products in order to continue to receive quality regulated services from the utility."

Note: The language of the disclaimer is specified in the Rule and must be used verbatim whenever it is applied.

(2) All newspaper, magazine and print ads in California shall continue to include the disclaimer if the word "Edison" or the sunburst logos appear, on the same page where they appear.

(3) All direct mail solicitations within California shall henceforth include the disclaimer on the first page on which the sunburst logo or the word "Edison" occurs. The disclaimer is required to be printed only once per brochure or letter. The disclaimer shall also be included on the outside of any envelope that features the word or logo in the return address.

(4) All new radio and TV ads used in California shall include the disclaimer if they mention or show the word "Edison" or the sunburst logo. Existing ads shall also be modified immediately to conform.

(5) All electronic templates for Edison Source letterhead, fax covers, etc., shall be immediately changed to include the disclaimer.

(6) Any new orders for stationery, business cards, envelopes, folders, shirts, hats, pens, golf balls or any other products that feature the word "Edison" or the sunburst logo, must specify that the disclaimer is to be included.

(7) Existing stocks of Edison Source letterhead must be modified to include the disclaimer if the letter is to be sent to a current or prospective California customer. This can be accomplished by printing the disclaimer on the first page. You will be provided with an electronic template of the disclaimer to add to the letterhead.

V.F.1.c Existing stocks of business cards, envelopes, folders, shirts, hats, pens, golf balls or anything else that might have the word "Edison" or the sunburst logo, must be modified to include the disclaimer if the item or letter is to be given to a current or prospective California customer. This will typically be accomplished with labels. If the disclaimer cannot be included, the item shall not be used.

Chapter 8. Separation – Affiliated Qualifying Facilities

Section 8.01 Separation – Affiliated Qualifying Facilities

Principle

Separation

Policy

Separation – Affiliated Qualifying Facilities
The following procedures for day-to-day business dealings with qualifying facilities ("QFs") of which Edison Mission Energy Company ("EME") is a part owner shall be strictly followed by all employees of Southern California Edison.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule III.A

Applicable to Class A and Class B Affiliates

Discussion

SCE's existing affiliated qualifying facilities are:

(1) Omar Hill/Kern River Cogeneration – QFID No. 2034
(2) Watson Cogeneration – QFID No. 2053
(3) Sycamore Cogeneration – QFID No. 2058
(4) Midway Sunset Cogeneration Company – QFID No. 2076

Further information about these affiliated qualifying facilities can be found in SCE's most recent annual report on affiliate transactions.

See also:

D.93-03-021

Procedures

Power Procurement Business Unit, Affiliate Company/Project, Communication and Contract Administration

There are three categories of Affiliate Company/Project Communications that may occur between Power Procurement Business Unit (PPBU) personnel and Affiliate Companies and Projects ("Affiliate Project" or "Affiliate Projects"): (1) negotiations & communications in the context of Southern California SCE's Company's (SCE's) solicitation for generation resources, (2) communications and negotiations for contracts that require California Public Utilities Commission (Commission) approval, and (3) communications and negotiations applying to ongoing contracts or agreements, or Commission pre-approved standard offer contracts and agreements. In the case of (1) above, such communications and negotiations are subject to Commission decision and rules governing the Independent Evaluator (D.04-12-048), while in the case of (2) above, such negotiations and communications are subject to review by SCE's Procurement Review Group, which includes consumer and environmental advocates, and pre-approval by the Commission. D.93-03-021.

History

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Chapter 9. Separation of Employees

Section 9.01 Joint Employment Prohibited

Principle

Separation

Rule

Affiliate Rule V.G.1 (partial)
Except as permitted in Section V.E (corporate support), a utility its parent holding company and its affiliates shall not jointly employ the same employees.

Applicable to Class A and Class B Affiliates, and EIX

Discussion

"Joint employment" is the receipt or earning of compensation concurrently that will be reported on IRS Forms W-2 for SCE and for another Class A affiliate.

History

D.97-05-040, Interim Guideline 1, Applicable 5/20/97-12/31/97, superseded by provisions of D.97-12-088, Rule V.G.1, read as follows:

> *There shall be no shared employees, expenses or assets between these two structurally separated entities, Southern California Edison and Edison Source, other than costs billed back by the holding company in compliance with existing affiliate transaction requirements.*

Section 9.02 Shared Officers

Principle

Separation

Rule

Affiliate Rule V.G.1 (partial)
The Affiliate Rule prohibiting joint employees (Rule V.G.1) also applies to Board Directors and corporate officers, except for the following circumstances: In instances when the Rule is applicable to holding companies, any board member or corporate officer may serve on the holding company and with either the utility or a Class A affiliate (but not both).

Board members and corporate officers may serve both the utility and Class B affiliates.

Charges for officers' time in the service of any EIX company must be appropriately allocated to the company or companies served.

Applicable to Class A and Class B Affiliates, and EIX

Discussion

The executive officers shared by EIX and SCE are (as of the latest update to this chapter):

Jeffrey L. Barnett	Vice President Tax for EIX/SCE
Mark Clarke	Vice President and Controller for EIX/SCE
Barbara E. Mathews	Vice President, Associate General Counsel, Chief Governance Officer and Corporate Secretary for EIX/SCE
Michael Montoya	Vice President, Chief Ethics and Compliance Officer for EIX/SCE

After adoption of D.97-12-088, in order to comply with Rule V.G, which also applies to directors and officers, some changes were made in EIX's corporate support, oversight, and governance structure.

The CPUC has indicated that relevant portions of the Affiliate Rules were designed "to better ensure adequate corporate governance and oversight." (D.97-12-088, p. 57) Further, applicable provisions of corporate law make it clear that the directors and officers of California corporations have heavy responsibilities to ensure such adequate corporate governance and oversight of their corporation and all its subsidiaries (*See* Corporations Code §§ 309(a) and 1602; *Goldstein v. Lees*, 46 Cal. App. 3d 614, 120 Cal. Rptr. 253 (1975)).

In making governance structure changes to comply with the Affiliate Rules, SCE and its affiliates have limited the officers and directors who serve both the utility and Class A affiliates to those categories that are clearly within the scope of permitted shared activities described in Rule V.E: legal, financial reporting, planning and analysis, and corporate secretary functions. CPUC Resolution E-3539, Findings of Fact 84, clarified that such sharing is allowed, provided that it is limited to those duties necessary for the performance of services allowed under Rule V.E.

The overall governance and oversight of the EIX subsidiaries is dealt with under the following structure: The boards of directors of EIX and SCE consist of the same individuals. A number of individuals serve as officers of both EIX and SCE. At present, however, only two individuals serve as an officer and/or director of both SCE and one or more Class A (covered) affiliates. In addition, one individual serves as Vice President and Corporate Secretary SCE, Class A affiliates, and one or more Class B affiliate.

Overall governance and oversight of the Class A and Class B affiliates will be exercised through such means as the EIX Board and officers determine to be necessary to discharge fully their fiduciary duties. Corporate directors will have access to all material information concerning all of the businesses engaged in by their corporation and all of its subsidiaries, and corporate directors and officers will attend meetings with directors and officers of these subsidiaries to fulfill their oversight and governance responsibilities in the overall EIX corporate enterprise.

In all of these oversight and governance activities, where a director, officer, or other employee of the utility, its holding company, or its affiliates is a participant, appropriate steps will be taken to caution those participants about the importance of duly complying with all the applicable affiliate rules in regard to confidential utility information, nondiscrimination, and prohibitions on use of the holding company or non-covered affiliates as conduits to circumvent the Rules. SCE's Affiliates Officer will periodically provide focused training, reminders, and personal consultation to each of these participants in governance and oversight regarding applicable Rules.

Pursuant to Affiliate Rule V.G.1, no later than 30 days following a change to this list, SCE shall notify the CPUC's Energy Division and the parties on the service list of R.97-04-011/I.97-04-012 of the change.

See also:

Section 9.03: Support Staff for Shared Officers
Section 12.11: Accounting Procedures – Multi-Factor Allocation Formula

Procedure

Calculation of Shared Officers Allocation Rate
The shared officers noted above are contacted every six months (December and June) to determine the percentage of their total time they are devoting to nonutility-related meetings, issues and activities. At that time, their executive assistants review their calendars for the previous six months and note all meetings, trips, discussions, etc. related to the various EIX companies. This information is provided to the Affiliates Controller or a member of his or her staff, who then meets with each of the shared officers to discuss the percentage of time

they devote to nonutility matters. This procedure will be reviewed with any new shared officer within the first month of the start of shared status by the Affiliates Controller. In addition to the semi-annual calculation, the rate may be adjusted, as the need arises, due to a change in circumstances or assignments.

The individual percentages are multiplied by the officer's annual base rate of pay. The products of all of these calculations are added together and divided by the sum of the shared officers' annual compensation to determine a weighted average rate for the entire group of shared officers. The calculated weighted average rate is rounded up to the next percentage that is a multiple of five, i.e., 12% is rounded to 15% for allocation purposes. The higher of the Multi-Factor Allocation Formula or this rounded weighted average will be used to allocate the salaries and expenses of the shared officers and their support staffs. A copy of the calculation is kept on file in Internal Controls & Financial Compliance.

Salaries and expenses relating to officers serving both SCE and EIX are to be distributed, based on the methodology determined by Controllers, between SCE and EIX using the appropriate Distribution Cost Center (DCC) number. Expenses relating to support staff are to be tracked and charged to EIX via a DCC or Internal Order (IO) for all work that directly contributes, or benefits EIX. DCCs are often established and pre-allocated to labor hours for SCE Organizations and SCE Employees who provide consistent support to an SCE affiliate and therefore no additional manual timekeeping adjustments are needed during a pay period.

Controllers Organization monitors all SCE labor charges to SCE Affiliates. Controllers Organization also ensures that all labor adders are properly loaded to labor hours charged to an SCE affiliate.

History

Subsequent to adoption of D.97-12-088, Mr. Bryson resigned as director and Board Chairman of Edison Mission Energy and Edison Enterprises (covered affiliates). He continues to serve as Chairman and CEO of EIX and The Mission Group, an affiliate that is not covered because it does not provide products that use electricity or services that relate to the use of electricity. The Mission Group owns all of the common (voting) stock of certain covered affiliates (Edison Mission Energy, Edison Technology Solutions, and Mission Power Engineering Company) and certain non-covered affiliates (Edison Capital, Edison Enterprises, and Mission Land Company). Edison Enterprises is a non-covered affiliate that owns all the outstanding voting stock of other covered affiliates (Edison Source). Mr. Bryson will continue to serve as director and Board Chairman of Edison Capital, Mission Land Company, Edison Ventures, and Edison TransEnergy (non-covered affiliates). Prior to January 1, 2000, Mr. Bryson served as Chairman and CEO of SCE. Mr Bryson retired from SCE on June 30, 2008.

Prior to January 1, 2000, Mr. Bryant C. Danner and Mr. Alan J. Fohrer held officer positions with SCE, EIX, and several of SCE's covered and non-covered affiliates, as described in SCE's Revised Compliance Plan. Effective January 1, 2000, Mr. Danner and Mr. Fohrer relinquished their titles as, respectively, General Counsel and Chief Financial officer of SCE. After that date, neither Mr. Danner nor Mr. Fohrer remained an officer of SCE or any of the utility's subsidiaries. As required by Rule V.G.1, SCE notified the CPUC and all parties on the service list of the Affiliate Transaction Rule proceeding, within 30 days of the change.

Mr. Fohrer became CEO of SCE effective January 1, 2002, and was thereafter no longer an officer of EME or its subsidiaries. Effective January 1, 2003, Mr. Bryson became Chairman of SCE and resigned as Chairman of EME, in compliance with Rule V.G.1. Mr. Bryson does not serve as an officer of any Class A affiliate.

In making governance structure changes to comply with the new Rules, SCE and its affiliates have limited the officers and directors who serve both the utility and Class A affiliates to those categories that are clearly within the scope of permitted shared activities described in Rule V.E: legal, financial reporting, planning and analysis, and corporate secretary functions. SCE believes that it would be appropriate under the overall intent of the Rules and applicable law for the CEO and Chairman of the Board of the holding company, John E. Bryson, also to serve as a director and Board Chairman of the utility and of covered affiliates. As Chairman of the Board and CEO of EIX (EIX, the holding company owing all the common stock of SCE, and through other corporations, all the voting stock of all other covered affiliates), Mr. Bryson has the highest level of governance and oversight responsibility for all EIX subsidiaries. On January 30, 1998, SCE filed concurrently with its Supplemental Compliance Plan a petition seeking, *inter alia*, confirmation that the CEO and Chairman of the Board of EIX and SCE can also serve as Board Chairman of covered affiliates. Pending resolution of this petition, Mr. Bryson did not continue to serve as a director or officer of covered affiliates of SCE. In D.98-08-035, however, the CPUC determined that the prohibition on shared officers specifically included the Chairman and CEO.

In D.98-08-035, the CPUC clarified (*slip op., p.15)*:

> *that Rules V.E and V.G.1, when read together, can provide for limited sharing of directors and officers not only as explicitly set forth in Rule V.G.1, but also in their performance of the corporate support functions set forth in Rule V.E, and as set forth in the examples cited above which Edison has provided, namely, the Chief Financial Officer or General Counsel.*

Prior to October 1999, this manual contained a section in Chapter 7 titled "Recordkeeping/Reporting – Shared Officer Support." That section was deleted because it essentially duplicated the procedure described in this section for calculation of the Shared Officers Allocation Rate.

PGACT V1S2

Section 9.03 Support Staff for Shared Officers

Principle

Separation

Policy

Costs for services performed by the support staffs of permissible shared officers are allocated to SCE and its affiliates according to the same formula used to allocate the time of the officers for whom they work. The support staffs include the shared officers' Executive Assistants, Administrative Assistants, Special Assistants, and Executive Drivers.

In Support of: D.06-12-029, Rule V.G.1

Applicable to Class A and Class B Affiliates, and EIX

Discussion

See also:

Section 9.02: Shared Officers

History

PGACT V1S2

Section 9.04 Awards

Principle

Separation

Policy

A Class A affiliate may not provide awards or bonuses to SCE employees who have performed work on a temporary basis for that affiliate, or vice versa. If an SCE employee moves to an affiliate during the course of a year, SCE may still award or provide a bonus to that employee for work performed during that portion of the year when the employee worked for the utility, subject to the requirements of the award or bonus program involved.

In Support of: D.06-12-029, Rules V.G.1, III.A.2

Applicable to Class A and Class B Affiliates, and EIX

Discussion

It is not a standard business practice at SCE to offer bonuses or awards to outside parties performing work for SCE. There is no provision for bonuses in SCE's *Policies and Guidelines for the Use of Outside Consultants* (The Blue Book). Any performance-related incentives for work performed by a third party are expressly stated in the contract.

With regard to employees receiving gratuities from outside parties, EIX's *Ethics and Compliance Code* offers clear guidance: "Employees shall not accept any form of gratuity which would tend to affect or give the appearance of affecting, their judgment in the performance of their duties. The Ethics and Compliance Code further states that some organizations within EIX have even more restrictive policies regarding business gratuities.

Awards covered by this policy include, but are not limited to, Results Sharing and the Awards to Celebrate Excellence. These and other award programs may have requirements that place greater limits on their applicability than those stated here. The policy stated in this manual should not be construed as allowing or requiring any employee awards program to be more permissive.

See also:

SCE Ethics and Compliance Code
Policies and Guidelines for the Use of Outside Consultants

History

PGACT V1S2

Section 9.05 Benefits Accounting

Principle

Separation

Policy

Employee compensation and benefits are services that may be shared by SCE and its affiliates. SCE and its affiliates may jointly procure benefits and related services. Costs for such benefits must be allocated appropriately between the utility and its affiliates.

In Support of: D.06-12-029, Rules V.D., V.E.

Applicable to Class A and Class B Affiliates, and EIX

Procedure

Benefits Ratio
Corporate Accounting allocates the cost of employee benefits to EIX and SCE Affiliates monthly by adding a "benefits ratio" to the wages paid through the payroll system for all employees of EIX and SCE Affiliates. At the beginning of each year, Corporate Accounting calculates the benefits ratio for that year by dividing the total cost of employee benefits for the prior year for all EIX, SCE, and SCE Affiliate employees by the total cost of wages for that year for all EIX, SCE, and SCE Affiliate employees. The total cost of employee benefits for any year includes fully loaded labor costs and other expenses under the organization functions, payroll taxes and workers' compensation benefits, and the cost of medical labor, plant and equipment.

At the end of the year, the amounts charged to EIX and SCE Affiliates under the benefits ratio with respect to the benefits other than Medical and Vision Care are compared to actual expenses incurred for benefits for EIX and SCE Affiliate employees, and adjustments are made if charges differ from expenses. For purposes of determining actual expenses incurred for EIX and SCE Affiliate employees:

- The actuary for SCE retirement plan determines contributions required on behalf of EIX and SCE Affiliate employees based upon a separate examination of their demographic characteristics.
- The premiums for life and AD&D insurance benefits for EIX and SCE Affiliate employees are based upon separate examination of their mortality and claims experience.

History

PGACT V1S2

Section 9.06 Executive Compensation

Principle

Separation

Policy

SCE and each of its affiliates, including EIX, are charged for the actual expense of benefits received by its executives, so that SCE does not bear any part of such expenses incurred for affiliate officers.

In Support of: D.06-12-029, Rules V.D, V.E

Applicable to Class A and Class B Affiliates, and EIX

Procedure

Human Resources currently allocates the expense of executive benefits (other than supplemental AD&D insurance benefits) to EIX and SCE Affiliates on the following basis:

- Supplemental Executive Retirement Plan, Supplemental Executive Benefit Program (except AD&D insurance) – EIX and each SCE Affiliate is charged annually for actuarially-determined contributions for its participating executives. Contributions are based upon such executives' individual demographic characteristics.
- Supplemental Executive Benefit Program (AD&D insurance) – EIX and each SCE Affiliate are charged annually for a portion of total premiums for participating executives. These charges are administered by Employee Benefits in connection with general AD&D insurance benefits, rather than by Executive Compensation.
- Executive Incentive Compensation (EIC), Long-Term Incentive Compensation Plan (LTIP) – EIX and each SCE Affiliate is charged for the full expense of awards for its participating executives when awards are paid or disbursed. In certain instances, awards are paid directly by EIX and each Affiliate, in which case EIX or the SCE Affiliate is not charged by SCE for such expense. All expense of LTIP awards for participating EIX or the SCE Affiliate executives is charged as shareholder (not ratepayer) expense.
- Deferred Compensation Plan – EIX and each SCE Affiliate is charged for the amount of compensation deferred by its participating executives at the time of such deferral.

SCE also administers certain EIX and Affiliate executive compensation plans open only to executives of EIX or Affiliates. All awards under these plans are charged directly to EIX or the appropriate Affiliates.

History

PGACT V1S2

Section 9.07 Employee Movement

Principle

Separation

Policy

Employment of a SCE employee by an affiliate (either Class A, Class B, or EIX), or of an affiliate employee by SCE, requires approval by SCE's Affiliates Officer prior to the SCE employee's move to a new company.

In Support of: D.88-01-063, Condition 6

Applicable to Class A and Class B Affiliates, and EIX

Discussion

The rules and policies regarding employee transfers apply to all regular and part-time employees. The rules do not apply to contract employees or former employees (except, in the latter case, for those employees who have transferred to Class A affiliates, where residency requirements apply). SCE's Affiliates Officer must be notified of the hiring of any former SCE employee.

This information is reported annually pursuant to D.93-02-019.

FERC requirements may require additional documentation of approval.

See also:

Section 9.09: Executive Movement

History

PGACT 88, § VII.B.2:

> *In instances where it may be desirable to move an Edison employee to an unregulated affiliate, senior management approval of both companies involved in the transfer will be required before the transfer can occur.*

This Rule was reinforced by a memo dated November 22, 1996, from John E. Bryson (then Chairman and CEO of SCE and EIX) and Stephen E. Frank (then President and COO of SCE) to all SCE Officers, SCE Organization and Division Managers, and Affiliate Company Officers.

PGACT V1S4

Section 9.08 Diversion of Management Talent Prohibited

Principle

Separation

Rule

Edison shall avoid a diversion of management talent that would adversely affect the utility.
Source: D.88-01-063, Condition 6

Applicable to Class A and Class B Affiliates, and EIX

Discussion

This principle, which was stated in the decision that established SCE's holding company, is supported by the requirements set forth in this manual for Affiliate Officer and Vice Presidential approval of any movement of SCE employees to affiliates.

See also:

Section 9.10: Employee Movement – Initial Communication
Section 9.11: Employee Movement – Protecting Utility Information
Appendix I: Forms, Tables, Matrices

History

PGACT 88, § VII.B.1:

> *The staffing of the nonregulated affiliates will not be to the detriment of utility operations.*

Section 9.09 Executive Movement

Principle

Separation

Policy

Employment of a SCE senior executive by EIX or an Affiliate, or of an EIX or Affiliate senior executive by SCE, requires the approval of the Chairman of the Board and Chief Executive Officer.

In Support of: D.88-01-063, Condition 6

Applicable to Class A and Class B Affiliates, and EIX

See also:

Appendix I: Forms, Tables, Matrices

History

PGACT V1S4

Section 9.10 Employee Movement – Initial Communications

Principle

Separation

Policy

Affiliate employees should not contact utility employees directly about possible job opportunities. Contact should always be made with an employee's Organization Manager or responsible Officer first, to ensure that the employee could be hired by the affiliate without an adverse effect upon the utility.

In Support of: D.88-01-063, Condition 6

Applicable to Class A and Class B Affiliates, and EIX

Discussion

See also:

Section 4.02: Customer Information
Section 4.04: Non-Customer Specific, Non-Public Information
Appendix I: Forms, Tables, Matrices

History

PGACT 88, § VII.B.2:

> *In instances where it may be desirable to move an Edison employee to an unregulated affiliate, senior management approval of both companies involved in the transfer will be required before the transfer can occur.*

This policy was reinforced by a memo dated November 22, 1996, from John E. Bryson (then Chairman and CEO of SCE and EIX) and Stephen E. Frank (then President and COO of SCE) to all SCE Officers, SCE Organization and Division Managers, and Affiliate Company Officers.

Prior to 2000, this policy was included in this manual under the heading: Separation-Employees-Employee Movement-Vice Presidential Communication.

PGACT V1S4

Section 9.11 Employee Movement – Protecting Utility Information

Principle

Separation

Rule

Affiliate Rules V.G.2.b, V.G.2.d
Employees transferring from the utility to the affiliate are expressly prohibited from using information gained from the utility in a discriminatory or exclusive fashion, to the benefit of the affiliate or to the detriment of other unaffiliated service providers.

Any utility employee hired by an affiliate shall not remove or otherwise provide information to the affiliate which the affiliate would otherwise be precluded from having pursuant to these Rules.

Applicable to Class A and Class B Affiliates, and EIX

Discussion

See also:

Section 4.02: Customer Information
Section 4: Information – Non-Customer Specific, Non-Public
Appendix I: Forms, Tables, Matrices

Procedure

Employment by a Class A, Class B affiliate, or EIX of a former employee of SCE shall be subject to the employee first acknowledging, in writing, his or her agreement to adhere to the communications policies outlined in the Affiliate Rules following such new employment.

SCE has instituted additional measures to demonstrate good faith in contract negotiations with KRCC, as the CPUC outlined in D.06-05-034. Therefore EIX personnel (or personnel who have transferred to SCE from EIX or its subsidiaries after a date six months prior to the commencement of negotiations for an Affiliate QF Contract) shall not serve as the chief negotiator on behalf of SCE, or as the chief negotiator's direct supervisor or manager. Any EIX personnel who have transferred to SCE form EIX or its subsidiaries after a date six months prior to the commencement of negotiations for an Affiliate QF Contract, and who also serve as members of SCE's Risk Management Committee, shall not participate in any decision making by that committee with respect to the Affiliate QF power sales contracts.

History

PGACT V1S1, V1S4

Section 9.12 Residency Requirements

Principle

Separation

Rule

Affiliate Rules V.G.2.b
Once an employee of a utility becomes an employee of an affiliate, the employee may not return to the utility for a period of one year. This Rule is inapplicable if the affiliate to which the employee transfers goes out of business during the one-year period. In the event that such an employee returns to the utility, such employee cannot be retransferred, reassigned, or otherwise employed by the affiliate for a period of two years.

Applicable to Class A Affiliates

Discussion

SCE instituted the required transfer fees and "residency" requirements effective January 1, 1998. SCE's Affiliate Compliance Office, working with SCE's Human Resources Organization, will track the "residency" of SCE employees moving to affiliates and returning from affiliates. SCE will note in its annual report the length of time spent at the required location by employees moving back to SCE or re-transferring to a particular Class A affiliate. These requirements apply to both clerical and non-clerical personnel.

See also:

Appendix I: Forms, Tables, Matrices

Section 9.13 Termination of Access

Principle

Separation

Policy

Southern California Edison must terminate the access to utility-only facilities and systems, and to utility-only benefits and programs for any employee who accepts employment with an Affiliate.

In Support of: D.06-12-029, Rules V.C, IV.A, IV.B

Applicable to Class A and Class B Affiliates, and EIX

Discussion

Termination of access rights should include:

1. Termination of employee's electric discount (DE rate)
2. Termination of electronic access and passwords
3. Changing electronic directory employment descriptions.
4. Ensuring that employee receives a copy of termination package materials regarding transfer of utility information.

See also:

Section 10.01: Class A Affiliates – Use of Facilities and Equipment
Section 10.02: Class B Affiliates – Use of Facilities and Equipment

Procedure

DE Rate
When an employee is terminated from SCE, the employees in the Customer Service Organization who handle Schedule DE rate receive a notice directly from Human Resources regarding the employee's change of status, for the purposes of terminating the employee's electric discount. On a monthly basis, HR will forward a summary list of all SCE employees who transferred to an affiliate.

History

PGACT V1S4, ESM Section 19

Section 9.14 Transfer Fees

Principle

Separation

Rule

Affiliate Rules V.G.2.c
When an employee of a utility is transferred, assigned, or otherwise employed by the affiliate, the affiliate shall make a one-time payment to the utility in an amount equivalent to 25% of the employee's base annual compensation, unless the utility can demonstrate that some lesser percentage (equal to at least 15%) is appropriate for the class of employee included. In the limited case where a rank-and-file (non-executive) employee's position is eliminated as a result of electric industry restructuring, a utility may demonstrate that no fee or a lesser percentage than 15% is appropriate. All such fees paid to the utility shall be accounted for in a separate memorandum account to track them for future ratemaking treatment (i.e. credited to the Electric Revenue Adjustment Account or the Core and Non-core Gas Fixed Cost Accounts, or other ratemaking treatment, as appropriate), on an annual basis, or as otherwise necessary to ensure that the utility's ratepayers receive the fees. This transfer payment provision will not apply to clerical workers. Nor will it apply to the initial transfer of employees to the utility's holding company to perform corporate support functions or to a separate affiliate performing corporate support functions, provided that that transfer is made during the initial implementation period of these rules or pursuant to a § 851 application or other Commission proceeding. However, the rule will apply to any subsequent transfers or assignments between a utility its parent holding company and its affiliates of all covered employees at a later time.

Applicable to Class A and Class B Affiliates, and EIX

Discussion

On January 30, 1998, SCE filed Advice 1289-E to establish the Affiliate Transfer Fee Memorandum Account. This Advice Letter became effective in March 1998. The Affiliate Transfer Fee Memorandum Account is used for recording all transfer fees credited pursuant to Rule V.G.2.c. All applicable transfer fees will be credited to the Affiliate Transfer Fee Memorandum Account.

"Base annual compensation" as used in Rule V.G.2.c and as clarified by CPUC Resolution E-3539, Findings of Fact 89, includes an employee's wages, salary, bonuses, commissions, all other cash compensation, health care packages, pension benefits, stock options and all other non-cash benefits. SCE's Human Resources Organization will calculate transfer fees. Until adoption of Resolution E-3539 on September 17, 1998, SCE used the definition of "base annual compensation" that it presented in its Supplemental Compliance Plan—i.e., that the term referred to base annual salary, exclusive of rewards, benefits, overheads, and non-monetary compensation.

To prevent circumvention of the Affiliate Rules, employees may not be transferred from SCE to EIX and then to a covered (Class A) SCE affiliate in order to avoid payment of such fee. To prevent this practice, SCE will include in its annual affiliate transaction report a list of all transfers of employees from EIX to an SCE affiliate covered by Rule II.B, where the EIX employee was an SCE employee prior to transfer to EIX. This report will note the length of time each individual was employed by EIX. Where the individual was employed by EIX for less than one year, the same transfer fee, if any, will be credited to the appropriate SCE account, as if that employee had transferred directly from SCE to the affiliate.

Because EIX is not a defined affiliate under the Affiliate Rules, transfers of SCE employees to EIX are not subject to the transfer fees described in Rule V.G.2.c.

See also:

SCE Tariffs, Preliminary Statement, Section N.29 (Affiliate Transfer Fee Memorandum Account)

Procedure

All transfer fees paid to SCE shall be accounted for in the Affiliate Transfer Fee memorandum Account and tracked for future ratemaking treatment, on an annual basis.

Entries to the Affiliate Transfer Fee Memorandum Account shall be made each month in the following manner. A credit entry equal to the transfer fee received by SCE from a covered affiliate when an employee of SCE is transferred, assigned, or otherwise employed by the covered affiliate.

Interest shall accrue monthly by applying the Interest Rate to the average of the beginning and ending balance in the Affiliate Transfer Fee Memorandum Account.

Disposition of the amounts recorded in the Affiliate Transfer Fee Memorandum Account shall be determined in the annual Revenue Adjustment Proceeding (RAP).

History

In D.88-01-063, the CPUC made the following statements regarding payment of a fee for employee movement (p.40):

> *It is claimed that many transferred employees have useful and marketable skills they gained while employed by the utility. This does not justify a fixed royalty payment to the utility. The utility and its ratepayers have no claim on the marketable skills, as distinct from confidential knowledge, of employees who leave a utility, wherever they may go. Had the employees gone to businesses not at all associated with Edison, there would be no payment to the utility for the general skills the employee accrued while working for the utility. In fact, the record shows that the diversification will expand the employment opportunities of personnel thereby increasing Edison's ability to attract and retain high-quality people to the benefit of Edison's ratepayers.*

Consistent with the provisions of Rule V.G.2.c, SCE filed for waiver of the transfer fee in its *Application of Southern California Edison Company for Authority to Take Certain Actions*

Necessary to Transfer Certain Generation-Related Employees and Assets to a Non-Utility Operation and Maintenance Affiliate (Application 99-08-030).

Section 9.15 Property Transfer

Principle

Separation

Policy

When a SCE employee resigns and accepts employment at an affiliate, SCE must identify any property that the SCE employee takes to the affiliate, determine the value of the identified property, and charge it to the affiliate. The SCE employee must identify any furniture, desktop computers, laptop computers, blackberries, telecommunications equipment, at home or in the office, or any other SCE-owned asset. SCE's Affiliates Officer must approve the transfer of property prior to the employee's hiring at the affiliate.

Once the property transfer is approved by SCE's Affiliates Officer, Controller's records the value in the appropriate accounts.

In support of: D.06-12-029, Rules V.C

Applicable to Class A, Class B Affiliates, and EIX

Discussion

During the exit interview with the Affiliate Compliance Office, the SCE employee must identify any SCE property being transferred from SCE to an affiliate. The SCE employee must complete and sign the Property Transfer form. The form is then reviewed and approved by SCE's Affiliates Officer.

See also:

Appendix I: Forms, Tables, Matrices

Section 9.16 Professional Development Programs

Principle

Separation

Policy

Affiliate employees may participate with SCE employees in internal professional development programs such as Leadership Edge, Executive Edge, and the Executive- and Leadership-Development Cross Training Programs only where non-public utility information is not reviewed or discussed.

In Support of: D.98-08-035, Rules IV.A, IV.B, V.E, V.G.2.e

Applicable to Class A and Class B Affiliates, and EIX

Discussion

SCE's professional development programs may, from time-to-time, include examination of business case studies and strategy. To prevent inappropriate transfer of non-public utility information and customer information to employees of affiliates, any professional development programs must exclude discussion, review, or utilization of non-public SCE information if affiliate employees are participating concurrently with SCE employees.

Class materials, project proposals, etc. should be "scrubbed" (i.e., reviewed for compliance), so that they build upon hypothetical and/or appropriately redacted data and/or focus on projects and problems from non SCE or non SCE-affiliated companies (upon which there is no CPUC restriction on sharing). In addition, attendees and presenters must be informed, at the beginning of the programs, about rules regarding information disclosure. SCE personnel must maintain proper discretion over utility information.

As to cross-training, SCE employees remain subject to the requirements of Affiliate Rule V.G.2.e, including the annual limitation on temporary assignments to 30% of an employee's time in a single year.

Performance Development is a shared support function that may be provided under the provisions of Rule V.E.

See also:

Section 9.18: Temporary Use - Directly Requested Services
Section 12.01: Separation - Shared Support - General

Section 9.17 Recruiting/Staffing

Principle

Separation

Rule

Affiliate Rule V.E
Services that may not be shared include employee recruiting.

Applicable to Class A and Class B Affiliates, and EIX

Discussion

EIX and SCE's Affiliates are responsible for staffing their respective organizations. SCE halted its sharing of employee recruiting services with affiliates on December 31, 1997.

In order to protect ratepayers, if SCE recruits individuals and provides relocation costs or reimbursement for relocation expenses, and if that employee transfers from SCE to another EIX company within one year of the date of hire, the Affiliate will reimburse SCE for the amount of those re-location expenses.

Administration of the Relocation Program will be performed as a shared activity by Human Resources. Human Resources is explicitly authorized as an area of permissible shared activity pursuant to Rule V.E.

Affiliate Rule V.E. does not prohibit SCE employees involved in recruiting from being assigned on a temporary basis to an Affiliate, pursuant to all of the provisions of Affiliate Rule V.G.2.e. However, any employee assigned to such work remains subject to all Affiliate Rules restricting exchange of information, and none of the activities engaged in while on assignment to the affiliate may be joint SCE-Affiliate activities.

See also:

Section 9.12: Residency Requirements
Section 9.18: Temporary Use Directly Requested Services
SCE HR Policy #203: Relocation Program

History

PGACT V1S4

Section 9.18 Temporary Use - Directly Requested Services

Principle

Separation

Rule

Affiliate Rule V.G.2.e
A utility shall not make temporary or intermittent assignments or rotations to its energy marketing affiliates. Utility employees not involved in marketing may be used on a temporary basis (less than 30% of an employee's chargeable time in any calendar year) by affiliates not engaged in energy marketing only if:

V.G.2.e.i. All such use is documented, priced and reported in accordance with these Rules and existing Commission reporting requirements, except that when the affiliate obtains the services of a non-executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 10% of direct labor cost, or fair market value. When the affiliate obtains the services of an executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 15% of direct labor cost, or fair market value.

V.G.2.e.ii. Utility needs for utility employees always take priority over any affiliate requests;

V.G.2.e.iii. No more than 5% of full time equivalent utility employees may be on loan at a given time;

V.G.2.e.iv. Utility employees agree, in writing, that they will abide by these Affiliate Transaction Rules; and

V.G.2.e.v. Affiliate use of utility employees must be conducted pursuant to a written agreement approved by appropriate utility and affiliate officers.

SCE policies include the application of a 5% markup on fully loaded labor costs billed to nonutility affiliates for the use of SCE employees.
Source: D.88-01-063, Condition 2 (partial)

Applicable to Class A and Class B Affiliates, and EIX

Discussion

The provisions of D.98-08-035 apply only to Class A affiliates. Class B Affiliates, however, may also request services from SCE personnel. SCE will voluntarily apply the provisions of Rule V.G.2.e to temporary assignment of SCE employees to Class B affiliates—except for

the provisions of Rule V.G.2.e.i and the restriction on use of employees involved in marketing. Reimbursement of temporary services provided to Class B affiliates will be subject to the pricing provisions in place prior to adoption of D.97-12-088.

SCE's Affiliates Officer must approve directly requested services provided by SCE to an SCE affiliate, including EIX, except for shared services performed pursuant to Affiliate Rule V.E., or services that SCE makes generally available to third parties in the ordinary course of its business on a nondiscriminatory basis. In order to ensure centralized control and information on affiliate transactions and to ensure adherence to all applicable requirements, an Intercompany Service Request Form (ISR) must be completed.

In fulfilling their oversight duties, from time to time shared officers of Affiliates may also need to draw upon specific resources of SCE in addition to their ordinary support staffs. The procedures for approval of directly requested services will apply to these situations.

As defined in Chapter 2, an "Energy Marketing Affiliate" refers to those affiliates that actively broker commodity electricity on a competitive basis. Specifically, an affiliate that buys and sells commodity electricity on the open market is actively "brokering" electricity. As of January 1, 2015, SCE does not have any Energy Marketing Affiliates.

For the purposes of Rule V.G.2.e, SCE defines employees "involved in marketing" as follows:

An employee who is in direct contact with SCE customers and is active in:

- selling (approaching, presenting, answering questions, closing sales)
- market research and intelligence regarding utility products or services
- consultative services regarding utility products and services
- *prospecting (finding and* cultivating new customers)

For the purposes of Rule V.G.2.e, SCE defines "executive" as follows:

SCE does not consider the employees engaged in the design and media placement of advertising materials, who do not contact customers or consummate sales, to be "employees involved in marketing."

"Executive" means any employee who has been designated as an "executive" of SCE by the Executive Compensation and Personnel Committees of the SCE Board of Directors.

SCE does not consider the following to be employees "involved in marketing" as contemplated by this Rule:

- Employees of SCE's Power Supply Organization prior to January 1, 2001, whose work relates or related to operation and maintenance services performed by SCE;

- Employees engaged in the design and media placement of advertising materials, who do not contact customers or consummate sales.

See also:

Section 2.01: Definitions – 'Energy Marketing Affiliate'
Section 12.05: Directly Requested Services
Section 12.07: Accounting Categories – Directly Chargeable Activities
Section 12.15: Accounting Procedures – Recording Hours Worked for Affiliates
Section 9.20: Temporary Use – Intercompany Service Request Form
Section 14.04: Transfer of Goods and Services – Pricing
Appendix I: Forms, Tables, Matrices

Procedure

If you are a SCE employee and any Class A or Class B Affiliate, including EIX, makes a request for services to be performed directly and specifically for them, that Affiliate must be directed to complete an ISR form for such services.

To ensure compliance with the provisions of Affiliate Rule V.G.2.e, SCE requires completion of an ISR form prior to the beginning of an assignment permitted by that Rule. This form requires, among other things, approval of SCE's Affiliates Officer and an acknowledgment by the SCE employee of the Rules relating to performance of the subject task, include the Rules relating to disclosure of customer and non-public information. The employee will receive a copy of this signed acknowledgment.

See Section **11: Separation - Employees - Temporary Use - Directly Requested Services**.

Labor and expenses are identified and charged through an IO or DCC, established by Controllers. Controllers will determine whether a DCC or IO is the appropriate charging mechanism, determined by the SCE affiliate(s) requesting and receiving the temporary services from an SCE employee.

In January 2002, the Controller's organization, working with the Audits Organization, developed and implemented a process that reviews charges for directly requested services and ties those charges to approved ISRs. Controller's notifies the Affiliate Compliance Office of any instances in which a directly requested service charge is made, but for which Controller's is not able to identify a corresponding approved ISR. Both organizations will work together to investigate and resolve any issues in this area.

Accounting on Timesheets
Labor hours for SCE activities require no special treatment, as such labor hours will default to the SCE employee's Cost Center. Labor hours for time spent on an Affiliate activity, where such activity is deemed as an allowable support function, will be coded on the employee's timesheet using the appropriate IO or DCC associated with the requesting Affiliate.

Accounting on Payment and Disbursement Documents

Expenses incurred for services performed exclusively for the benefit of an Affiliate are coded with the Controllers provided IO or DCC.

Examples

Q: Someone from Edison Capital asks you to do some work for them. What do you do?

A: You may perform work with proper approval and as long as it does not interfere with your utility duties. SCE work is always your primary responsibility. The Affiliate should formally request your services with an "Intercompany Service Request" form. This request must be approved by SCE's Affiliates Officer. You should record all your labor hours on your time sheet, and they should be charged to your organizational function with the appropriate IO or DCC number for Edison Capital. Do not transfer any nonpublic information during the course of the work without SE's Affiliates Officer pre-approval. Make sure you don't exceed the 30% annual time limit (624 hours) on work for all Affiliates.

Any non-labor expenses, such as mileage should be recorded on your regular expense account form with Edison Capital's IO or DCC number. Your expense account request should be turned in for processing promptly.

History

Until the adoption of D.98-08-035, Affiliate Rule V.G.2.e read as follows:

> *A utility shall not make temporary or intermittent assignments, or rotations to its affiliates.*

To the extent required under applicable Rules, SCE permitted no new temporary assignments of utility employees to Class A affiliates between January 1, 1998 and adoption of D.98-08-035 on August 6, 1998, except as allowed for services permitted pursuant to Rule V.E. As of January 1, 1998, some SCE employees were performing limited-duration temporary assignments for affiliates, as permitted by previous affiliate transaction rules. In order to disengage these employees in a reasonable fashion, a limited amount of such work continued in January 1998, as employees wrapped up or otherwise transferred assignments. All such work was charged to affiliates as previously authorized. SCE terminated all existing arrangements as of January 30, 1998.

SCE's former affiliate, Edison Utility Services, was classified as an Energy Marketing Affiliate for the purposes of Rule V.G.2.e until its sale early in 2001.

Edison O&M Services

Ordering Paragraph 10 of D.00-07-047, effective July 20, 2000, authorized the following limited exemption from Rule V.G.2.e:

> *The 30% limitation on utility employee time spent performing work for an affiliate shall be waived, during the transition period ending six months after the issuance of a decision in this proceeding, for those [SCE] employees whose activities are directly related to the movement of employees to Edison O&M [Services].*

This exemption expired on January 20, 2001.

Prior to their sale in 2001, Nevada Sun-Peak, LLP and Saguaro Power Company were designated as Energy Marketing Affiliates. Prior to its sale in 2002, Harbor Cogeneration Company was also designated as an Energy Marketing Affiliate.

PGACT V1S2, V1S3, V1S4, V1S11, 5/96 Supp.

Section 9.19 Temporary Use - Incidental Services for Class B Affiliates

Principle

Separation

Policy

SCE employees may, at a customer's request, provide additional assistance to customers in connection with the delivery of goods or services by Class B affiliates, including coordinating the disclosure of information about Class B affiliates' products and services. However, SCE employees should:

- Limit their activities to conduct which is directly related to the utility's business.
- Make sure that their activities do not interfere with their utility duties.
- Avoid acting as consultants to or representatives of the customer or the Affiliates.
- SCE employees should record all time spent providing such additional assistance. Services provided for Class B Affiliates that exceed *incidental* assistance (i.e., assistance that requires less than 15 minutes of an employee's time) will be subject to the provisions of the policy on Directly Requested Services stated elsewhere in this manual, with the exception of Intercompany Service Request Form (ISR) requirements.

In Support of: D.88-01-063, Condition 2

Applicable to Class B Affiliates

History

PGACT 5/96 Supplement

Section 9.20 Temporary Use - Intercompany Service Request (ISR)

Principle

Separation

Policy

An approved Intercompany Service Request Form (ISR) is required before an SCE employee may begin a directly-chargeable temporary, intermittent, or rotational assignment for any Affiliate.

In Support of: D.88-01-063, Condition 2, Condition 6; Affiliate Rule V.G.2.e

Applicable to Class A and Class B Affiliates, and EIX

Discussion

An ISR must be completed whenever an Affiliate requests services from SCE and whenever SCE requests services from an affiliate, except for services performed as permissible shared support pursuant to Affiliate Rule V.E. The ISR is not used, however, for the approval of automatically allocated or time-identified shared support services performed pursuant to Affiliate Rule V.E. The ISR form is located in Appendix I.

The ISR is not used for requests for service between affiliates (e.g. when Edison Mission Energy requests services from Edison Renewable Energy).

The ISR documents estimated hours required for the task, all authorizations necessary, estimated project cost, specific utility employees involved, and unique provisions of a given request, and compliance with the provisions of Affiliate Rule V.G.2.e.

Shared Officers and their assistants do not require ISRs. A portion of their salary and expenses are allocated to EIX and other non-utility affiliates of SCE in accordance with procedures approved by the CPUC.

See also:

Section 9.18: Temporary Use - Directly Requested Services
Section 12.05: Directly Requested Services
Appendix I: Forms, Tables, Matrices

Procedure

The ISR form, located in Appendix I, must be completed by the company *requesting* services, and should be forwarded to the organization or company *providing* the service. Upon completing the required sections of the ISR, the organization or company providing the

service must forward the completed ISR to the Affiliate Compliance Office, GO4 Ground Floor.

Section 9.21 Temporary Use - 30% Limitation

Principle

Separation

Rule

Affiliate Rule V.G.2.e. (partial)
Utility employees not involved in marketing may be used on a temporary basis (less than 30% of an employee's chargeable time in any calendar year) by affiliates not engaged in energy marketing only if [the provisions of Rule VG.2.e.i. through V.G.2.e.v are met].

Applicable to Class A and Class B Affiliates, and EIX

Discussion

Individual SCE employees are not to spend more than 30% (30% or 624 hours) of their total annual hours (2080) in providing services to Affiliates. The 30% limitation applies to work performed for both Class A and Class B affiliates, and EIX. Work performed as permissible shared support pursuant to Affiliate Rule V.E. is not counted toward the 30% limitation.

The definition of employees "involved in marketing" is described in this manual in **Section 9.18: Temporary Use – Directly Requested Services**.

The policy of applying this 30% limitation to Class B affiliates is in Support of D.88-01-063, Conditions 2 and 6.

See also:

Section 9.18: Temporary Use – Directly Requested Services
Section 12.05: Directly Requested Services
Section 12.15: Accounting Procedures – Recording Hours Worked for Affiliates
Appendix I: Forms, Tables, Matrices

Procedure

To avoid diversion of management talent that would adversely affect SCE, Corporate Accounting will monitor the time spent by SCE employees who perform work for Affiliates.

Corporate Accounting is responsible for reviewing labor charges to SCE Affiliates by tracking and monitoring IOs and DCCs via a report generated monthly by Controllers Organization. Additionally, Corporate Accounting will notify an employee's SCE Vice President and SCE's Affiliates Officer if an employee is approaching the 30% limit and when the limit has been reached or exceeded.

Examples

Q: In my area of responsibility, some of the functions I perform are considered corporate support (or shared support). Are these activities subject to the 30% Limitation?

A: No. Work performed as a shared support function, pursuant to Affiliate Rule V.E., is not subject to the 30% limitation. The 30% Limitation applies only to Directly Requested Services performed pursuant to Affiliate Rule V.G.2.e.

History

PGACT V1S4

Chapter 10. Separation – Facilities and Equipment

Section 10.01 Class A Affiliates – Use of Facilities & Equipment

Principle

Separation

Rule

Affiliate Rule V.C
SCE shall not share office space, office equipment, services, and systems with its affiliates, nor shall SCE access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Rule V.E of these Rules. Physical separation required by this rule shall be accomplished preferably by having office space in a separate building, or, in the alternative, through the use of separate elevator banks and/or security-controlled access. This provision does not preclude a utility from offering a joint service provided this service is authorized by the Commission and is available to all non-affiliated service providers on the same terms and conditions (e.g., joint billing services pursuant to D.97-05-039).

Applicable to Class A Affiliates

Discussion

SCE does not share office space, office equipment, services, or systems with its Class A affiliates. SCE interprets "shared office space" to include only those facilities that do not have separate security controlled access for utility- and affiliate-occupied space. This rule prohibits use of SCE meeting, conference, or recreational facilities by affiliates, except where those facilities are open to non-affiliates consistent with the rules, particularly Rule III.B.1. Affiliate employees are not permitted to use temporary utility office space (also known as "hotels"). Signs noting this restriction are placed in these spaces.

Affiliate employees are prohibited from visiting utility facilities, except as necessary to perform shared corporate oversight, governance and support functions pursuant to Rule V.E, to attend a meeting pursuant to the provisions of Rule V.F.4.a, or where such functions are open to SCE's competitors on a nondiscriminatory basis. CPUC Resolution E-3539 permits these exceptions (slip op., p.24). Access required for the performance of corporate oversight and governance functions includes, among other things, meetings between affiliate employees and officers of EIX.

Paging systems are telecommunications media like telephone service, rather than information itself. The Commission permits joint telephone service purchase under Rule V.D. Resolution E-3539 acknowledges this (slip op., p.25).

SCE acknowledges that Rules IV.A, IV.B, and IV.D, regulating communications between SCE and its affiliates, apply to the messages transmitted over e-mail and paging systems, and employees are informed of restrictions on information transfer.

SCE interprets this Rule not to prohibit access by the utility or its affiliates to certain of each other's computer systems, where similar access is provided on the same terms and conditions for non-affiliates (e.g., access required to transmit information required for third-party billing). Resolution E-3539, Findings of Fact 68, agrees.

Affiliate employees have been informed that temporary office space (also known as "hotels") in SCE facilities are for the use of utility employees only. Signs noting this restriction have been placed in these spaces.

This Rule does not prohibit shared use of SCE's cafeteria and shareholder funded gym facilities, although SCE acknowledges that the information-sharing restrictions imposed by Rules III.E, IV.A, IV.B, IV.D, V.F.4, and V.G.2 continue to apply and be observed by utility employees.

Separation of Computing and Information Systems
Rule V.C requires utility and affiliate employees be prohibited from accessing each other's computing systems in all cases except: (1) "to the extent appropriate to perform shared corporate support functions permitted under Section V.E. of these Rules"; and (2) for access provided to affiliates on the same terms and conditions offered to non-affiliates. Any access between the computing and information systems of SCE and its affiliates covered by the Rules is strictly limited to that which meets these requirements.

Rule V.E expressly permits performance of certain functions related to human resources as shared support. These functions include payroll, compensation, benefits, employment policies, and employee records. (Employee recruiting is expressly excluded from shared support.) Performance of these functions for each EIX company requires restricted access to specific systems by a limited number of affiliate employees responsible for those functions. All human resources applications have a security system based on department trees—i.e., granting access to different levels of management for their areas of responsibility. For example, the Vice President of a department may require access to payroll data for every division in their department while a manager under that vice president may need only access to his or her unique area of responsibility.)

SCE ensures that access to its systems is limited to permissible functions and authorized employees through the use of strict standards, security mechanisms, and procedures. Access to SCE's systems is controlled by the Information Security Division of SCE's Information Technology (IT) Department, and requires proper management authorization for the assignment of security and access mechanisms such as user IDs and passwords. Access to utility systems requires approvals from the President of the affiliate requesting access and from SCE's Affiliates Officer, Senior Vice President R.O. Nichols, or their designees.

Where access to a utility or affiliate system is required in order to perform a support function pursuant to Rule V.E or to provide a service available on a nondiscriminatory basis to affiliates and non-affiliates, such access is restricted through the use of a "firewall". The firewall ensures that communication over SCE's network is restricted to only those computers necessary to provide affiliates with access to corporate support information.

All requests for IDs that are administered by or defined in the Global database system (IT Security Administration's central database of all users, their IDs, and their application access) are processed via an online form - the Access Request Management System (ISSM) form. The client specifies what type of IDs are required and includes all pertinent information necessary for IT Security Administration (ITSA) to process the request (full name, internal phone number [PAX], work location, mailing location, social security number, payroll number, supervisor name and PAX, accounting, SCE or contract employee [agency name if contract], contact name and PAX, and the description of the request or ID required).

Prior to any IDs being established, the request must first be approved by 1) the President of the affiliate company or his or her designee; 2) SCE's Affiliate Officer or his or her designee; 3) the managers of the department(s) who own the application(s) being requested; and 4) the supervisor or manager of Network Operations. Once those approvals are received, the ISSM form is then routed for approval by the application and/or department coordinators, where required.

ITSA has a process in place to review user IDs by department, on a rotating basis. In addition, a comprehensive review of all affiliate access to utility computing systems has been conducted to verify the information in this letter. During this review, no unauthorized or unknown access was identified.

If any IDs are determined to be no longer necessary during the review process, ID deletions are processed by department coordinators or representatives as designated by management. In addition, SCE organizations using applications necessary for permissible shared support functions continuously monitor access privileges and identify changes or deletions required. ISSM forms are returned to IT Security Administration to process the deletions. In addition to the periodic reviews, a weekly report is generated by IT Security's ID control program which includes a list of terminated employees. If an affiliate employee is on that list, his or her IDs are deleted once ITSA receives verbal or written confirmation from SCE's Affiliate Compliance Office. When an employee transfers from the utility to an affiliate, the IDs administered by the Global database system are suspended. In order to retain or obtain system access, they must go through the approval process described above.

In addition to the historical information retained on ISSM, a hard copy (i.e., a paper copy) of the request, along with all appropriate approvals, is kept on file by ITSA. All past and present affiliate client folders are maintained by ITSA and are kept in-house to ensure access controls are maintained.

Selected affiliate employees who perform shared support functions have access to the SCE network and systems through a data circuit (dedicated communications line). These communication lines are commonly established between many companies that frequently exchange data with one another. As an example, SCE uses a third party to handle the overflow of the customer call center. This third-party call center has a data circuit connection to SCE's data center that allows the third party to access customer accounts. In much the same way as SCE's vendor accesses SCE systems to extract information to provide this service, SCE's affiliates must have similar communication tools to access utility systems to exchange approved corporate support information.

Once ITSA allows access into the SCE network via these dedicated communication lines, the affiliates are limited to accessing only the information related to their user identification or by security features embedded in the programs they are using. Some of these programs also have auditing features which enable SCE, periodically or on request, to ascertain the types of information any given user ID has accessed or has tried to access.

Resolution E-3539 clarifies that SCE is not permitted to perform desktop computer maintenance and troubleshooting as a corporate support function pursuant to Rule V.E, and that Rule V.C does not permit utility personnel to access affiliate computer systems temporarily for the purposes of reconfiguration necessary to comply with Rule V.C. SCE understands and accepts these restrictions. SCE interprets Rule V.C, however, to permit utility personnel to maintain those systems described in this letter that are used to provide permitted shared support services. For example, the software and systems required to perform human resources functions undergo periodic updates to increase functionality and performance. As a result of these updates, the affiliates may have problems with which they need minimal, temporary assistance regarding desktop and network compatibility and configuration. In these instances, SCE has the expertise to solve these problems quickly and efficiently without requiring each affiliate to build a staff with detailed knowledge of the corporate human resources software. Any such assistance would be provided not as corporate support, but in accordance with the recording and pricing requirements of Rule V.G.2.e.

E-Mail Services and Infrastructure

Each EIX company maintains a separate communications infrastructure. There are no shared systems related to e-mail between SCE and Class A affiliates.

While different EIX companies may employ the same brand or version of software products to generate and receive Internet messages, SCE and its covered affiliates do not use the same servers to receive/send these messages or the same network to route these messages to addressees. In addition, where SCE and its covered affiliates employ the same e-mail software, the affiliates either purchased this software independently or paid for a portion of a shared corporate license obtained pursuant to the joint purchasing provisions of Rule V.D.

Any e-mail communication between SCE and its covered affiliates is conducted in the same way as e-mail communication between SCE and any unrelated company. There is an extensive public Internet infrastructure which handles messaging between any two parties by routing the message via the quickest route to the intended recipient. SCE and the affiliates use this common, public infrastructure when sending and receiving e-mail messages.

Communications to employees regarding the Commission's affiliate transaction rules note that although e-mail may be exchanged with affiliates, just as it may be exchanged with non-affiliates, all such communications remain subject to Rules regulating the joint activities and disclosure of non-public information, such as Rules III.B, III.E, IV.A, IV.B, IV.D, V.F.4, and V.G.2.d.

Portal

Affiliate employees cannot access SCE's Portal (http://portal.edisonintl.com/), because access from non-SCE locations is blocked at the firewall for non-authorized users.

See also:

Section 9.13: Termination of Access
Section 12.01: Shared Support – General

Examples

Q: Is it ever possible for Class A affiliates to occupy SCE-owned facilities?
A: Class A affiliates may use or occupy SCE-owned facilities, as long as those facilities are also offered to non-affiliated third parties on a non-discriminatory basis and according to the same terms and conditions. Affiliates may not share costs, fees, or payments with SCE for use of such facilities. If one portion of an SCE facility is occupied by the utility and another is occupied by the affiliate, there must be a physical and/or security-controlled division of the facility to prevent unauthorized access and ensure compliance with Rule V.C.

Q: Can affiliate employees make use of SCE offices in San Francisco, Sacramento and other cities?
A: SCE facilities outside the utility's service territory are subject to the requirements of Rule V.C. This means that Class A affiliates may not have full access to such facilities. Space occupied by Class A affiliates, even space controlled by EIX, must have separate security-controlled access to the space that they occupy. In order to prevent inappropriate transfer of information, such space occupied by Class A affiliates must have offices with full walls and with lockable doors. Affiliates and the utility must pay for their own respective shares of any such space.

Q: May affiliate employees make use of SCE "hotel" (temporary office) space?
A: No. Temporary offices, or "hotels" are typically in utility facilities, use utility equipment, and are not always secured or separated from areas where utility employees are working. Therefore, Class A affiliates are prohibited from accessing hotels.

History

D.97-05-040, Interim Guideline 7, applicable 5/20/97-12/31/97, superseded by provisions of D.97-12-088, read as follows:

> *The affiliated entity, Edison Source, shall maintain its own books of accounts, have separate offices and utilize separate personnel, separate computer systems, and other equipment.*

Section 10.02 Class B Affiliates – Use of Facilities & Equipment

Principle

Separation

Policy

Separation - Facilities and Equipment - Class B Affiliates
Use of SCE facilities and equipment by Class B Affiliates requires approval of SCE's Affiliates Officer and must be fully-compensated.

In Support of: D.88-01-063, Condition 2

Applicable to Class B Affiliates

Discussion

Before a Class B affiliate may occupy or make use of SCE facilities or equipment, including office furniture, the affiliate must receive approval from SCE's Affiliates Officer.

If the space to be occupied is operating property the Class B affiliate would be charged a rate based on fully loaded costs, plus the prevailing appropriate adders. For this type of transaction, a license would be prepared. If the space is non-operating property, the affiliate would be charged the market rate. For this type of transaction, a lease would be prepared.

See also:

Section 9.13: Termination of Access

Chapter 11. Separation – Financial

Section 11.01 Ring-Fencing And Affiliate Investments

Principle

Separation

Rule

Affiliate Rule IX.C
Ring-Fencing. Within three months of the effective date of the decision adopting this amendment to the Rules, a utility shall obtain a non-consolidation opinion that demonstrates that the ring-fencing around the utility is sufficient to prevent the utility from being pulled into bankruptcy of its parent holding company. The utility shall promptly provide the opinion to the Commission. If the current ring-fencing provisions are insufficient to obtain a non-consolidation opinion, the utility shall promptly undertake the following actions:

1. notify the Commission of the inability to obtain a non-consolidation opinion;
2. propose and implement, upon Commission approval, such ring-fencing provisions that are sufficient to prevent the utility from being pulled into the bankruptcy of its parent holding company: and then
3. obtain a non-consolidation opinion.

Affiliate Rule IX.D
Changes to Ring-Fencing Provisions. A utility shall notify the Commission of any changes made to its ring-fencing provisions within 30 days.
Source: D.06-12-029

Policy

Affiliate Investments. Without the prior approval of the Chief Executive Officer of Edison International, an Affiliate shall not:

- Become a joint venturer or investor in, or provide funding to, power generation projects or facilities that sell, or have a contract to sell, power to Southern California Edison;
- Become a joint venturer or investor in, or provide funding to, projects or facilities selling, or expected to sell, other goods or services to Southern California Edison; or
- Become a joint venturer or investor in, or provide funding to, any privately held entity or project that the Affiliate has reason to believe is being funded by Southern California Edison.

It is the present policy of Southern California Edison not to enter into new Nonstandard Contracts with power generation projects that are Affiliate Investees without the approval of the CPUC.

Applicable to Class A and Class B Affiliates

History

On March 24, 2007, pursuant to Affiliate Transaction Rule IX.C, SCE provided to the Commission a non-consolidated opinion that the "ring-fencing around the utility is sufficient to prevent the utility from being pulled into [a] bankruptcy of its parent holding company."

PGACT V1S1: This is a new section that was not in existence with PGACT.

Section 11.02 Utility Capital Requirements

Principle

Separation

Rule

Affiliate Rule IX.A
Information from Utility on Necessary Capital. Each utility shall provide to the Commission on the last business day of November of each year a report with the following information:

1. the utility's estimate of investment capital needed to build or acquire long-term assets (i.e., greater than one year), such as operating assets and utility infrastructure, over each of the next five years;
2. the utility's estimate of capital needed to meet resource procurement goals over each of the next five years;
3. the utility's policies concerning dividends, stock repurchase and retention of capital for each year;
4. the names of individuals involved in deciding corporate policies for the utility's dividends, stock repurchase and retention capital;
5. the process by which corporate policies concerning dividends, stock repurchase and retention of capital are implemented; and
6. how the utility expects or intends to meet its investments capital needs.

Affiliate Rule IX.B
Restrictions on Deviations from Authorized Capital Structure. A utility shall maintain a balanced capital structure consistent with that determined to be reasonable by the Commission in its most recent decision on the utility's capital structure. The utility's equity shall be retained such that the commission's adopted capital structure shall be maintained on average over the period the capital structure is in effect for ratemaking purposes. Provided, however, that a utility shall file an application for a waiver, on a case by case basis and in a timely manner, of this Rule if an adverse financial event at the utility reduces the utility equity ratio by 1% or more. In order to assure that regulatory staff has adequate time to review and assess the application and to permit the consideration of all relevant facts, the utility shall not be considered in violation of this Rule during the period the waiver is pending resolution. Nothing in this provision creates a presumption of either reasonableness or unreasonableness of the utility's actions which may have caused the adverse financial event.
Source: D.06-12-029.

The capital requirements of the utility, as determined to be necessary to meet its obligation to serve, shall be given first priority by the Board of Directors of Edison's parent holding company and Southern California Edison.
Source: D.88-01-063, Condition 12

Edison shall maintain a balanced capital structure consistent with that determined to be reasonable by the Commission in Edison's most recent general rate case decision. Edison's

equity shall be retained such that the Commission's adopted capital structure will be maintained on average over the period the capital structure is in effect for ratemaking purposes.
Source: D.88-01-063, Condition 9

Applicable to Class A and Class B Affiliates

Discussion

Condition 12 of D.88-01-063 is sometimes referred to as the "First Priority" condition. In D.02-01-039, the Commission set forth its interpretation of this condition. The Commission noted: "This decision interprets a provision of a previously issued Commission decision. It does not rule on any factual issue relating to the past behavior of any of the Respondents." (D.02-01-039, p. 37)

"The term 'first priority' means the highest preferential rating assigning rights to scarce products or materials."

D.02-01-039, Findings of Fact 3

"The term 'requirements' refers to need."

D.02-01-039, Findings of Fact 4

"The term 'capital,' where not otherwise limited or qualified, encompasses all of the following: the money and property with which a company carries on its corporate business; a company's assets, regardless of source, utilized for the conduct of the corporate business and for the purpose of deriving gains and profits; and a company's working capital."

D.02-01-039, Findings of Fact 5

"The term 'capital' is not limited in the first priority condition to mean only 'equity capital,' infrastructure investment, or any other term that does not include, simply, money or working cash."

D.02-01-039, Findings of Fact 6

"The term 'obligation to serve' includes all actions a utility must take to provide utility service to California ratepayers, and is not limited to maintaining infrastructure."

D.02-01-039, Findings of Fact 7

"The first priority condition does not preclude the requirement that the holding companies infuse all types of "capital" into their respective utility subsidiaries where necessary to fulfill the utility's obligation to serve."

D.02-01-039, Ordering Paragraph 1

"The first priority condition prohibits a holding company from (1) acquiring assets of its utility subsidiary for inadequate consideration, and (2) acquiring assets of its utility subsidiary at any price, if such acquisition would impair the utility's ability to fulfill its obligation to serve or to operate in a prudent and efficient manner."

D.02-01-039, Ordering Paragraph 2

"In the context of Respondents' holding company decisions, when a utility's financial health is impaired and its ability to discharge its obligation to serve is consequently threatened, the first priority condition requires its holding company to give the utility preference over all competing potential recipients of capital resources."

D.02-01-039, Conclusions of Law 2

Section 11.03 Utility Debt Guarantees

Principle

Separation

Rule

Southern California Edison shall not guarantee the notes, debentures, debt obligations, or other securities of its parent holding company or any of its subsidiaries without first obtaining the written consent of this Commission.
Source: D.88-01-063, Condition 11

Applicable to Class A and Class B Affiliates

Section 11.04 Utility Dividend Policy

Principle

Separation

Rule

The dividend policy of [Southern California] Edison shall continue to be established by [Southern California] Edison's Board of Directors as though [Southern California] Edison were a comparable stand-alone utility company.
Source: D.88-01-063, Condition 10

Applicable to Class A and Class B Affiliates

Chapter 12. Separation - Shared Support

Section 12.01 Shared Support - General

Principle

Separation

Rule

Affiliate Rule V.E:

As a general principle, a utility, its parent holding company, or a separate affiliate created solely to perform corporate support services may share with its affiliates joint corporate oversight, governance, support systems and personnel as further specified below. Any shared support shall be priced, reported and conducted in accordance with the Separation and Information Standards set forth herein, as well as other applicable Commission pricing and reporting requirements.

As a general principle, such joint utilization shall not allow or provide a means for the transfer of confidential information from the utility to the affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates. In the compliance plan, a corporate officer from the utility and holding company shall verify the adequacy of the specific mechanisms and procedures in place to ensure the utility follows the mandates of this paragraph, and to ensure the utility is not utilizing joint corporate support services as a conduit to circumvent these Rules.

Examples of services that may be shared include: payroll, taxes, shareholder services, insurance, financial reporting, financial planning and analysis, corporate accounting, corporate security, human resources (compensation, benefits, employment policies), employee records, regulatory affairs, lobbying, legal, and pension management. However, if a utility and its parent holding company share and any key officers after 180 days following the effective date of the decision adopting these Rule modifications, then the following service shall no longer be shared: regulatory affairs, lobbying, and all legal services exempt those necessary to the provision of shared services still authorized. For purposes of this Rule, key officers are the Chair of the entire corporate enterprise, the President at the utility and its holding company parent, the chief executive officer at each, the chief financial officer at each, and the chief regulatory officer at each, or in any case, any and all officers whose responsibilities are the functional equivalent of the foregoing.

Examples of services that may not be shared include: employee recruiting, engineering, hedging and financial derivatives and arbitrage services, gas and electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, system operations, and marketing. However, if a utility and its parent holding company share any key officers (as defined in the preceding paragraph) after 180 days following the effective date of the decision adopting these Rule modifications, then the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized.

Applicable to Class A Affiliates

Discussion

Separation of Key Officers: As of June 12, 2007, SCE does not share with its parent holding company, any of the following key officers: Chair of the entire enterprise, the President at the utility and its holding company parent, the Chief Executive Officer at each, the Chief Financial Officer at each, and the Chief Regulatory Officer at each, or in each case, any and all officers whose responsibilities are the functional equivalent of the foregoing.

Shared Support Matrix: The Shared Support Matrix at the end of this Manual in Appendix I. The matrix is updated regularly, and although the matrix is intended to be as exhaustive and accurate as SCE was able to make it, certain other or further functions may arise in the future which are not captured on the matrix, and for which sharing is sought to satisfy one of the fundamental objectives noted above. Any function that does not appear on the martix must be reviewed by SCE's Affiliates Officer before it may be shared to determine whether or not joint conduct is permissible pursuant to this Rule. SCE's Affiliates Officer will record his or her determination regarding such functions in writing.

The Shared Support Matrix lists those functions that SCE has determined may be shared pursuant to the affiliate rules, subject to the transfer pricing requirements of affiliate rule V.H, as well as the restrictions of affiliate rule V.D and V.F. The matrix describes in detail each function that SCE views to be permitted by Rule V.E, and notes the primary reason for including each function as a permissible shared support service.

In many cases, joint conduct of these services permits SCE and its affiliates to capture available economies of scale and scope exercised by any large, diversified corporation, but—because of scrupulous adherence to pricing and information-sharing restrictions—does not convey cross-subsidies or unfair competitive advantages. In some cases, the function is necessarily shared because it is essential to the establishment and maintenance of certain standards and policies. For example, tax services must be shared because EIX and its subsidiaries operate on a consolidated tax basis, pursuant to state and federal determinations. Finally, some functions listed on the matrix are necessarily conducted on a joint basis because they are integral to corporate governance and oversight required to reasonably satisfy management's fiduciary duties.

Resolution E-3539 directed SCE to explain what measures have been taken to ensure that other Affiliate Transaction Rulemaking and Investigation (Affiliate Rules) are not circumvented by performance of functions pursuant to Rule V.E. The mechanisms and procedures described throughout this manual—particularly those that describe measures to protect information and ensure proper pricing and reporting of transactions—will apply to services performed pursuant to this Rule. In particular, these measures include those described for Rules IV.A, IV.B, IV.D, IV.F, IV.G, V.H, and VI.C.

For functions not permissible pursuant to this Rule, SCE also may seek authorization in the future from the CPUC to perform such functions for third parties under tariff or pursuant to the then-applicable provisions of Rule VII.

History

Table based on Advice Letter 2354-E.

See also

Section 12.04: Authorization for Corporate Support Services
Appendix I: Forms, Tables, Matrices

Section 12.02 Corporate Governance

Principle

Separation

Policy

A subset of Shared Support (and only a subset) can be categorized as Corporate Governance. These services may be performed by SCE personnel for both Class A and/or Class B Affiliates.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule V.E

Applicable to Class A and Class B Affiliates

Discussion

Shared oversight and governance activities relate to the organization, evaluation, planning, and coordination of corporate-level functions or the functions of one or more EIX companies. Corporate Governance activities include:

- Developing, plans, policies, strategies or practices applicable to EIX companies generally;
- Allocating resources among EIX companies;
- Managing risks or activities that could directly or indirectly affect EIX companies generally;
- Maintaining an appropriate separation of the activities of Southern California Edison from those of other EIX companies; or
- Organizing and implementing shared officer oversight and corporate governance responsibilities.

See also:

Section 12.07: Accounting Categories - Directly Chargeable Activities
Section 12.08: Accounting Categories - Time Identified Activities
Section 12.09: Accounting Categories - Automatically Allocated Activities
Appendix F: Policies and Procedures Concerning Affiliate Participation in SCE Requests for Offers and Requests for Proposals
Appendix G: Policies and Procedures Regarding Affiliate Trading in the California Market

History

PGACT V1S2

Section 12.03 Permissible Corporate Support Services

Principle

Separation

Policy

A subset of Shared Support (and only a subset) can be categorized as Corporate Support. These functions include those that are related to establishing and ensuring corporate standards, implementation of corporate-wide programs, achievement of economies of scale, the support a holding-company (EIX) function, and other activities expressly authorized by the CPUC. These services may be performed by SCE employees for both Class A and/or Class B Affiliates according to the guidelines provided in this manual.

Corporate functions such as shareholder services, corporate accounting and consolidation, and corporate planning and budgeting will be performed by [Southern California] Edison employees; the fully loaded cost of these services will be billed to the Holding Company and nonutility subsidiaries.
Source: D.88-01-063, Appendix C, p. I-2 (original PGACT Manual)

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule V.E

Applicable to Class A and Class B Affiliates

Discussion

See also:

Section 12.07: Accounting Categories – Directly Chargeable Activities
Section 12.08: Accounting Categories – Time Identified Activities
Section 12.09: Accounting Categories – Automatically Allocated Activities

History

PGACT V1S2

Section 12.04 Authorization for Corporate Support Services

Principle

Separation

Policy

Each permissible shared support activity performed pursuant to Affiliate Rule V.E has been assigned Core Areas of Responsibility ("Core AORs"). Core AORs are the organizations primarily responsible for performing a particular shared support service. If an employee is requested to perform a function listed in the shared support matrix (**see Appendix I**), and that employee is *not* part of a Core AOR for that activity, then a Corporate Support Authorization (CSA) Form must be completed and approved. See Appendix I for the most current version of the CSA form. Shared Support work performed by Core AORs requires no additional authorization.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule V.E

Applicable to Class A Affiliates

Discussion

Core AORs for each permissible shared support activity are identified in the matrix in **Appendix I – Shared Support Matrix**

See also:

Section 12.01: Shared Support – General
Section 12.07: Accounting Categories – Directly Chargeable Activities
Section 12.08: Accounting Categories – Time Identified Activities
Appendix I: Shared Support Matrix

Example

An affiliate requests assistance regarding Accounts Payable activities. The Internal Controller for the SCE Business Unit requested to perform the work completes the following steps:

- Check the first and second columns of the Shared Support Matrix in **Appendix I** to determine if the activity is permissible. If it is not, then stop, the activity may not be performed as Corporate Support (although it *may* qualify as a Directly Requested service under Rule V.G.2.e). If the activity appears in Columns 1 and 2, complete a CSA form.

Procedure

If a CSA Form is required, the Internal Controller of the business unit providing service must do the following, before the requested work begins:

- Complete all of Sections I and II of the form (see Appendix I).
- Forward the form to Affiliate Compliance Office for review and processing. A copy will be returned to the Business Organization Internal Controller.
- Maintain copies of completed forms for at least three years.
- Complete a new CSA Form each calendar year, for each employee that will perform that activity.

The CSA Form is located in Appendix I.

A monthly "exception" will be prepared by Controllers (Accounting Systems). This report will show charges for Corporate Support by non-Core AORs. Each exception will then be individually reviewed for accuracy and compliance with the Affiliate Rules. There should be a Corporate Support Authorization Form for labor charges that appear on this exception report.

History

This procedure became effective October 1, 1999.

Section 12.05 Directly Requested Services

Principle

Separation

Rule

Affiliate Rule V.G.2.e
A utility shall not make temporary or intermittent assignments or rotations to its energy marketing affiliates. Utility employees not involved in marketing may be used on a temporary basis (less than 30% of an employee's chargeable time in any calendar year) by affiliates not engaged in energy marketing only if:

V.G.2.e.i. All such use is documented, priced and reported in accordance with these Rules and existing Commission reporting requirements, except that when the affiliate obtains the services of a non-executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 10% of direct labor cost, or fair market value. When the affiliate obtains the services of an executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 15% of direct labor cost, or fair market value.

V.G.2.e.ii. Utility needs for utility employees always take priority over any affiliate requests;

V.G.2.e.iii. No more than 5% of full time equivalent utility employees may be on loan at a given time;

V.G.2.e.iv. Utility employees agree, in writing, that they will abide by these Affiliate Transaction Rules; and

V.G.2.e.v. Affiliate use of utility employees must be conducted pursuant to a written agreement approved by appropriate utility and affiliate officers.

Source: D.98-08-035, Rule V.G.2.e. For Class B affiliates, in support of D.88-01-063, Condition 2 (provisions regarding marketing employees and compensation formulas will not be applied to Class B affiliates)

Applicable to Class A and Class B Affiliates

Discussion

Affiliates may, from time to time, request that SCE employees perform projects that directly benefit or pertain to the business interests of that affiliate. These projects are of limited duration or scope and may be performed by utility personnel only on an as-available basis, with prior approval from SCE's Affiliates Officer, and in compliance with all provisions of

Affiliate Rule V.G.2.e. Procedures for obtaining approval for Directly Requested Services appear later in this manual.

SCE employees are hired to perform defined functions for the utility. Occasionally, there are temporary periods when a portion of a utility employee's time may be available to perform similar work to support the operation of certain affiliates – work that is solely to the benefit of such affiliates. D.98-08-035 allows directly requested services to be performed for Class A affiliates only under limited circumstances. Rule V.G.2.e applies only to Class A affiliates. Class B affiliates, however, have also been subject to the 30% limitation, and the requirement that utility needs always take priority. In order to establish a consistent procedure for processing requests for SCE employees' services, SCE will voluntarily apply to Class B affiliates the procedure established for approving such requests by Class A affiliates. (See **Section 9.17** for this procedure.) The restriction on the use of employees involved in marketing, however, does not apply to assignments to Class B affiliates, nor do the pricing requirements of Rule V.G.2.e.i.

To the extent required under applicable Rules, SCE permitted no new temporary assignments of utility employees to Class A affiliates between January 1, 1998 and adoption of D.98-08-035 on August 6, 1998, except as allowed for services permitted pursuant to Rule V.E.

To ensure compliance with the provisions of Rule V.G.2.e., SCE requires completion of an Intercompany Service Request form prior to the beginning of an assignment permitted by this Rule. This form requires, among other things, the approval of SCE's Affiliates Officer and an acknowledgment by the utility employee of the Rules relating to the performance of the subject task, include the Rules relating to disclosure of customer and non-public information. The employee will receive a copy of this signed acknowledgment.

As defined in Chapter 2, an "Energy Marketing Affiliate" refers to those affiliates that actively broker commodity electricity on a competitive basis. Specifically, an affiliate that buys and sells commodity electricity on the open market is actively "brokering" electricity. Energy Marketing Affiliates include, but are not limited to, Energy Service Providers. In compliance with Rule V.G.2.e, temporary, intermittent, or rotational assignments will not be made to Energy Marketing Affiliates. SCE, as of January 1, 2015, does not have any Energy Marketing Affiliates.

For the purposes of Rule V.G.2.e, SCE defines employees "involved in marketing" as follows:

> *An employee who engages in marketing will be active in any or all of the following activities:*

- selling (approaching, presenting, answering questions, closing sales)
- market research and intelligence
- consultative services regarding utility products and services
- *prospecting (finding and* cultivating new customers)

For the purposes of Rule V.G.2.e, SCE defines "executive" as follows:

> *"Executive" means any employee who has been designated as an "executive" of SCE by the Executive Compensation and Personnel Committees of the SCE Board of Directors.*

SCE does not consider the following to be employees "involved in marketing" as contemplated by this Rule:

- Employees of SCE's Power Production Department prior to January 1, 2001, whose work relates or related to operation and maintenance services performed by SCE;
- Employees engaged in the design and media placement of advertising materials, who do not contact customers or consummate sales.

See also:

Section 9.17: Temporary Use – Directly Requested Services
Section 9.19: Temporary Use – Inter-Company Service Request Form
Section 12.07: Accounting Categories – Directly Chargeable Activities
Section 12.15: Accounting Procedures – Recording Hours Worked for Affiliates

History

Prior to December 1997, any affiliate could request the use of the temporarily available skills and time of SCE employees. With the adoption of D.97-12-088, such work was prohibited for all Class A affiliates until the Commission modified Rule V.G.2.e through D.98-08-035. Even during that period, however, SCE employees were still able to perform for Class A affiliates the support services listed in this manual under **Section 12.01**. With the adoption of D.98-08-035, Class A affiliates were once again permitted to request the work of SCE employees in limited instances. During the period from January 1, 1998 to August 6, 1998, Directly Requested Services continued to be permissible for Class B affiliates.

As of January 1, 1998, some SCE employees were performing limited-duration temporary assignments for affiliates, as permitted by previous affiliate transaction rules. In order to disengage these employees in a reasonable fashion, a limited amount of such work continued in January 1998, as employees wrapped up or otherwise transferred assignments. All such work was charged to affiliates as previously authorized. SCE terminated all existing arrangements as of January 30, 1998.

Edison O&M Services
Ordering Paragraph 10 of D.00-07-047, effective July 20, 2000, authorized the following limited exemption from Rule V.G.2.e:

> *The 30% limitation on utility employee time spent performing work for an affiliate shall be waived, during the transition period ending six months after the issuance of a decision in this proceeding, for those [SCE] employees whose activities are directly related to the movement of employees to Edison O&M [Services].*

This exemption expired on January 20, 2001.

Section 12.06 Accounting - General

Principle

Separation

Policy

Costs for shared support performed by the utility may be assigned to affiliates in one of three ways. Shared services costs may be;

- Directly Charged;
- Time-Identified; or
- Automatically Allocated.

For certain shared support, costs directly attributable to—or benefits derived by—a particular affiliate can be readily identified. These costs are known as *Directly Chargeable*.

For other shared support, the actual costs attributable to, or benefits derived by, a particular affiliate cannot be readily identified, but it is known that the time spent by SCE employees in performing this work accrues to the benefit of other EIX companies. This work is called *Time-Identified.*

For a third group of shared support, *Automatically Allocated*, time spent in support of a particular affiliate is not separately identifiable, but costs overall for that activity are allocated to the various EIX companies on the basis of pre-determined allocation formulas.

Whether a shared service is Directly Chargeable, Time-Identified, or Automatically Allocated depends on the extent to which SCE can readily identify: (1) the amount of time spent on the activity; and (2) the company/companies benefiting from that activity.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule V.E

Applicable to Class A and Class B Affiliates

Procedure

The matrix in this manual, located under Appendix I, notes those shared support services that are Automatically Allocated. Note that individual functions may be charged in more than one way (i.e., Directly Chargeable, Time Identified, or Automatically Allocated). All Directly Requested Services provided to Class B affiliates, however, are Directly Chargeable. If you have questions about the proper charging for a particular function, please contact Controllers.

Comment: Any permissible shared support activity can be Directly Chargeable or Time Identified. But it must be specially set up in the accounting system (SAP) to be Automatically Allocated.

History

The terms Directly Chargeable, Time-Identified, and Automatically Allocated were described differently in previous Affiliate Transaction Manuals:

- Time-Identified services were previously called "Identifiable Corporate Support" and "Separately Identifiable Corporate Support."

- Automatically Allocated services were previously called "Not Separately Identifiable Corporate Support."

- Directly Chargeable services were previously referred to as "Directly Requested Services." In the current manual, the term "Directly Requested Services" has a more narrow definition (see **Section 2.01**), and includes only those activities performed exclusively for the benefit of the requesting affiliate, pursuant to the provisions of Rule V.G.2.e and an Intercompany Service Request Form. At this time, all Directly Requested Services are Directly Chargeable. But not all Directly Chargeable services are Directly Requested Services. Some permissible shared support services performed for Class A Affiliates may also be Directly Chargeable.

Section 12.07 Accounting Categories – Directly Chargeable Activities

Principle

Separation

Policy

For certain shared support services, costs directly attributable to – or benefits derived by – a particular affiliate can be readily identified. These services are known as Directly Chargeable.
In Support of: D.88-01-063, Condition 2, D.98-08-035, Rule V.G.2.e.

Applicable to Class A and Class B Affiliates

Discussion

The costs for Directly Chargeable shared support services are assigned to affiliates on an hour-for-hour or time-and-materials basis.

All Directly Requested services are Directly Charged. However, certain shared support authorized by D.06-12-029, Rule V.E may also be Directly Charged.

See also:

Section 12.15: Accounting Procedures – Recording Hours Worked for Affiliates
Section 12.03: Permissible Corporate Support Services
Section 12.05: Directly Requested Services
Appendix I: Forms, Tables, Matrices

Procedure

Hours spent by an SCE employee on Directly Chargeable services are recorded on the employee's timesheet with the appropriate Expense Project Number for the affiliate receiving the benefit. These labor charges, as well as the appropriate labor loadings, are billed to the affiliate.

Example

Shared support activities that may be Directly Charged include:

- Audits (usually Directly Charged)
- Financial Analysis (Can be Directly Charged or Time Identified)
- Financial Planning (Can be Directly Charged or Time Identified)

- Legal (Can be Directly Charged or Time Identified)
- Tax (usually Directly Charged)

Section 12.08 Accounting Categories – Time-Identified Activities

Principle

Separation

Policy

Certain activities benefit SCE and all of its affiliates, but it is not possible to identify specifically how much time is spent for the benefit of *each* affiliate. Such work is recorded by a single Expense Project Number. The total charges to that Expense Project Number are later allocated by Controllers through the Multi-Factor Allocation Method discussed later in this manual. This formula reflects the historic and expected distribution to each affiliate of its share of the total costs for such services.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rules V.E, V.H

Applicable to Class A and Class B Affiliates

Discussion

An employee performing Time-Identified shared support is aware that he or she is spending time on an activity that benefits all other EIX companies, as well as Southern California Edison. This time is charged to a single Expense Project Number for Shared Support (098.902) along with the SCE department function, and then is allocated by the Multi-Factor Allocation Method to SCE and all of its Affiliates.

Examples of Time-Identified services include:

- Cash Management
- Corporate Accounting
- Financial Analysis (Can be Time identified or Directly Charged)
- Financial Planning (Can be Time Identified or Directly Charged)
- Legal (Can be Time Identified or Directly Charged)
- Property Accounting

The cost for Time-Identified shared support services are charged to all EIX companies using the Multi-Factor formula. Under this formula, each EIX company is charged a portion of the costs for these services based on its proportionate share of operating revenues, operating expenses (excluding income taxes and cost of sales), total assets, and number of employees.

See also:

Section 12.15: Accounting Procedures – Recording Hours Worked for Affiliates

Procedure

Each month, Corporate Accounting accumulates all charges for time and expenditures incurred for Time-Identified shared support and allocates the cost of these services to the appropriate EIX companies.

If you have questions or need guidance on whether you are providing a Time-Identified shared service, please contact Internal Controls & Financial Compliance.

Expenses related to Time-Identified shared support services are to be coded in the Automated Timekeeping System (ATS) each pay period by entering Expense Project Number 098.902 in the prime and sub area, with the existing SCE departmental function. **Expense Project Number 098.902 should never be used without the appropriate function.** Labor hours for SCE-only activities are charged to existing departmental functions without the Expense Project Number.

Procedures for recording salaries and expenses relating to officers serving both SCE and EIX are described separately in this manual under Section **9.02 – Separation of Employees – Shared Officers**.

Example

An example of a Time-Identified corporate support activity is the compiling of information from all EIX companies to create EIX's consolidated financial statement. This activity is performed by Southern California Edison employees, and mutually benefits all EIX companies. Employees working on the consolidated financial statement are aware of the number of hours they spend on that activity, but cannot accurately identify minutes or hours spent related to any *particular* affiliate.

History

PGACT V1S2

Section 12.09 Accounting Categories - Automatically Allocated Activities

Principle

Separation

Policy

Certain SCE departments and divisions provide services that benefit SCE and all of its affiliates where it is impractical or unreliable to identify the actual time spent for each affiliate. All hours and costs spent performing these services, including hours spent performing the services for SCE, are aggregated and are then allocated to SCE and its affiliates through one of three allocation formulas. This allocation is done on a regular basis in order for these costs to be captured. The Automated Timekeeping System (ATS) is not coded in any special way.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rules V.E, V.H

Applicable to Class A and Class B Affiliates

Discussion

Certain SCE departments/divisions provide shared support services that mutually benefit SCE, EIX and other SCE Affiliates, but the exact time or percentage that accrues to the benefit of a particular affiliate cannot be readily identified and may vary widely for individual employees performing that function. Examples include:

- Corporate Governance
- Corporate Security
- Equal Opportunity
- Shareholder Services
- Mail Services (Business Resources)
- Corporate Communications (only certain activities, not all functions)

Procedure

The costs of these services are accumulated into a common cost pool and allocated on the basis of a "beneficiary relationship." This relationship is updated regularly. No special coding or other action is required in ATS or other payment and disbursement documents by employees in these organizations. The methods used to allocate the costs of these services include:

Multi-Factor Allocation Method: This formula, which is the most frequently-used, is based on each Affiliate's proportionate share of operating revenues, operating expenses (excluding income taxes and cost of sales – fuel, purchased power, and provision for adjustment clauses), number of employees, and total assets. The costs of the following services, among

others, are allocated using this formula: Corporate Communications, Corporate Security, and Mailing Operations (Business Resources).
Note: This formula is also used to allocate Time-Identified services.

Equity Investment and Advances Allocation Method: This formula is based on each Affiliate's share of equity as calculated for EIX Consolidated Financial Statements. The costs of the following services are allocated using this formula: Corporate Governance and Shareholder Services.

Number of Employees Allocation Method: This formula is based on each individual EIX company's number of employees (including equivalent employees of SCE providing Directly Chargeable Services). The costs of the following services are allocated using this formula: Edison Operators and Equal Opportunity.
Note: Payroll currently determines the number of employees of each affiliate, multiplies that number by the IMM (Internal Market Mechanism) amount for check processing, and charges each individual affiliate for their share. So, although they use the number of employees to allocate the costs, it is not done "automatically."

Each month, Corporate Accounting accumulates all charges and expenditures incurred for Automatically Allocated services and allocates the cost of these services to the appropriate EIX companies.

See also:

Section 12.11: Accounting Procedures – Multi-Factor Allocation Formula
Section 12.12: Accounting Procedures – Allocation by Equity Investment and Advances
Section 12.13: Accounting Procedures – Allocation by Number of Employees

History

PGACT V1S2

Section 12.10 Accounting Procedures - Labor Loading

Principle

Separation

Policy

Appropriate calculation of transfer pricing and allocation of costs for shared support requires consistent calculation of fully loaded costs.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rules V.E, V.H

Applicable to Class A and Class B Affiliates

Discussion

See also:

Section 14.04: Transfer of Goods and Services – Pricing

Procedure

Corporate & Regulatory Accounting prepares and updates, as necessary, labor loading calculation procedures. Copies of the most current procedures are available from Corporate & Regulatory Accounting and are kept on file.

History

PGACT V1S5, V2SA, V2SB, V2SC

Section 12.11 Accounting Procedures – Multi-Factor Allocation

Principle

Separation

Policy

The Multi-Factor Allocation Formula takes several variables into consideration in order to allocate costs among EIX companies.

In Support of: D.88-01-063, Condition 2; 06-12-029, Rules V.E, V.H

Applicable to Class A and Class B Affiliates

Discussion

The Multi-Factor Allocation Formula—the most widely used allocation formula at SCE—takes several variables into consideration in order to allocate costs among EIX companies. It is used to allocate the costs of all Time-Identified shared support and many Automatically Allocated Shared Support functions.

The multi-factor allocation method is used to allocate the cost of certain shared support services provided by SCE personnel. It is based on a formula using each EIX company's proportionate share of the following factors:

- Operating Revenues
- Operating Expenses excluding income taxes and cost of sales. Note: Southern California Edison's cost of sales includes fuel, purchased power, and the provision for regulatory adjustment clauses.
- Total Assets
- Number of Employees, including equivalent employees

The formula is a composite based on the *equal weighting* of *each factor*.

See also:

Section 12.08: Accounting Categories – Time-Identified Activities
Section 12.09: Accounting Categories – Automatically Allocated Activities

Procedure

Financial Accounting prepares and updates, as necessary, procedures for calculating the multi-factor allocation rate. Copies of the most current procedures are available from Corporate Accounting and are kept on file with the Affiliate Compliance Office in Regulatory Policy and Affairs.

History

PGACT V1S5, V2SA, V2SB, V2SC

OTHER ALLOCATION METHODS
The PAX Telephone Allocation method was utilized from July 1988 through April 1989. It was discontinued because the PAX telephone service was no longer provided to the Affiliates.

Section 12.12 Accounting Procedures – Allocation by Equity Investment and Advances

Principle

Separation

Policy

Costs for several Automatically Allocated shared support services are distributed among SCE and its affiliates by the *Equity Investment and Advances Allocation Method*.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule V.E

Applicable to Class A and Class B Affiliates

Discussion

The Equity Investment and Advances Allocation Method is based on the equity of each EIX company. This method is used to allocate costs for SCE employees in the following divisions/departments:

- Shareholder Services
- Corporate Governance

The rates are the ratios between the equity of each EIX company and the total equity of all EIX companies. The amounts include the total equity recorded on each EIX company's balance sheet, excluding any amount recorded as advances and investment in subsidiaries, for EIX and EMG.

See also:

Section 12.09: Accounting Categories – Automatically Allocated Activities

Procedure

Corporate & Regulatory Accounting prepares and updates, as necessary, procedures for calculating the Equity Investment and Advances allocation rate. Copies of the most current procedures are available from Corporate & Regulatory Accounting and are kept on file.

History

PGACT V1S5, V2SA, V2SB, V2SC

Section 12.13 Accounting Procedures – Allocation by Number of Employees

Principle

Separation

Policy

Certain Automatically Allocated shared support services are most equitably distributed among SCE and its Affiliates according to a formula based on each EIX company's number of employees.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule V.E

Applicable to Class A and Class B Affiliates

Discussion

The Number of Employees allocation rates are based on the total regular or equivalent number of regular employees working for each EIX company and are the same rates used in calculating the Multi-Factor allocation rates (See Section **12.11: Separation - Shared Support- Accounting Procedures - Multi-Factor Allocation Method**).

The Number of Employees Allocation method is used to allocate costs incurred by SCE employees.

See also:

Section 12.09: Accounting Categories – Automatically Allocated Activities

Procedure

Corporate & Regulatory Accounting prepares and updates, as necessary, procedures for calculating the Equity Investment and Advances allocation rate. Copies of the most current procedures are available from Corporate & Regulatory Accounting and are kept on file.

History

PGACT V1S5, V2SA, V2SB, V2SC, V2SD

Section 12.14 Accounting Procedures - Budgeting

Principle

Separation

Policy

SCE is not responsible for preparing budgets for other EIX companies. Permissible shared support functions must be included in SCE budgeting.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rules V.A, V.B

Applicable to Class A and Class B Affiliates

Procedure

BUDGETING RESPONSIBILITIES

- ***Edison International:*** Corporate Planning and Budgeting (Budgets) consolidates the budgets the all EIX projects together with the budgets of all other non-utility affiliates.
- ***Southern California Edison:*** Departments shall budget through existing functions for permissible shared support provided to EIX and other Affiliates. Department credit billing functions have been established for the costs billed to EIX and other Affiliates.
- ***Affiliates:*** Each Affiliate shall be responsible for preparing its own budgets for capital and operating expenditures, and personnel staffing.

BUDGETING REQUIREMENTS

- ***Departmental and General Functions:*** All shared support provided to EIX and other Affiliates and services directly requested by EIX and other Class B Affiliates must be budgeted as part of your existing function budget item.
- ***Departmental Credit Functions:*** In most cases, a location number has been added to existing departmental functions, thus creating a new budget item. Amounts budgeted for these function budget items will be less than a 100% credit offset to your allocated budget item charges and will be a 100% credit offset to your directly charged budget item charges. Only EIX and Affiliate portions will be credited through your credit functions.

History

PGACT V1S5, V2SA, V2SB, V2SC, V2SE

Section 12.15 Accounting Procedures - Recording Hours Worked for Affiliates

Principle

Separation

Policy

Exempt employees: Hours spent by an exempt utility employee in performing directly chargeable services on behalf of an affiliate are to be recorded on an hour-for-hour basis on that employee's bi-weekly timesheet, up to the number of total hours charged by the exempt employee in the pay period. Hours worked on behalf of affiliates are charged first, prior to the charging of hours spent on utility responsibilities. Exempt employees must track any hours above 80 worked on behalf of an affiliate in any single pay period and report those hours to SCE's Controllers Department, which will make a manual adjustment to charge the affiliate the same fully-loaded imputed hourly rate applied to the first 80 hours.

Non-exempt employees: Hours spent by a non-exempt utility employee in performing directly chargeable services on behalf of an affiliate are to be recorded on an hour-for-hour basis on that employee's bi-weekly timesheet. All affiliate-related and utility-related hours must be recorded. Hours should be charged for utility related work first because an employee's responsibilities to the utility take priority over affiliate-related work. As such, overtime, if any, is charged to the organization responsible for requiring the employee to work those additional hours.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rules V.E, V.G.1, V.G.2.e, V.H

Applicable to Class A and Class B Affiliates

Discussion

All hours spent by exempt utility employees working on behalf of an affiliate (for example, under an approved Inter-Company Service Request Form) are to be recorded against the employee's 80-hour maximum limit *prior to* the recording of hours spent by that employee on utility business. The purpose of this policy is to ensure that all hours worked on behalf of affiliates are identified and appropriately compensated. This policy also ensures appropriate tracking of hours worked for Directly Requested Services subject to the 30% annual limitation, where applicable.

From time to time, exempt utility employees may work more than 80 hours in one bi-weekly timekeeping period. Under SCE's policy and applicable labor laws, exempt employees do not get paid for work in excess of 80 hours during the pay period. As a result, SCE's timekeeping system permits no more than 80 hours to be recorded on an exempt employee's timesheet for a single period, simply because exempt employees do not receive any additional compensation (and ratepayers do not incur any additional costs) for hours worked above this level. Exempt employees are paid on a salaried (rather than hourly) basis. The possibility of overtime hours is already taken into consideration in the salary rate of the exempt employee.

The imputed hourly rate calculated by SCE for the purpose of charging affiliates for use of utility employees for permissible temporary work therefore includes compensation for hours above 80 which may be occasionally required in the normal course of professional employment. Hence, ratepayers are already receiving full compensation for all costs (including loadings and contingency factor) when the utility bills an affiliate for 80 hours worked on behalf of that affiliate in a pay period, regardless of the number of hours actually worked. In that sense, SCE's practice complies fully with the charging requirements of Rule V.G.2.e.i, which is based on "fully loaded costs" plus the appropriate adders.

Notwithstanding the foregoing, when an SCE exempt employee receives mandatory Affiliate Officer authorization to perform Directly Requested Services for a Class A affiliate, that employee will be instructed to track any hours above 80 worked on behalf of the affiliate in any single pay period. Such hours will then be reported to SCE's Controllers Department, where a manual adjustment will be made to charge the affiliate at the same fully-loaded imputed hourly rate applied to the first 80 hours. Instructions for this procedure have been incorporated into the materials that an employee received upon approval of an Intercompany Service Request Form. In the event that this situation ever actually occurs, this process will result in SCE effectively *overcharging* its affiliates for the provision of permissible services.

SCE's non-exempt employees are paid for overtime hours worked. They record the total number of hours worked for an affiliate, including any applicable overtime, on their biweekly timesheets. The fully loaded cost (Plus Commission-mandated contingency factor) of these hours is then billed to the affiliate at the appropriate pay rate.

See also:

Section 9.17: Temporary Use – Directly Requested Services
Section 12.05: Directly Requested Services
Section 12.07: Accounting Categories – Directly Chargeable Activities

Example

Q: A project manager in SCE's Transmission and Distribution Business Unit is performing work on a temporary basis, under an approved Intercompany Service Request, for EMG. In one two-week timekeeping period, the employee performs 60 hours of work on her assignment for EMG and 40 hours of work on her utility responsibilities. How would this exempt employee record her hours?

A: On her bi-weekly timesheet, this employee would record 60 hours charged to EMG and 20 hours charged to her utility functions.

Q: In the next timekeeping period, this same employee spends 100 hours on the affiliate-related project (this might occur, for example if the employee's assignment takes her abroad). How would the employee's hours be recorded for this period?

A: The employee would record 80 hours (the limit of the timekeeping system for an exempt employee) on her timesheet as being worked for the affiliate. The additional 20 hours should be reported to Controllers (via the Affiliate Controllers office), which will charge the affiliate for that time.

Q: An employee puts in full days at his or her utility job, and performs work in support of an affiliate in the evening and on weekends. Must the employee record the work for the affiliate on his or her utility timesheet?

A: Yes. All time that a utility employee spends supporting an affiliate's business must be charged to the affiliate, regardless of the total hours in the pay period spent on utility responsibilities and regardless of the time or location at which such work was performed. This recording ensures proper adherence to Affiliate Rule V.G.1 (on joint employment), V.G.2.e (regarding temporary assignments), and Rule V.H (on charging affiliates for services received). All work for an affiliate must be authorized in accordance with the prevailing affiliate transaction rule governing that particular activity.

Q: I am a non-exempt employee. How should my hours be charged?

A: All hours spent working on behalf of an affiliate and all hours spent working on behalf of the utility must be appropriately identified, recorded, and charged in accordance with prevailing timekeeping policies and procedures for non-exempt employees. As such, on a day when a non-exempt employee records both utility-related and affiliate-related hours, all hours worked for the utility should be recorded prior to hours worked on behalf of the affiliate. This is done because: (1) a utility employee's responsibilities to the utility always take priority over affiliate-related assignments (see Rule V.G.2.e.ii.); and (2) recording utility-related hours first means that costs for premium time (e.g., overtime) that occur as a result of an utility employee having an affiliate-related assignment are not borne by utility ratepayers.

Example

The procedure for recording and reporting hours worked for affiliates by exempt employees in excess of 80 was effective as of June 15, 1999.

Section 12.16 Internal Orders and Distributed Cost Centers

Principle

Separation

Policy

Directly Chargeable Shared Support and Directly Requested Services must be charged to the correct Internal Order (IO) number or Distributed Cost Center (DCC) number. IOs are used when the support being provided benefits one affiliate only, whereas a DCC is used when the support being provided supports two or more affiliates.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule V.E

Applicable to Class A and Class B Affiliates

Discussion

IOs and DCCs record both labor and non-labor expenses for shared support and directly requested services to an affiliate. Whether the service being provided to an SCE affilaite is shared support or a directly requested service, all labor and non-labor expenses that are directly contributable to such affiliate work is recorded on the SCE employee's timesheet and expense report with the appropiate IO or DCC. The SCE employee's timesheet records the labor related time spent on affiliate work, while the SCE employee's expense report records all non-labor expenses incurred.

Procedure

Corporate Accounting maintains the current list of IOs and DCCs to be used when directly requested services or directly charged shared support services are performed for SCE's affiliates. To ensure that IOs and DCCs are not used without proper authorization, all directly requested services must be approved by SCE's Affiliates Officer prior to the SCE employee beginning an affiliate related activity. Contact Corporate Finance with questions regarding the appropriate IO or DCC number for a particular affiliate activity.

History

PGACT V1S10

Section 12.17 Insurance Premium Allocation

Principle

Separation

Policy

Premiums for insurance policies shall be allocated to EIX, SCE, and SCE's Affiliates using several allocation methods.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule V.E

Applicable to Class A and Class B Affiliates

Discussion

Edison International's Risk Management Department coordinates the purchase for EIX of "Global" liability, property and other insurance policies covering EIX and its subsidiaries, including SCE. The Risk Management Department also coordinates the purchase by SCE and SCE's Affiliates of separate insurance policies in certain areas.

Procedure

EIX's Risk Management Department coordinates the purchase of liability, property and other insurance policies covering EIX and its subsidiaries, including SCE. EIX's Risk Management Department also coordinates the purchase of subsidiary-specific insurance policies.

Premiums for EIX Directors and Officers Liability Insurance: Premiums for liability coverages are charged to EIX and EIX's subsidiaries under the Multi-Factor Allocation Formula. Under that formula, each company is charged for a portion of premiums based on its proportionate share of operating revenues, operating expenses (excluding income taxes and cost of sales), total assets and number of employees (including equivalent employees of other affiliates providing directly requested services).

Premiums for EIX General Liability Insurance: Premiums for liability insurance are charged to EIX and EIX's subsidiaries under the multi-factor allocation formula. Under the formula, each company is charged for a portion of premiums based on its proportionate share of operating revenues, operating expenses (excluding income taxes and costs of sales), total assets and number of employees (including equivalent employees of other affiliates providing directly requested services). However, when specific risks have been predominately identified with a specific company (EIX or one of its subsidiaries), the premium allocation for that risk will be determined by the insurance broker in consultation with the insurers.

Premiums for EIX Property Insurance: Premiums for property coverages are charged to EIX and EIX's subsidiaries based on an allocation of cost made by the insurance broker in consultation with one of EIX's primary insurers based on the applicable risks.

Premiums for Crime and Fiduciary Insurance: Premiums for crime and fiduciary coverages are charged to EIX and EIX's subsidiaries under the Number of Employees Allocation Formula. Under that formula, each company is charged for a portion of premiums based on its proportionate share of employees.

Premiums for Workers Compensation Insurance: Premiums for workers compensation insurance are charged to EIX and EIX's subsidiaries based on payroll and loss history of each subsidiary.

History

PGACT V1S2

See also

Section 12.11: Accounting Procedures – Multi-Function Allocation

Section 12.18 Payroll Services

Principle

Separation

Policy

Southern California Edison's payroll system records and distributes the payroll for participating EIX companies.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule V.E

Applicable to Class A and Class B Affiliates

Procedure

The cost of the Corporate Payroll Division and other payroll operational services are allocated to Southern California Edison and other EIX companies under a unit-cost approach, charging each company based on usage volumes. In addition, special request services are directly charged. Affiliates are each charged the actual cost for their employees' payroll.

SCE's Payroll Division notifies affiliates of the amount of the total payroll for their respective employees at least two days before each payday. SCE's Affiliates forward the funds to SCE prior to each payday to cover the payroll expenses for their employees.

The accounting to record the affiliates' payroll amounts are on journal entry 0240 for regular bi-weekly payroll, and journal entry 0302 for supplemental (off-cycle) payments.

History

PGACT V1S2

Section 12.19 Joint Purchases

Principle

Separation

Rule

Affiliate Transaction Rule V.D
To the extent not precluded by any other ATR, the utilities and their affiliates may make joint purchases of goods and services, but not those associated with the traditional utility merchant function. For purpose of these ATRs, to the extent that a utility is engaged in the marketing of the commodity of electricity or natural gas to customers, as opposed to the marketing of transmission and distribution services, it is engaging in merchant functions. Examples of permissible joint purchases include joint purchases of office supplies and telephone services. Examples of joint purchases not permitted include gas and electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, systems operations, and marketing. The utility must insure that all joint purchases are priced, reported, and conducted in a manner that permits clear identification of the utility and affiliate portions of such purchases, and in accordance with applicable Commission allocation and reporting rules.

Applicable to Class A Affiliates

Discussion

SCE and its affiliates will not jointly procure goods or services associated with the utility merchant function. Pricing, reporting and allocation procedures for permissible joint procurement reflect existing requirements and are already in place. CPUC Resolution E-3539 acknowledges this (slip op., p.26).

SCE interprets ATR V as permitting performance, on a compensated basis, of support functions related to purchasing, including vendor identification, bid process management, contract negotiation, and contract management. Resolution E-3539, Finding 73, agrees with this. Costs for such procurement support will be allocated to SCE and its affiliates according to formulas previously identified to the CPUC in SCE's annual reports of affiliate transactions.

See also:

Section 5.05: Nondiscrimination - Purchasing
Section 4.04: Non-Customer Specific, Non-Public Information
Section 3.03: Affiliates Officer
Section 12.01: Shared Support – General

Procedure

The regulatory steps associated with the Joint Procurement Process are as follows:

1. SCM completes the Joint Procurement Notification and Approval Form (JPNA Form) and sends it to RP&A's Affiliate Compliance Office (ACO) for preliminary approval. The JPNA Form requires basic information about the proposed joint procurement. This allows the ACO to provide immediate feedback and determine whether the transaction would be allowable under the Affiliate Rules. A copy of the JPNA Form is provided below.
2. Send the Rule IV.D (Supplier Information) letter or include the appropriate language in the "request for proposal" to all potential suppliers. SCE must receive prior, written authorization to share non-public supplier information with the Affiliates.
3. Obtain SCE's Affiliates Officer approval by sending the contract package to RP&A's ACO for review. *All contracts with affiliates, including all forms of joint procurements, must be approved by an SCE's Affiliates Officer.*
    a. Approvals for new joint procurement arrangements will be consummated by an SCE's Affiliates Officer's (or his designee's) signature on the JPNA Form.
    b. Approvals for Amendments or Change Orders to existing joint procurement arrangements will be consummated by an SCE's Affiliates Officer's (or his designee's) signature on the PD-115 form.

SCE's Affiliates Officer review and approval is for the limited purpose of ensuring that the arrangement complies with SCE's policies and applicable ATRs.

SCM Contracts Group will record SCE PO Number and all Affiliate Contract Numbers to facilitate tracking and audit requests. SCM Contracts Group will send the numbers to Regulatory Compliance bi-annually for validation with ACO's tracking process**.**

Examples

To the extent possible, the preferred method for structuring a joint purchase is to have each of the Edison International companies execute its own purchase order with the vendor. This method allows for complete separation of cost between SCE and the affiliates.

There are several purchasing arrangements under which SCE and its Class A affiliates can purchase goods and services from third party suppliers. Several of these arrangements, discussed below, may be considered joint purchasing arrangements for the purposes of Rule V.D.

Types of Arrangements Considered Joint Purchases (Pursuant to Rule V.D)

Joint Negotiations Resulting in Separate Contracts (Preferred Method): Under this type of arrangement, SCE and one or more of its affiliates jointly negotiate with a third-party supplier for the provision of goods or services. After jointly negotiating, each company enters into a separate contract with the supplier.

Joint Contracts: Under this type of arrangement, SCE and one or more of its affiliates jointly negotiate and enter into a single contract or purchasing arrangement with a third-party supplier to provide goods or services to each company.

Single-Party Contracts, Joint Use: Under this arrangement, one Edison International entity (SCE, an affiliate, or the holding company) negotiates and executes a contract or purchasing arrangement with a third-party supplier. Either as part of the negotiations or after the arrangement is executed, the supplier agrees to allow the contracting entity to use its arrangement for purchases for the Edison International companies. Each Edison International entity independently determines if it wants to purchase the goods or services under this arrangement. An example of this could be Edison International negotiating the license for a software package that is then used by SCE and Edison Mission Energy, with the appropriate cost allocations between the two.

Types of Arrangements Not Considered Joint Purchases (Pursuant to Rule V.D)

SCE does not consider the following to be "joint purchasing" arrangements. They are included here for clarity.

Joint Negotiations, Not Resulting in Affiliate Contracts: Under this category are contracts initially developed to become joint procurements, but are not actually executed as joint procurements. For example, SCE and the other EIX-affiliates jointly negotiate for the purchase of a specific piece of software. SCE signs an agreement with the software vendor, but no other EIX-affiliate does. The negotiation must be tracked for Rule IV.D purposes (see Procedure 3 above), but the final outcome is not considered a joint procurement unless and until an agreement is consummated by another EIX-affiliate.

Separate Contracts: Under this arrangement, two or more Edison International companies may separately and independently contact the same supplier and negotiate, execute, and administer separate contracts that may or may not include similar terms and conditions. These types of arrangements, which involve Edison International entities operating separately and independently, do not constitute joint purchases.

Purchases Related to Permissible Shared Support: In performing allowable shared support pursuant to Rule V.E, SCE may purchase goods or services that ultimately support the provision of a service to one or more affiliates. SCE provides shared support services to its affiliates and may do so by either using its own internal resources or by contracting with outside vendors for certain services. For example, Rule V.E expressly permits Compensation services to be performed from within the utility on behalf of both the utility and its affiliates. In the course of completing a compensation study for Edison Mission Energy, for example, SCE may elect to use its third-party compensation review consultant. Under this arrangement, the affiliate does not make the decision to purchase the third-party service, but instead requests SCE to perform the allowable shared support function. SCE independently determines how it wishes to perform that allowable shared support function. While the affiliate does not decide who to purchase the services from, costs for that service (in this hypothetical case, the compensation study) are allocated to the affiliate. SCE does not consider these arrangements to be "joint purchases." SCE may also enter into agreements under which the utility and its affiliates receive services related to

permissible corporate support functions, subject to appropriate charge-back requirements.

Reporting

Joint procurement information is necessary to respond to the CPUC-required annual report on subsidiary, affiliate and holding company transactions (R.92-08-008/D.93-02-019); as well as, annual affiliate transaction audit data requests. SCM is responsible for maintaining and providing such information to RP&A's ACO for such reporting purposes.

In accordance with accepted audit recommendations (Affiliate Transaction Audit 2003), SCM will maintain a "Joint Procurements Summary Log" to facilitate the reporting of joint purchasing information and compliance with Affiliate Transaction Rules, IV.F and IV.G. This "Log" will contain a field, which designates whether a contract is truly a joint procurement, or whether the contract was jointly negotiated, but never consummated as one of the aforementioned types of joint procurements. Contracts jointly negotiated, but never consummated, are not considered joint procurements (as described above). Such negotiations, however, must be tracked for Rule IV.D purposes.

History

Each EIX company is responsible for maintaining asset acquisition and disposition control within its own individual accounting system. Property Accounting has this responsibility for SCE. (PGACT V1S6).

JOINT PROCUREMENT NOTIFICATION AND APPROVAL FORM

A "joint procurement" is any agreement for the procurement of goods and/or services from a third party vendor that involves SCE and another Edison International company. Pursuant to SCE's Affiliate Compliance Manual (Formerly PROACT), SCE's Affiliates Officer must approve all such agreements prior to their execution. This Form must be completed for an agreement to receive consideration for such approval.

Questions regarding this Form should be directed to the Affiliate Compliance Office.
Responses 1-11 below to be completed by SCM. Remainder of Form to be completed by ACO.

1. ***Vendor Name*:**		**2.** ***Proposal #*:**	

3. SCM *Agent*: **4. *Internal Client*:**

5. *List the EIX Companies to be involved in the joint purchase*:

6. *Is the proposed joint purchase based upon an existing SCE contract*?

☐ **Yes** – Insert the date the vendor authorized SCE to share information with other EIX Companies:
☐ **No** – SCE will receive vendor authorization to share information with other EIX Companies via the RFI/RFP process, a vendor authorization letter, or the contract resides with another EIX Company. Insert the date the vendor authorized SCE to share information:

(Please provide proof of vendor authorization with the request for SCE's Affiliates Officer approval).

7. *Proposed Type of Joint Purchase Select One)*:

☐ Joint Negotiation -Separate Contracts ☐ Joint Contract -Joint Usage ☐ Single Party Contract -Joint Usage

8. *If the Contract is a Joint Usage contract, describe how the costs are to be allocated between the EIX Companies and who is responsible for the allocation*:

9. *Discuss any applicable charges to the EIX Companies for procurement, contract management, or other services*:

10. *Describe how the Utility is benefited by the proposed joint purchase*:

***11. Summarized Statement of Work*:**

Preliminary Review RP&A (ACO) Date SCE Affiliates Officer Approval Date

SCE Affiliates Officer review and approval is for the limited purpose of ensuring that the arrangement complies with SCE's policies as stated in the Affiliate Compliance Manual (ATR V.D).

Section 12.20 Research and Development

Principle

Separation

Rule

Affiliate Rule V.F.5
A utility shall not share or subsidize costs, fees, or payments with its affiliates associated with research and development activities or investment in advanced technology research.

Applicable to Class A Affiliates

Discussion

SCE will neither share nor subsidize costs, fees, payments or investments with affiliates for Research and Development (R&D) or advanced technology activities.

As permitted by the Technology Commercialization Incentive Procedure (TCIP) approved by the Commission, SCE had previously licensed to Edison Technology Solutions, a now-inactive Class A affiliate, the rights to use selected SCE-owned RD&D intellectual property in return for royalty payments prescribed by the Commission under the TCIP. (Resolution E-3484, issued March 18, 1997, adopted the TCIP mechanism jointly proposed by SCE and ORA. Under this mechanism, shareholders may invest in the commercialization of ratepayer-funded intellectual property, subject to a pre-established sharing mechanism. This commercialization may be carried out through affiliated and/or unaffiliated third parties.) Upon subsequent restructuring of its business model and goals, Edison Technology Solutions surrendered to SCE its license rights to such intellectual property.

Aside from any future discrete transactions which may occur under the TCIP and which are subject to extensive case-specific Commission requirements under Resolution E-3484, other transactions—if any—with Class A affiliates that involve R&D activities will be conducted in full accord with all relevant rules (including transfer pricing, posting, competitive bidding and provision of information), and will not involve sharing or subsidization of costs, fees, payments or investments. SCE's Affiliates Manager also has corporate responsibility for remaining utility R&D functions, and is charged with ensuring that this mandate is adhered to.

SCE did not interpret this Rule as prohibiting permissible corporate support, oversight and governance activities from being performed for Edison Technology Solutions, as these activities did not involve sharing or subsidization of R&D activities.

SCE acknowledges that Rule V.F.5 prohibits joint authorship of scientific or academic research articles by utility and affiliate employees, even where such publication is not used for the marketing of an affiliate's product or service. SCE has not identified any such articles currently in the review process, and no future joint articles will be permitted.

History

On February 1, 1998, Mr. Vikram S. Budhraja assumed responsibilities as President of Edison Technology Solutions, a covered affiliate of SCE that conducts non-utility research and development activities. Prior to that date, Mr. Budhraja served as a Senior Vice President of SCE and served as a member of the governing board of the Independent System Operator and Power Exchange (ISO/PX). With the delay in the opening of the Direct Access market, and because of the critical role of the ISO/PX board in ensuring that the March 31, 1998 opening date was achieved, Mr. Budhraja continued to fulfill ISO/PX responsibilities on behalf of SCE. With the successful opening of Direct Access, Mr. Budhraja tendered his resignation to the ISO and PX boards on April 13, 1998. In May 1998, these boards confirmed John Fielder, SCE's President, as SCE's representative. Mr. Budhraja no longer represents SCE in any capacity. Resolution E-3539 finds that this issue is moot.

Section 12.21 Tax Services

Principle

Separation

Policy

SCE's Tax Department is responsible for filing the consolidated federal and combined state income tax returns and making the quarterly estimated tax installments for EIX and Subsidiary Companies. The tax liability or tax benefit of each company is computed according to the tax sharing agreements between EIX, SCE and EMG, and between EMG and its first-tier subsidiaries.

In Support of: D.93-02-019, Rule II.G.5; D.06-12-029, Rule V.E

Applicable to Class A and Class B Affiliates

Procedure

The consolidated or combined income tax expense of EIX and Subsidiary Companies is allocated to each company using the "stand alone" method.

Estimated Tax Payments: SCE's Tax Department calculates the federal and state quarterly estimated income tax payments. At the time EIX makes a quarterly tax payment, the Tax Department calculates the tax benefits generated (overpayment) or tax expense incurred (liability) by each EIX company according to the tax sharing agreements. The Tax Department prepares an invoice or a check for each company with appropriate detail. Each company pays EIX or EIX receives payment accordingly, on the date EIX remits any installment payment to the appropriate taxing authority.

Estimated tax installments are paid by EIX to the appropriate federal and state taxing authorities on the fifteenth of April, June, September, and December. A final payment is due by March 15 of the following year.

Tax Return Payment/Overpayment: SCE's Tax Department reconciles the federal and state quarterly estimated tax installments to the final tax liabilities or overpayments resulting from the filing of consolidated and combined returns. The Tax Department allocates the final tax liabilities or overpayments by computing the separate tax liability or overpayment attributable to each company according to the tax sharing agreements. The Tax Department invoices each company, and each company pays any additional tax liability or receives payment for any overpayment based upon such reconciliation, within 90 days after the consolidated and/or combined returns are filed.

Monthly Income Tax Accrual: Each EIX company calculates its monthly income tax accrual, with the exception of SCE's subsidiaries' tax accruals, which are prepared by SCE's Tax Department. The Tax Department reviews the tax accruals made by other EIX

companies. The income tax effects of each company's revenues, deductions and tax credits are calculated on both current and deferred taxes.

Payroll Tax Accrual: SCE's Payroll Department accrues the employer's portion of the federal and state payroll taxes for each EIX company. Payroll taxes are paid by EIX in accordance with applicable tax laws. SCE's Corporate Accounting bills each company for its share of the employer's payroll taxes.

Property Tax Payments: Each EIX company is responsible for payment of its own property taxes and for filing its annual property statements.

History

D.84-05-036 (OII 24)

EIX Amended and Restated Agreement for the Allocation of Income Tax Liabilities and Benefits, 9/10/96

EMG Amended and Restated Tax Allocation Agreement, 9/10/96
- *Addendum A to EMG Amended and Restated Tax Allocation Agreement*, effective in 1998

PGACT 88, § IV; PGACT V1S8, V2SF

Chapter 13. Separation – SCE Subsidiaries

Section 13.01 Subsidiaries of SCE

Principle

Separation

Rule

Affiliate Rule I.A (partial): Regulated subsidiaries of a utility, defined as subsidiaries of a utility, the revenues and expenses of which are subject to regulation by the Commission and are included by the Commission in establishing rates for the utility, are not included within the definition of affiliate. However, these Rules apply to all interactions any regulated subsidiary has with other affiliated entities covered by these rules.

Affiliate Rule I.G.d: "Subsidiary" means any company 10% or more of the outstanding securities of which are directly or indirectly owned, controlled, or held with power to vote, by either a utility or a controlling corporation.

Affiliate Rule I.H: A regulated subsidiary is considered part of the utility, and therefore any transactions between a regulated subsidiary and an affiliated entity are considered the same as a transaction between the utility and an affiliated entity and must be reported accordingly.

Applicable to Class A and Class B Affiliates

Discussion

The following are regulated subsidiaries of SCE as defined by this rule and are therefore not affiliates:[3]

- Edison ESI (formerly Energy Services, Inc.)
- Edison Material Supply LLC
- Mono Power Company (inactive)
- SCE Capital Company (inactive)
- SCE Trust I
- SCE Trust II
- SCE Trust III
- Southern States Realty

[3] See Note 1 under "History."

Services performed for regulated subsidiaries of SCE and transfers of goods and services to such subsidiaries are not subject to many of the rules in this manual. Accounting and recording treatment for these transactions are described here.

Services Directly Requested by SCE Subsidiaries: Services directly requested by a Subsidiary are services provided by a SCE employee that are performed exclusively for the benefit of the requesting Subsidiary. These services differ from corporate support services that mutually benefit SCE, its affiliates (including EIX), and its Subsidiaries.

Labor and expenses are identified and charged through the existing departmental function with a special Expense Project number related to the subsidiary for which the work is performed.

Procedure

Shared Support Services Provided to Subsidiaries by SCE: Subsidiaries receive a portion of the cost for shared support services. The allocation for shared support services is performed regularly by Corporate Accounting and the cost is distributed to all Affiliates and Subsidiaries.

Real Properties employees who provide services to Southern Sates Realty will charge SCE staff labor and other related expenses to department functions translating to Account 146.150, Accounts Receivable from Associated Companies – Southern States Realty, without adding the expense project number. Real Properties services directly requested by other Subsidiaries or by Affiliates will require expense project coding with their functions.

Shop Services and Instrumentation Division (SSID) employees performing services directly requested by Edison ESI will use memo-location numbers with Account 146.130, Accounts Receivable From Associated Companies – ESI, and all expense work orders, respectively, to identify third-party projects. ESI staff labor will continue to charge memo-location numbers with Account 146.130. SSID services directly requested by other Subsidiaries or by Affiliates will require expense project coding with their function.

Property Sold from a Subsidiary to Southern California Edison: The sale of property includes tangible and intangible property used in a trade or business. It also includes long-term rights to use assets through lease or other arrangements in excess of one year. All property, including materials and supplies, sold to SCE must be transferred at book value and recorded as sold to SCE. If book value is zero, a monetary value (price) must be assigned.

Intercompany Billings and Payments: Financial Accounting and/or Plant Analysis will bill the Subsidiaries. As with the Affiliate billings, the Subsidiary billings will be due and payable thirty (30) days from the date of the invoice. Invoices not paid in full within thirty (30) days will accrue interest on the unpaid portion at the current three month prime commercial paper rate published in the Federal Reserve Statistical Release.

Example

Budgeting Requirements: Shared support and Directly Requested Services provided to Subsidiaries will be recorded in existing departmental or general functions (with the exception of ESI staff labor and third-party work performed by Power Supply). This means

that each department impacted will include these services in its existing function budget. These budgeted amounts will be partially or fully offset by credit functions during the billing process.

Budgeting Example

Gross Budget for Department Function	$1,000
Less: Edison International & Affiliate Credit Function	(400)
Less: Subsidiary Credit Function	**(100)**
Net Department Function Budget	$500

Note: Any assistance needed in budgeting the Subsidiary credit functions will be provided by Corporate Planning and Budgeting.

History

D.87-12-066 (SCE's 1988 General Rate Case Decision), at p. 104, cited several joint recommendations by SCE and the Commission's Public Staff Division (PSD). Recommendation 2 stated:

> *Utility-related subsidiaries should be treated, for ratemaking purposes, as utility departments and all transfers of utility assets to those subsidiaries should be at book value.*

Note 1
California Electric Power Company, an inactive SCE regulated subsidiary, was dissolved on November 6, 2003.

SCE Funding, LLC was dissolved in August 2008.

Conservation Financing Corporation and SCE UK Services LTD. were dissolved in 2009.

PGACT V1S11

Chapter 14. Separation - Transfers of Goods and Services

Section 14.01 Affiliates Officer Approval for Transfers of Goods and Services

Principle

Separation

Policy

The sale of property to an Affiliate requires the approval of SCE's Affiliates Officer.

In Support of: D.88-01-063, Condition 7; D.98-08-035, Rule V.H

Applicable to Class A and Class B Affiliates

Discussion

Prior to approving the sale of property to an Affiliate, SCE's Affiliates Officer must ensure that the affiliate has not been shown any preference over similarly-situated non-affiliated parties in accordance with Affiliate Transactions Rules III.A and III.B or Rule VII.

See also:

Section 3.03: Affiliates Officer
Section 14.04: Pricing Transfers of Goods and Services

Procedure

SCE's Controller's Department is responsible for ensuring that transfers are calculated and recorded appropriately. Where Controller's questions the amount charged for goods and services, it will immediately notify the Affiliate Compliance Office, the affected affiliate, and affected utility business units for review of the transaction. CPUC Resolution E-3539 (p. 38) describes this mechanism as reasonable. The following procedure is designed to ensure proper compliance and where required, notice to the CPUC:

- The affected utility Business Unit (BU) and affected Affiliate determine need or purpose for the transfer and develop a detailed description of property and accounting;
- BU contacts Controller's to determine a monetary value (See **Section 14.04: Separation – Pricing Transfer of Goods and Services**);
- BU contacts Affiliate Compliance Office (ACO) to obtain SCE's Affiliates Officer approval;
- If over $100K, ACO prepares notice to CPUC 30 days in advance as required by D.88-01-063, Condition 7;
- ACO notifies BU and Controller's when SCE's Affiliates Officer approval has been obtained;
- Property is transferred;

- Controller's records transaction and bills affiliate;
- BU maintains record of transaction for three years; and
- ACO maintains record of SCE's Affiliates Officer approval and required notice to CPUC for 3 years.

History

PGACT V1S6

Section 14.02 Billing Affiliates

Principle

Separation

Policy

Invoices are due and payable within thirty (30) days from the date of the invoice. Invoices not paid in full within thirty (30) days will accrue interest at the 90-day commercial paper rate on the unpaid portion at the current three-month prime commercial paper rate published in the Federal Reserve Statistical Release.

In Support of: D.88-01-063, Condition 7; D.93-02-019, Rule II.G.6; D.06-12-029, Rule V.H

Applicable to Class A and Class B Affiliates

Procedure

General: Financial Accounting will bill Affiliates for the following: shared support services, Directly Requested Services, sale of property (tangible and intangible), sale of materials and supplies, and other reimbursable expenses, including applicable loadings.

Billings: Financial Accounting will bill Affiliates for all other intercompany transactions except taxes.

Payments: Payments are due and payable from Affiliates within thirty (30) days from the date of the invoice. Invoices not paid in full within thirty (30) days will accrue interest at the 90-day commercial paper rate on the unpaid portion. Payments, along with a copy of the invoice, are sent to Corporate & Regulatory Accounting, which will record the payments.

History

PGACT 88, p. III-1; PGACT V1S7

Section 14.03 Competitive Bidding Required

Principle

Separation

Rule

Affiliate Rule III.B
Transactions between a utility its parent holding company and its affiliates shall be limited to tariffed products and services, to the sale of goods, property, products or services made generally available by the utility or affiliate to all market participants through an open, competitive bidding process, to the provision of information made generally available by the utility to all market participants, to Commission – approved resource procurement by the utility, or as provided for in Rules V.D (joint purchases), V.E (corporate support) and VII (utility products and services) below.

Affiliate Rule IV.G
A utility shall maintain a record of all contracts and related bids for the provision of work, products or services between the utility and its affiliates for no less than a period of three years, and longer if this Commission or another government agency so requires.

By this decision we lift the ban on long-term affiliate transactions for transactions entered into through an open and transparent solicitation process. However, we maintain the ban on short-term transactions because the short-term market moves too fast and there is too great of a potential for abusive self-dealing, with little or no possibility for Commission oversight of these types of transactions. The utilities, and in particular their respective risk management committees, must maintain complete procurement planning independence from their affiliates.
Source: D.04-12-048, Ordering Paragraph 27.

Applicable to Class A Affiliates

Discussion

SCE purchases from affiliates (except those made under Section V.D and V.E, as permitted, or as authorized by D.00-07-047) are required to be made through an open, competitive bidding process. SCE's Procurement Department will ensure compliance with this provision. For any products or services where the utility or affiliate is the sole available source (e.g., licensing of certain intellectual property), SCE's Procurement Department will obtain approval of SCE's Affiliates Officer prior to such purchase.

All contracts between the utility and affiliates, or bids from the utility to the affiliates or from the affiliates to the utility, will be reported to the SCE Affiliates Officer. The Affiliate Compliance Office will maintain a record of these bids and contracts. SCE's Affiliates Officer will also maintain a list of contracts between SCE and its covered affiliates that were entered into prior to January 1, 1998. Bids presented to or from the utility and its affiliates

prior to the effective date of the Affiliate Rules will not be recorded, except as may be required by previously adopted affiliate transaction rules.

In December 2004, the CPUC issued D.04-12-048 which approved SCE's Long Term Procurement Plan as modified in the decision, provided direction to utilities on the procurement of identified resources, and lifted the ban on long-term affiliate transactions (D.02-10-062, Findings of Fact 21) for transactions entered into through an open and transparent solicitation process. The ban was maintained on short-term transactions. In the event of a potential bid by an affiliate, SCE is required to engage the services of an "Independent Evaluator" who will monitor the RFO process to confirm that affiliate bids receive no preferential treatment. The decision further reaffirmed that the utilities, and in particular their respective risk management committees, must maintain complete procurement planning independence from their affiliates. R.01-01-001 was closed on April 7, 2005.

See also:

Section 3.03: Affiliates Officer
Section 5.08: Types of Transactions Permitted
Section 16.10: Maintenance of Records

History

The Affiliate Rules noted above are broader than, and inclusive of, the situation described in D.88-01-063, Condition 15, and therefore supersede that condition:

> *Neither Edison's holding company nor its subsidiaries shall provide interconnection facilities and related electrical equipment to Edison, directly or indirectly, where third-party power producers are required to purchase or otherwise pay for such facilities and equipment in conjunction with the sale of electrical energy to Edison, unless the third party may obtain and provide facilities and equipment of like or superior design and quality through competitive bidding. The holding company and its nonutility subsidiaries may participate in any competitive bidding for such facilities and equipment.*
>
> (PGACT V1S6)

Section 14.04 Pricing Transfers of Goods and Services

Principle

Separation

Rule

Affiliate Rule V.H
To the extent that these Rules do not prohibit transfers of goods and services between a utility its parent holding company and its affiliates, and except for as provided by Rule V.G.2.e, all such transfers shall be subject to the following pricing provisions:

V.H.1. Transfers from the utility to its affiliates of goods and services produced, purchased or developed for sale on the open market by the utility will be priced at fair market value.

V.H.2. Transfers from an affiliate to the utility of goods and services produced, purchased or developed for sale on the open market by the affiliate shall be priced at no more than fair market value.

V.H.3. For goods or services for which the price is regulated by a state or federal agency, that price shall be deemed to be the fair market value, except that in cases where more than one state commission regulates the price of goods or services, this Commission's pricing provisions govern.

V.H.4. Goods and services produced, purchased or developed for sale on the open market by the utility will be provided to its affiliates and unaffiliated companies on a nondiscriminatory basis, except as otherwise required or permitted by these Rules or applicable law.

V.H.5. Transfers from the utility to its affiliates of goods and services not produced, purchased or developed for sale by the utility will be priced at fully loaded cost plus 5% of direct labor cost.

V.H.6. Transfers from an affiliate to the utility of goods and services not produced, purchased or developed for sale by the affiliate will be priced at the lower of fully loaded cost or fair market value.

Affiliate Rule V.G.2.e.i (partial)
When the affiliate obtains the services of a non-executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 10% of direct labor cost, or fair market value. When the affiliate obtains the services of an executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 15% of direct labor cost, or fair market value.

Edison's policies include the application of a 5% markup on fully loaded labor costs billed to nonutility affiliates for the use of Edison employees.

Source: D.88-01-063, Condition 2 (partial)

If market, technological, or similar data transferred, directly or indirectly, from SCE to a nonutility affiliate is related to the production of electricity by a Qualifying Facility in which a SCE nonutility affiliate has an ownership interest, then the Commission's procedures for disclosure, as set forth in the Commission's decisions in OIR-2, or its successor proceedings, shall apply.
Source: D.88-01-063, Condition 8

The first priority condition [Condition 12 of D.88-01-063] prohibits a holding company from (1) acquiring assets of its utility subsidiary for inadequate consideration, and (2) acquiring assets of its utility subsidiary at any price, if such acquisition would impair the utility's ability to fulfill its obligation to serve or to operate in a prudent and efficient manner.
Source: D.02-01-039, Ordering Paragraph 2

Applicable to Class A and Class B Affiliates

Discussion

Prompt and fair compensation or reimbursement is to be given/received for all assets, goods and services transferred or provided between SCE and its Affiliates and between SCE and EIX, regardless of the direction of the transfer.

SCE's Controller's Department is responsible for ensuring that transfers are calculated and recorded appropriately. Where Controller's questions the amount charged for goods and services, it will immediately notify the Affiliate Compliance Office, the affected affiliate, and affected utility business units for review of the transaction. CPUC Resolution E-3539 describes this mechanism as reasonable (slip op., p.38).

The purpose of this section is to assign a monetary value (price), and record all property, including materials and supplies, sold to Affiliates. These types of transactions should be considered exceptions and are expected to be kept to a minimum. Such transactions are reported to the CPUC annually.

The following definitions (from Chapter 2 of this ATR manual) relate to the transfer of goods and services:

Property:

Affiliate Rule I.G.k

Intellectual Property: "Intellectual Property" means any proprietary market data, customer lists, marketing or feasibility studies, leads and prospects for future business opportunities, patents, trade secrets, copyrights, or other marketable technologies.

Personal Property: Movable property or assets such as automobiles, equipment, and furniture.
Source: PGACT V1S12

Real Property: Land and land improvements, including buildings and appurtenances.
Source: PGACT V1S12

Tangible Real Property: Tangible real property includes the following: land and land improvements, including buildings.
Source: PGACT V1S6

Tangible Personal Property: Tangible personal property includes the following: automobiles, computer hardware, computer software or application software, furniture, materials and supplies, and power operated equipment.
Source: PGACT V1S6

Intangible Property: Intangible property includes the following: copyrights, licenses, patent rights, franchises, trade secrets, mineral rights, royalty interests, and unlicensed intellectual property, such as original concepts that have yet to be patented. See also, "Intangible Asset."
Source: PGACT V1S6

All property sold requires the following information:

Identification: Identify asset as either tangible (real or personal) or intangible property.

Valuation: The selling price of property must be at current fair market value.

Recording: Transfers of property between SCE and Affiliates which have a current market value in excess of $100,000 will be recorded at market value. However, the property will be recorded at book value if the market value is less than book value. Transfers of property with a current market value of $100,000 or less will be recorded at book value.

Transfers from the utility to its affiliates of goods and services not produced, purchased or developed for sale by the utility are governed by Rule V.H.5. Transfers of goods, however, do not always have a fully loaded cost associated with them or a direct labor cost that can be marked up. In these instances, the method noted in the preceding paragraph under "Recording" will be followed. This procedure was included in SCE's first Policies and Guidelines for Affiliate Transactions, which were adopted with D.88-01-063 (Appendix C, p. II-3).

In addition to appropriate pricing, the following are required:

- Reporting to CPUC - 30 days in advance for transfers over $100,000 (D.88-01-063, Condition 7)
- Approval - Affiliate Officer approval
- Minimum - Minimum transfer valuation of $100.00

See also:

Section 3.03: Affiliates Officer
Section 16.15: Reporting Transfers of Goods and Services Over $100,000
Section 9.17: Temporary Use - Directly Requested Services
Section 12.10: Accounting Procedures - Labor Loading

Procedure

Valuation of Property

Examples of methods that may be used to value property at current fair market value include:

- Appraisals from qualified, independent appraisers.
- Averaging bid and ask prices as published in newspapers or trade journals.
- Conducting market surveys.
- $100 minimum transfer valuation.

Property Valuation coordinates all fair market value information received from the department/division responsible for recording the transaction in the work order. The determination of fair market value must be adequately documented to ensure that a proper audit trail exists.

Sale of Property

Tangible or Intangible Property

- Contact Real Properties for the sale of real property.
- Contact the Affiliate Compliance Office and Law for the sale of intangible property.
- Contact Plant Accounting for all accounting transactions
- Notify Law to review the contract concerning the transfer
- Notify Revenue Requirements to determine any impact the transfer has on ratemaking.
- Obtain approval from SCE's Affiliates Officer, when required.

Personal Property

- Contact Procurement and Material Management for materials and supplies request.
- Corporate Accounting contacts Plant Accounting for information regarding transfers of furniture and equipment.

Law

- Review all sale and purchase contracts.
- Determine and establish any release required for the sale of property.
- Notify the CPUC in writing within thirty (30) days prior to any sale to an Affiliate of SCE property exceeding a fair market value of $100,000. This notification is to be made whether or not the property is considered by the utility to be necessary or useful in the performance of its public utility obligations. This policy does not apply to transfers of funds for investment under a cash management system.

Revenue Requirements

- Review and analyze the impact of the sale for ratemaking purposes *(i.e., 851 filing requirements)*.

Tax

- Analyze and calculate any tax consequences of transactions. Record the amount of tax liability.

History

For Class A affiliates, Affiliate Rules V.H.1 and V.H.5 encompass the transactions described in D.88-01-063, Condition 8, and therefore supersede that condition, which reads:

> *Market, technological, or similar data transferred, directly or indirectly, from Edison to a nonutility affiliate shall be transferred at market value. This condition will ensure that the utility is compensated and that ratepayers are indifferent to the transaction.*

PGACT 88, § II; PGACT V1S1, V1S5, V1S6, V2SA, V2SB, V2SC

Section 14.05 Royalties

Principle

Separation

Rule

Separation - Transfer of Goods and Services - Royalties
Where product rights, patents, copyrights, or similar legal rights are transferred from SCE to an Affiliate, a royalty payment may be required. The need for a royalty payment will be considered on a case-by-case basis.
Source: D.88-01-063, Condition 14

Applicable to Class A and Class B Affiliates

Discussion

Contact the Affiliate Compliance Office and Law for intangible property sales, which may require royalty payment considerations. Royalty payments, if any, are reported to the CPUC annually.

History

PGACT 88, p. II-2; PGACT V1S6

Chapter 15. Separation - Utility Services

Section 15.01 Joint CPUC-Authorized Services

Principle

Separation

Rule

Affiliate Rule V.C (partial)
The separation provision of D.06-12-029, Rule V.C, does not preclude a utility from offering a joint service provided this service is authorized by the Commission and is available to all non-affiliated service providers on the same terms and conditions (e.g., joint billing services pursuant to D.97-05-039).

Applicable to Class A Affiliates

Section 15.02 New Products and Services

Principle

Separation

Rule

Affiliate Rule VII.A-E

A. **General Rule:** Except as provided for in these Rules, new products and services shall be offered through affiliates.

B. **Definitions:** The following definitions apply for the purposes of this section (Section VII) of these Rules:

1. "Category" refers to a factually similar group of products and services that use the same type of utility assets or capacity. For example, "leases of land under utility transmission lines" or "use of a utility repair shop for third party equipment repair" would each constitute a separate product or service category.

2. "Existing" products and services are those which a utility is offering on the effective date of these Rules.

3. "Products" include use of property, both real and intellectual, other than those uses authorized under General Order 69-C.

4. "Tariff" or "tariffed" refers to rates, terms and conditions of services as approved by this Commission or the Federal Energy Regulatory Commission (FERC), whether by traditional tariff, approved contract or other such approval process as the Commission or the FERC may deem appropriate.

C. **Utility Products and Services**: Except as provided in these Rules, a utility shall not offer nontariffed products and services. In no event shall a utility offer natural gas or electricity commodity service on a nontariffed basis. A utility may only offer for sale the following products and services:

1. Existing products and services offered by the utility pursuant to tariff;

2. Unbundled versions of existing utility products and services, with the unbundled versions being offered on a tariffed basis;

3. New products and services that are offered on a tariffed basis; and

4. Products and services which are offered on a nontariffed basis and which meet the following conditions:

   (a) The nontariffed product or service utilizes a portion of a utility asset or capacity;

(b) such asset or capacity has been acquired for the purpose of and is necessary and useful in providing tariffed utility services;

(c) the involved portion of such asset or capacity may be used to offer the product or service on a nontariffed basis without adversely affecting the cost, quality or reliability of tariffed utility products and services;

(d) the products and services can be marketed with minimal or no incremental ratepayer capital, minimal or no new forms of liability or business risk being incurred by utility ratepayers, and no undue diversion of utility management attention; and

(e) The utility's offering of such nontariffed product or service does not violate any law, regulation, or Commission policy regarding anticompetitive practices.

D. **Conditions Precedent to Offering New Products and Services:** This Rule does not represent an endorsement by the Commission of any particular nontariffed utility product or service. A utility may offer new nontariffed products and services only if the Commission has adopted and the utility has established:

1. A mechanism or accounting standard for allocating costs to each new product or service to prevent cross-subsidization between services a utility would continue to provide on a tariffed basis and those it would provide on a nontariffed basis.

2. A reasonable mechanism for treatment of benefits and revenues derived from offering such products and services, except that in the event the Commission has already approved a performance-based ratemaking mechanism for the utility and the utility seeks a different sharing mechanism, the utility should petition to modify the performance-based ratemaking decision if it wishes to alter the sharing mechanism, or clearly justify why this procedure is inappropriate, rather than doing so by application or other vehicle.

3. Periodic reporting requirements regarding pertinent information related to nontariffed products and services; and

4. Periodic auditing of the costs allocated to and the revenues derived from nontariffed products and services.

E. **Requirement to File an Advice Letter:** Prior to offering a new category of nontariffed products or services as set forth in Section VII C above, a utility shall file an advice letter in compliance with the following provisions of this paragraph.

1. The advice letter shall:

(a) demonstrate compliance with these rules;

(b) address the amount of utility assets dedicated to the non-utility venture, in order to ensure that a given product or service does not threaten the provision of utility service, and show that the new product or service will not result in a degradation of cost, quality, or reliability of tariffed goods and services;

(c) demonstrate that the utility has not received competition transition charge (CTC) recovery in the Transition Cost Proceeding, A.96-08-001, or other related CTC Commission proceeding, for the portion of the utility asset dedicated to the non-utility venture;

(d) address the potential impact of the new product or service on competition in the relevant market, including but not limited to the degree in which the relevant market is already competitive in nature and the degree to which the new category of products or services is projected to affect that market; and

(e) be served on the service list of R.97-04-011/I.97-04-012, as well as on any other party appropriately designated by the rules governing the Commission's advice letter process.

2. For categories of nontariffed products or services targeted and offered to less than 1% of the number of customers in the utility's customer base, in the absence of a protest alleging non-compliance with these Rules or any law, regulation, decision, or Commission policy, or allegations of harm, the utility may commence offering the product or service 30 days after submission of the advice letter. For categories of nontariffed products or services targeted and offered to 1% or more of the number of customers in the utility's customer base, the utility may commence offering the product or service after the Commission approves the advice letter through the normal advice letter process.

3. A protest of an advice letter filed in accordance with this paragraph shall include:

   (a) An explanation of the specific Rules, or any law, regulation, decision, or Commission policy the utility will allegedly violate by offering the proposed product or service, with reasonable factual detail; or

   (b) An explanation of the specific harm the protestant will allegedly suffer.

4. If such a protest is filed, the utility may file a motion to dismiss the protest within 5 working days if it believes the protestant has failed to provide the minimum grounds for protest required above. The protestant has 5 working days to respond to the motion.

5. The intention of the Commission is to make its best reasonable efforts to rule on such a motion to dismiss promptly. Absent a ruling granting a motion to dismiss, the utility shall begin offering that category of products and services only after Commission approval through the normal advice letter process.

Source: D.98-08-035, Rule VII.A through VII.E

Affiliate Rule VII.I
Nontariffed products and services which are allowed by this Rule may be offered to utility affiliates only in compliance with all other provisions of these Affiliate Rules. Similarly, this Rule does not prohibit affiliate transactions which are otherwise allowed by all other provisions of these Affiliate Rules.

Applicable to Class A Affiliates

Discussion

SCE's Affiliate Compliance Office will be responsible for reviewing and submitting all advice letters requesting authorization to offer new non-tariffed products and services to ensure compliance with this Rule.

History

D.98-08-035 modified rules VII.C.4.d, VII.C.4.e, VII.E.1.c, VII.E.1.d and VII.E.2 and added Rule VII.E.1.e.

Section 15.03 Products/Services Offered Prior to 12/16/97

Principle

Separation

Rule

Affiliate Rule VII.F
Unless and until further Commission order to the contrary as a result of the advice letter filing or otherwise, a utility that is offering tariffed or nontariffed products and services, as of the effective date of this decision, may continue to offer such products and services, provided that the utility complies with the cost allocation and reporting requirements in this rule. No later than January 30, 1998, each utility shall submit an advice letter describing the existing products and services (both tariffed and nontariffed) currently being offered by the utility and the number of the Commission decision or advice letter approving this offering, if any, and requesting authorization or continuing authorization for the utility's continued provision of this product or service in compliance with the criteria set forth in Rule VII. This requirement applies to both existing products and services explicitly approved and not explicitly approved by the Commission.

Affiliate Rule VII.I
Nontariffed products and services which are allowed by this Rule may be offered to utility affiliates only in compliance with all other provisions of these Affiliate Rules. Similarly, this Rule does not prohibit affiliate transactions which are otherwise allowed by all other provisions of these Affiliate Rules.

Applicable to Class A Affiliates

Discussion

On January 30, 1998, SCE filed Advice Letter 1286-E with the CPUC's Energy Division, in compliance with Affiliate Rule VII.F. On January 6, 2000, the Commission issued Resolution E-3639, conditionally approving Advice 1286-E pending SCE's submittal of a supplemental advice letter that satisfied certain directives in the resolution. SCE submitted Advice 1286-E-A on April 5, 2000, which was approved on September 29, 2003, with an effective date of May 15, 2000.

Attachment A of Advice Filing 1286-E provided a description of the tariffed products and services offered for sale by SCE as of December 16, 1997.[4] This list reflects only those tariffed products and services that are offered for sale and reflected as Other Operating

[4] Rule VII.B.4. defines "tariffed" as "rates, terms and conditions of service as approved by this Commission of the Federal Energy Regulatory Commission (FERC), whether by traditional tariff, approved contract or other such approval process as the Commission or the FERC may deem appropriate."

Revenue.[5] It does not reflect those products or services that are considered Electric Service or for which SCE does not charge its electric service customers.[6]

Attachment B set forth SCE's existing non-tariffed product and service categories and a description of the existing non-tariffed products and services contained in each category.[7] The revenues received from the offering of existing non-tariffed products and services are recorded as Other Operating Revenue.[8]

Attachments A and B also provide regulatory authorization references (e.g., CPUC decision, resolution, advice filing or FERC Opinion), if any, for each product or service category. These regulatory authorizations either authorized the activity or recognized the revenues from these non-electric sales activities for CPUC jurisdictional ratemaking purposes (e.g., general rate case, PBR).

Through Advice Letter 1286-E, SCE requested authorization to continue offering the products and services listed in Attachments A and B. SCE notified the CPUC that it intended to continue providing the tariffed products and services (listed on Attachment A), in accordance with the terms and conditions of the existing tariff, resolution, or regulatory decision. At that time, SCE did not seek to change or modify the terms, availability or applicability of the existing tariffs, resolutions or decisions related to these existing tariffed products and services.

To continue offering the non-tariffed products and services identified in Attachment B, Rule VII.F requires each utility to confirm that these offerings will comply with the criteria established in Rule VII.C.4.a. through VII.C.4.e. Rules VII.C.4.d and VII.C.4.e were modified by D.98-08-035. The non-tariffed products and services described in Attachment B comply with the criteria in subsections (a), (b), (c), and (as it existed prior to adoption of D.98-08-035, subsection (e). Attachment B clearly identifies the utility asset, or portion thereof, that each product or service category utilizes. Each of these utility assets were acquired for the purpose of, and are necessary and useful in, providing electric service. The nontariffed offerings in each product or service category do not adversely affect the cost, quality or reliability of tariffed utility service.

SCE notified the CPUC that it was reviewing its nontariffed product and service offerings to determine whether they complied with Rule VII.C.4.d. as it existed prior to adoption of D.98-08-035, or if not, what changes may be required to bring them into compliance. SCE

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[5] The revenues received from the ENVEST pilot program are recorded in a "below-the-line" account and not recognized for ratemaking purposes. Moreover, this pilot program is closed to new customers.

[6] SCE also records Other Operating Revenues in FERC accounts 450 and 451. The activities generating those revenues are not described as "products and services" because they are related to credit and collection activities associated with electric service and are not for sale by SCE to any third party. The revenues associated with FERC Account 453 are also excluded because they do not relate to a product or service for sale by the utility.
A description of SCE's tariffs and rules related to Electric Service is contained in its Tariff Book.

[7] Rule VII.B.1. defines "category" as " a factually similar group of products and services that use the same type of utility assets or capacity. For example, 'leases of land under utility transmission lines' or 'use of utility repair shop for third party equipment repair' would each constitute a separate product or service category." The non-tariffed products and services listed on Attachment B do not reflect corporate support, governance or oversight services that are exclusively provided to SCE's affiliates pursuant to Rule V.E.

[8] The shareholder portion of the revenues associated with SCE's fuel oil pipeline transportation and storage system are recorded to a "below-the-line" account and not reflected for ratemaking purposes.

confirmed that, to the extent that any of its non-tariffed product or service offerings may not already conform to subsection (d), SCE would modify the offerings to comply with subsection (d) upon reauthorization, or stop offering the product or service to customers.

On September 16, 1999, the CPUC adopted D.99-09-070. This decision adopted a settlement agreement between SCE and the CPUC's Office of Ratepayer Advocates and established a revenue sharing mechanism for certain other operating revenues, including other operating revenue from many of the products and services listed in Advice 1286-E. D.99-09-070 also adopted a designation of "active" or "passive" for each category of non-tariffed products and services listed in Advice 1286-E. These designations determine which sharing ratio is applied to revenues received from particular categories of products and services. These designations are noted in the second matrix below.

In January 2000, the CPUC issued Resolution E-3639, which conditionally approved Advice 1286-E and ordered SCE to file a supplemental advice letter to comply with certain directives of the Resolution. Among other things, the Commission ordered that SCE:

- Reclassify four categories (Customer Account Mangement Services for Non-ESPs; Use of General Facilities; Inspection, Operation and Maintenance, Modification, Upgrade, Removal, and Repair of Generation, Transmission and Distribution Related Facilities and Equipment; and Miscellaneous Services) so that they comply with the definition established in Rule VII.B.1.

- Delete the categories "Sale of tariffed utility property and equipment/furniture requiring Section 851 application" and "Sale of Utility Property and Equipment/Furniture (Not Requiring Section 851 Application)" and reclassifiy the specific line items in each category as appropriate.

- Delete the category "Trading, buying and selling of emission credits pursuant to RECLAIM" from Attachment A.

See also:

D.99-09-070
Resolution E-3639
SCE Tariffs, Preliminary Statement, Part G.

Example

The tables below include the text of Appendix A and Appendix B to Advice 1286-E, as amended by Advice 1286-E-A, describing SCE's tariffed and non-tariffed products and services as of December 16, 1997.

See **Chapter 7: Recordkeeping & Reporting - Periodic Reports - Non-Tariffed Products and Services** for discussion of the format to be used for the semi-annual reports that must be filed with the CPUC.

Q: Can affiliates make use of the services of SSID and the Electric Vehicle Test Center?
A: Both SSID and the Electric Vehicle Test Center offered their services to third parties on a non-exclusive, non-discriminatory competitive basis prior to adoption of the Affiliate

Rules. These services, which are listed in SCE's advice letter 1286-E (e.g., *Electric Vehicle, Battery, and Charger-Related Services and Equipment and Machinery Repair, Testing, Maintenance and Calibration*), can be offered to affiliates and non-affiliates at the prevailing rates.

Advice 1286-E-A, Attachment A
Southern California Edison Company
Existing Tariffed Products and Services Offered For Sale

Description of Existing Products and Services	Regulatory Reference	FERC Account
Added/Interconnected Facilities (company financed or customer financed) for transmission, distribution, outdoor lighting and metering equipment requested by customer and offered pursuant to Rule 2-H and Rule 2-J.	D.96-01-011 D.97-10-087	454 & 456
Leasing of attachment space on transmission and distribution poles to cable television corporations.	D.96-01-011 PU Code 767.5	454
Transmission service for others pursuant to FERC-approved transmission service agreements and contracts with resale cities and other utilities.	D.96-01-011	456
Transmission scheduling, system control and dispatch services offered pursuant to FERC-approved Open Access Tariff.	FERC Opinion 888	456
Capacity and ancillary services offered to others pursuant to FERC-approved Open Access Tariff	FERC Opinion 888	456
Operation and maintenance services to third parties for generation facilities divested by the utility. Such services are offered in accordance with Commission-approved standard contracts.	D.97-09-049	456
Installation of on-grid and off-grid photovoltaic installations offered pursuant to Rate Schedule PVS and PVS-2 (tariff is closed to new customers).	Advice 1135-E Advice 1135-E-A Resolution E-3432 Resolution E-3438	456
Catalog of customer choices on interval metering, meter options, billing options and returning customers to the UDC.	D.97-10-087 Advice 1268-E	456
Directory of Products and Services for Electric Service Providers on interval metering, meter options, billing options and returning customers to the UDC.	D.97-10-087 Advice 1268-E	456
Energy Efficiency Services offered through the ENVEST Pilot Program pursuant to rate Schedule GSN (tariff is closed to new customers).	Advice 1011-E Resolution E-3337	417

Note: Attachment A only reflects those tariffed products and services that are offered for sale and reflected as Other Operating Revenue (OOR). It does not reflect those products or services which are considered Electric Service or for which SCE does not charge its electric service customers. SCE also records Other Operating Revenues in FERC accounts 450 and 451. These activities generate revenues that relate to credit and collection activities associated with electric service and are not for sale by SCE to any third party. In addition, SCE records OOR in FERC account 453; however these activities are not associated with products or services for sale by the utility.

Advice 1286-E-A, Attachment B
Southern California Edison Company
Existing Non-Tariffed Products and Services Offered For Sale

Product or Service Category	Description of Existing Products and Services	Utility Assets Typically Utilized	Active/ Passive Desig.[9]	Regulatory Reference	FERC Acct.
Secondary Use of Transmission Right of Ways and Land	Placement of third party communications and computing equipment, attachments, conduit and cable; Agricultural/ Horticultural; Storage facilities; Parking lots; Vehicle storage; Stables; Parks and recreation; Billboard placements; Film production site locations; Sale or trading of excess water rights; and Sale or trading of mineral rights.	Transmission-related right of ways and land Human assets Miscellaneous Office Equipment Software Applications	Passive	D.96-01-011 D.96-10-015 D.96-10-020 D.96-12-024	454 & 456
Secondary Use of Distribution Right of Ways, Land, Facilities and Substations	Placement of third party communications and computing equipment, attachments, conduit and cable; Agricultural/ Horticultural; Parking lots; Vehicle storage; Stables; Parks and recreation; Billboard placements; Film production site locations; Sale or trading of excess water rights; and Sale or trading of mineral rights.	Distribution-related right of ways, land, facilities and substations Human assets Miscellaneous Office Equipment Software applications	Passive	D.96-01-011	454 & 456
Secondary Use of Utility-Owned Generation Facilities and Land	Placement of third party communications and computing equipment, attachments, conduit and cable; Agricultural/Horticultural; Parks and recreation; Stables;	Generation related facilities and land Human assets Miscellaneous office equipment Software applications	Passive	D.96-01-011	454 & 456

[9] As established by D.99-09-070.

Product or Service Category	Description of Existing Products and Services	Utility Assets Typically Utilized	Active/ Passive Desig.[9]	Regulatory Reference	FERC Acct.
	Parking lots; Vehicle storage; Billboard placements; Film production site locations; Sale or trading of excess water rights; and Sale or trading of mineral rights.				
Secondary Use of Utility Owned Buildings and Offices	Meetings/conferences; Office space; Placement of third party communications and computing equipment, attachments, conduit and cable; and Cafeteria and Vending Machines	General purpose utility buildings and offices Human assets Miscellaneous office equipment Software applications	Passive		454 & 456
Use of Transmission Towers, Distribution Poles, Facilities, Conduits, Ducts and Streetlight Poles	Placement of communications equipment, attachments, conduit and cable.	Transmission towers Distribution poles Transmission and Distribution facilities Streetlight poles Conduits Ducts Software applications Vehicles Miscellaneous office equipment Human assets	Passive	D.93-04-019 D.94-06-017 D.95-05-039 D.96-01-011 D.96-07-038 D.96-07-058	454
Use of Communications and Computing Systems	Circuits, wave lengths and radio spectrum; Dark fiber on fiber optic system; Cable pairs on copper communication cables; Communications & computing capacity, installation, maintenance and support; Fiber optic and other communications cable construction, equipment installation, and site development; Marketing of third parties' right of ways, poles, towers and other facilities for communication-related purposes;	Fiber optic cables and other communication transmission systems Communications rooms and towers Mainframe & distributed computing hardware and software Transmission and distribution towers, poles, facilities and conduit Vehicles Misc. office equipment Software applications	Active	D.96-01-011 D.96-10-071 D.96-07-058 D.98-12-083	454 & 456

Product or Service Category	Description of Existing Products and Services	Utility Assets Typically Utilized	Active/ Passive Desig.[9]	Regulatory Reference	FERC Acct.
	Infrastructure-related telecommunication services; Infrastructure-related computing services	Information Technology Control Center Human assets			
License of Utility Software	Utility developed software (e.g., Outage Management System, Fleet Management System); and Software licensed to the utility (e.g., energy usage tracking software).	Utility software Computer hardware Software licenses Human assets	Passive	D.96-01-011	454 & 456
Licensing of Utility-Held Patents	Licensing of utility developed technologies such as the Insulator Washing Technology.	Utility-held patents Human assets	Passive	D.96-01-011 Res. E-3484[10]	454
Property Mgmt, Property Maintenance and Real Property Brokerage Services	Title searches; Brokerage activities; Property management; and Janitorial and building maintenance.	Human assets Misc. office equipment Software applications	Passive	D.96-01-011	454 & 456
Recreation, Fish and Wildlife Activities	Campground rentals; Campground maintenance; & Fish hatchery.	Land reserved for recreational purposes Human assets Vehicles	Passive	D.96-01-011	456
Sales of Timber Stands on Utility-Owned Property	Timber sales	Timber stands on utility property Human assets Misc. office equipment Software applications	Passive	D.96-01-011	456
Use of Customer Technology Application Center (CTAC) and Agricultural Technology Application Center (AgTAC) Facilities	Conference facilities; Audiovisual services; Catering; Teleconferencing/ downlinks; Technical seminars and training; Partnership training (e.g., with federal government); Customer product/technology testing and demonstrations; Display space & display set-up Display development and consulting.	CTAC and AgTAC facilities Misc. equipment and displays Human assets Misc. office equipment Software applications Display equipment	Passive	D.96-01-011	456

[10] Resolution E-3484 adopted the Technology Commercialization Incentive Procedure (TCIP) which sets forth the revenue sharing mechanism for revenues derived from the commercialization of RD&D Balancing Account-funded technologies, patents or ownership rights.

Product or Service Category	Description of Existing Products and Services	Utility Assets Typically Utilized	Active/ Passive Desig.[9]	Regulatory Reference	FERC Acct.
Electric Vehicle (EV), Battery, and Charger-Related Services	EV operational, performance, calibration and reliability testing; Battery performance, safety, power quality and reliability testing; Charger operational, performance, reliability, safety, power quality, efficiency and life cycle testing; and Customer education and training on EV technologies, operations, charging safety, diagnosis and maintenance.	EV and Battery Technology Testing Center Testing equipment SCE EV fleet Human assets Chargers Climate Chamber Lab Tools Misc. office equipment	Active	D.95-11-035 D.96-01-011	456
Energy Efficiency Engineering, Consulting and Technical Services	Lighting surveys; Lighting systems bid specifications; Lighting systems construction observation; Building energy simulations; End-use consulting; Facilities engineering, analysis and commissioning; and Sub-metering.	Testing equipment Refrigeration testing lab Human assets Misc. office equipment Software applications	Passive	D.96-01-011	456
Billing and Customer Communications Center Services For Non-ESPs	Bill customization Usage calculation Bill calculation Bill presentation (e.g., mailing, summary billing, diskette billing, EDI billing, flexible bill routing) Payment processing (e.g., mail, in-person through APA network etc.) Credit and Collections activities Customer Communications Center Services for clients' customer calls. These services can be provided in seven languages, including, but not limited to: Requests for services establishment (turn ons) Transfer of service or turn offs Customer credit inquiries Customer extension/payment arrangements Billing inquiries Billing investigations	Customer Communication Center Voice Recognition Unit Automated Call Distributor Inbound telephone lines (800 number) Billing IBM 4000 Simpex Printers Bell & Howell 6000 Inserters Aggasar Sorting Equipment Aggasar TRIOS Misc. Office Equipment Customer Service System (CSS) Bantec Image FIRST OSA APS – Accounts Payable System Human Assets	Active		456

Product or Service Category	Description of Existing Products and Services	Utility Assets Typically Utilized	Active/ Passive Desig.[9]	Regulatory Reference	FERC Acct.
	Outage reports Account transfers				
Meter Reading and Field Services for Non-ESPs	Meter reading (usage measurement) Transfer of meter reading information Special and mid-cycle meter reads Physical turn ons; turn offs Physical disconnects and reconnects Meter change-outs Other field services	Itron hand-held field service device Itron hand-held meter-reading device Mobile Data terminal (MDT) and mounting terminal Computer laptops and probes Utility vehicles Misc. computer hardware Customer Service System (CSS) Wireless field services communications system Radio equipment Human assets	Active		456
Bill Payment Options	Pay-by-phone; Pay-by-internet; Quick check; and Acceptance of payments for telecommunications providers in rural locations.	Customer Service System Banctec Image FIRST OSA Misc. office equipment Software applications Human assets	Passive		456
Vehicle Maintenance and Repair	Vehicle maintenance and repair; and Comprehensive fleet management.	Vehicle repair facilities Misc. mechanical hand and power tools Fleet Management System Vehicle Information System Misc. office equipment Shared Services Enhanced Revenue Generation Invoicing System Corporate Accounting and Records System Software applications Human assets	Passive		456
Transportation and Disposal of Hazardous Materials	Transportation and disposal of hazardous materials such as waste by-product from generation.	Centralized Hazardous Waste Management System Vehicles	Active		456

Product or Service Category	Description of Existing Products and Services	Utility Assets Typically Utilized	Active/ Passive Desig.[9]	Regulatory Reference	FERC Acct.
		Misc. office equipment Software applications Human assets			
Use of Heavy Equipment and Machinery	Use of heavy equipment such as cranes and rigging services, helicopters and other machinery or equipment.	Heavy machinery Cranes Helicopters Misc. office equipment Software applications Corporate Accounting and Records System Human assets	Passive		456
Operation, Maintenance, and Repair of Generation, Transmission and Distribution Related Facilities and Equipment.	Operation of power generation, transmission, and distribution equipment and facilities On-site inspection, maintenance, troubleshooting, repair, replacement, and installation of distribution and transmission facilities (e.g electrical apparatus, street lights, conductors, towers, poles, transformers). On-site inspection, maintenance, troubleshooting, and repair of protection systems, telecommunication cables and equipment (e.g fiber optics and microwave). Metering, measurement and test equipment services (e.g. engineering, system analysis, meter installation, maintenance, testing, calibration, and repair). Electrical and mechanical engineering and consulting services Precision dimensional measurement consulting and engineering Nuclear decommissioning consulting and engineering	Misc. hand tools Portable machinery and equipment Field instrumentation and precision tools Field metallurgical and lab equipment Utility vehicles Misc. office equipment Software applications Human assets	Active	D.96-01-011	456
Advanced Testing of Hydraulic Pumps	Advanced testing of hydraulic pumps and associated electrical equipment.	Testing equipment Vehicles Human assets	Passive	D.96-01-011	456

Product or Service Category	Description of Existing Products and Services	Utility Assets Typically Utilized	Active/ Passive Desig.[9]	Regulatory Reference	FERC Acct.
Equipment and Machinery Repair, Testing, Maintenance and Calibration	Shop service repairs of mechanical and electrical apparatus and equipment such as valves, motors, turbines, transformers, and generators; Material testing; Instrumentation repair and calibration; Training; Metering, measurement and test equipment services (e.g. engineering, system analysis, meter installation, maintenance, testing, calibration, and repair). Electrical and mechanical engineering and consulting services Precision dimensional measurement consulting and engineering Nuclear decommissioning and engineering	Misc. hand tools Misc. machinery and equipment Misc. shop machinery Instrumentation and precision tools Metallurgical and lab equipment Utility vehicles Misc. office equipment Software applications Human assets Control room and other simulator systems for training	Active	D.96-01-011	456
Geographic Information Systems (GIS) Services	Mapping services; Map creation; Specialized geographic data base analysis and development; and User training.	Human assets Computer systems and software Misc. office equipment	Passive	D.96-01-011	417
Tariff Sheet Sales	Tariff sheet sales;	Human assets Misc. office equipment	Passive		456
Recycling Services	Paper recycling; Trash recycling	Human assets Waste materials (e.g., paper)	Passive		456
Training and Technical Certification Services	Training, technical certification, conferences and seminars;	General facilities Training materials and classes Misc. office equipment Human assets Software applications	Passive		456
Material Procurement and Purchasing Services	Aggregated procurement and purchasing services of machinery, materials, equipment, tools, parts, office equipment, and supplies.	Procurement Agent Work Stations Material Management System Facilities Procurement procedures and systems Warehousing facilities	Passive		456

Product or Service Category	Description of Existing Products and Services	Utility Assets Typically Utilized	Active/ Passive Desig.[9]	Regulatory Reference	FERC Acct.
		Vehicles Human assets Software applications			
Fuel Oil Pipeline System and Storage Facilities	Fuel oil transportation services; and Fuel oil storage services.	Fuel oil pipeline system Fuel oil storage tanks Human assets	Not subject to D.99-09-070 mech.	D.94-10-044	417

Chapter 16. Recordkeeping & Reporting

Accurate and Timely Recordkeeping and Reporting

Section 16.01 Accounting Principles

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Affiliate Rule V.B.1
Utility books and records shall be kept in accordance with applicable Uniform System of Accounts (USOA) and Generally Accepted Accounting Procedures (GAAP).

Applicable to Class A and Class B Affiliates

History

Affiliate Rule V.B.1 duplicates and supersedes, D.88-01-063, Condition 3:

> *Edison's holding company and each of its subsidiaries and the joint ventures of the holding company and/or its subsidiaries shall keep their books in a manner consistent with generally accepted accounting principles and, where feasible, consistent with the Uniform System of Accounts.*

Section 16.02 Independent Audits

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Affiliate Rule VI.C

The Commission's Energy Division shall have audits performed biennially by independent auditors. The audits shall cover the last two calendar years which ends on December 31, and shall verify that the utility is in compliance with the Rules set forth herein. The Energy Division shall post the audit reports on the Commission's website. The audits shall be at shareholder expense.
Source: D.06-12-029

Applicable to Class A Affiliates

Discussion

In addition to supporting the Energy Division in their biannual audit which is required by Affiliate Rule VI.C, SCE has retained independent public accountants to perform quarterly/annual financial audits. In addition, the independent public accountants perform annual audits on several of SCE's benefit plans.

SCE also maintains an internal audit staff, whose function is to perform financial audits, audits of computerized recordkeeping systems, operational audits, and contract audits. The various audits performed by internal audits are done on a cyclical basis, or as requested by management. SCE's Audit Master Plan provides for periodic internal reviews of selected affiliate transactions.

Procedure

All audit workpapers, as they relate to SCE's system of internal controls, are available for inspection by the independent public accountants. Any audits performed on or for SCE or for its Affiliates are charged and billed in accordance with procedures described elsewhere in this manual.

History

D.88-01-063 required an independent audit of SCE's transactions with its affiliates. This Commission-supervised audit was performed in 1992 by Metzler & Associates. The Commission found, in D.95-12-033, that SCE complied with its audit obligation and accepted SCE implementation of the audit's recommendations.
Originally adopted by D.97-12-088, Rule VI.C was modified by D.98-08-035 and D.06-12-029.

PGACT V1S9: Compliance audits will be performed: (1) annually in conjunction with the financial audit, as they relate to Southern California Edison's internal controls in order to determine the extent of substantive audit work required, and (2) as requested by management.

D.04-12-029 changed the frequency of the independent audit from annual to biannual.

Section 16.03 New Affiliates Reporting

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Affiliate Rule VI.B
Upon the creation of a new affiliate, the utility shall immediately notify the Commission of the creation of the new affiliate, as well as posting notice on its electronic bulletin board. No later than 60 days after the creation of this affiliate, the utility shall file an advice letter with the Energy Division of the Commission. The advice letter shall state the affiliate's purpose or activities, whether the utility claims that Rule II.B makes these Rules applicable to the affiliate, and shall include demonstration to the Commission that there are adequate procedures in place that will ensure compliance with these Rules.
Source: D.06-12-029

Applicable to Class A Affiliates

Discussion

SCE will notify the Commission in writing within three business days of the creation of a new affiliate. This notice will include the new affiliate's name, headquarters, primary officers, contact person for the Commission, and its intended function. SCE will also post notice electronically on the Internet within three business days of the creation of a new affiliate. SCE's Affiliate Compliance Office will be responsible for these notices and for the filing of advice letters required by this rule.

The Commission does not define "creation" for the purposes of this Rule. Incorporation and other organizational steps required to legally form a new corporate entity may be completed far in advance of a determination of whether or not the new affiliate is subject to these Rules—i.e., the determination of precisely what products or services it will provide—and even farther in advance of initial offering of those products or services to customers. Hence, in the interest of providing the Commission with relevant information, SCE will report the creation of a new affiliate under Rule VI.B when they initiate a signed contract for their products and services.

If a subsidiary of a Class B affiliate is formed that would itself be a Class A affiliate, SCE will file notices and an advice letter in accordance with this Rule.

SCE will identify in its notice to the Commission and on the Internet the rationale for determining a new affiliate's classification.

See also

Section 3.01: Classes of Affiliates

Procedure

SCE's affiliates will be responsible for notifying the SCE's Affiliate Compliance Office of the creation of new affiliates. The Affiliate Compliance Office will submit the notices and advice letters required by Affiliate Rule VI.B.

History

Section 16.04 Compliance Plans – Updates

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Affiliate Rule VI.A
No later than June 30, 2007 each utility shall file a compliance plan by advice letter with the Energy Division of the Commission. The compliance plan shall include:

1. A list of all affiliates of the utility, as defined in Rule 1 A of these Rules, and for each affiliate, its purpose or activities, and whether the utility claims that Rule II B makes these Rules applicable to the affiliate.
2. A demonstration of the procedures in place to assure compliance with these Rules.

The utility's compliance plan shall be in effect between the filing and a Commission determination of the advice letter. A utility shall file a compliance plan annually thereafter by advice letter when there has been some change in the compliance plan (i.e., when there has been a change in the purpose or activities of an affiliate, a new affiliate has been created, or the utility has changed the compliance plan for any other reason).

Applicable to Class A Affiliates

Discussion

SCE's Affiliate Compliance Office will be responsible for maintaining and updating its Affiliate Rules Compliance Plan and a list of all affiliates on SCE web-site (http://www.sceaffiliatebb.com). If changes are identified as necessary to ensure compliance, the Affiliate Compliance Office will incorporate those into the compliance plan and file updates annually when required.

If the Commission modifies or stays any part of the Affiliate Rules in a manner that necessitates changes to SCE's prevailing compliance plan or any provisions of this manual, SCE will file an updated Compliance Plan for those rules affected within 60 days of the Commission's decision, or as otherwise directed. CPUC Resolution E-3539, Findings of Fact 91, describes SCE's procedure for updating its compliance plans as reasonable.

Section 16.05 Discounts – Notice of Availability

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Affiliate Rule III.F
If a utility provides its affiliates a discount, rebate, or other waiver of any charge or fee associated with services provided by the utility, the utility shall, within 24 hours of the time at which the service provided by the utility is so provided, post a notice on its electronic bulletin board providing the following information:

1. the name of the affiliate involved in the transaction;
2. the rate charged;
3. the maximum rate;
4. the time period for which the discount or waiver applies;
5. the quantities involved in the transaction;
6. the delivery points involved in the transaction;
7. any conditions or requirements applicable to the discount or waiver, and a documentation of the cost differential underlying the discount as required in Rule III B 2 above; and
8. procedures by which a nonaffiliated entity may request a comparable offer.

A utility that provides an affiliate a discounted rate, rebate, or other waiver of a charge or fee associated with services provided by the utility shall maintain, for each billing period, the following information:

9. the name of the entity being provided services provided by the utility in the transaction;
10. the affiliate's role in the transaction (i.e., shipper, marketer, supplier, seller);
11. the duration of the discount or waiver;
12. the maximum rate;
13. the rate or fee actually charged during the billing period; and
14. the quantity of products or services scheduled at the discounted rate during the billing period for each delivery point.

All records maintained pursuant to this provision shall also conform to FERC rules where applicable.

Applicable to Class A Affiliates

Discussion

As stated in this manual in Section 5.01, Affiliate Rules III.A.1, V.F.2 and V.H.4 prohibit preferential treatment of SCE's affiliates. Preferential treatment would include discounts, rebates or other waivers of charges or fees to its affiliates that are not also available to similarly situated competitors. Nonetheless, an affiliate discount reporting form has been

developed and will be posted on SCE's externally accessible electronic bulletin board. SCE interprets the 24-hour requirement as meaning that notice must be posted within one business day of the utility's provision of service. CPUC Resolution E-3539, Findings of Fact 60, in discussion of a similar time requirement imposed by Affiliate Rule V.F.1, describes SCE's interpretation of "24-hours" as reasonable.

SCE has established an Internet website (http://www.sceaffiliatebb.com) specifically for the notices required by Rule III.F. Information will be posted on a regular basis in compliance with this Rule, by the Affiliate Compliance Office, with information provided by the business unit that may provide discounts or waivers. CPUC Resolution E-3539 expresses satisfaction with SCE's awareness of its reporting responsibilities and its intent to comply.

See also:

Section 5.04: Discounts

Section 16.06 Affiliate Entity List

Principle

Accurate and Timely Recordkeeping and Reporting

Policy

On a semi-annual basis, each Affiliate shall prepare and forward to the Chief Executive Officer and to the Executive Vice President and General Counsel of EIX, with a copy to SCE's Affiliates Officer and the Affiliates Counsel, a list of the current identities of its majority-owned subsidiaries, Affiliate Investees and Affiliate Third Parties. From such lists provided by Affiliates, the Affiliates Counsel shall cause to be prepared a master "Affiliate Entity List" containing the names of the entities identified by the Affiliates.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule I.A.

Applicable to Class A and Class B Affiliates

Discussion

The Affiliate Entity List is compiled by the Corporate Governance Division of SCE's Law Department.

History

PGACT V1S1

Section 16.07 Utility Entity List

Principle

Accurate and Timely Recordkeeping and Reporting

Policy

On a semi-annual basis, Southern California Edison (SCE) will prepare a "Utility Entity List" which lists Utility Subsidiaries, Utility Investees and Utility Third Parties. The list will be forwarded to SCE's Affiliates Officer(s) of other EIX companies. To avoid even the appearance of a conflict of interest or the possibility of preferential treatment, relationship checks should be performed by Affiliates as part of the due diligence process of investing. The Affiliates must review the Utility Entity List to determine if a potential investee has a significant relationship with Southern California Edison. In cases where there is such a relationship, the investment should be reviewed for possible conflicts. SCE's Affiliates Officer must be notified in such cases and be kept appraised of any investment activity. SCE's Affiliates Officer approval is *not* necessary for SCE contracts with entities on the Utility Entity List.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rule I.A.

Applicable to Class A and Class B Affiliates

Discussion

A Utility Subsidiary is an entity that is majority-owned by SCE or one of its subsidiaries.

A Utility Investee is an entity that is not majority-owned by Southern California Edison or a subsidiary, but is one (i) in which SCE or a subsidiary has at least a 10% ownership interest, or (ii) with respect to which SCE or a subsidiary has, or is contractually committed to provide, at least a $2 million debt or equity investment. Entities that meet criterion (i) above are considered to be affiliates under California Public Utilities Commission D.06-12-029. Whether such entities are subject to the rules adopted by that decision depends on whether that entity provides products that use electricity or services that relate to use of electricity.

A Utility Third Party (Unaffiliated Third Party) is an entity that does significant business with SCE or Utility Subsidiaries, but are not Utility Investees. More precisely, a Utility Third Party is an unaffiliated third party that is not a Utility Investee and that (i) is a partner or joint venturer of SCE or a Utility Subsidiary; or (ii) is an entity that accounted for, during the most recently completed 12 months, over $10 million in payments from or payments to SCE or a Utility Subsidiary; or (iii) is the ultimate parent company of either of the foregoing.

History

PGACT V1S1

Section 16.08 Entity Lists – Confidentiality

Principle

Accurate and Timely Recordkeeping and Reporting

Policy

The Entity Lists will be treated by Southern California Edison in accordance with procedures followed for proprietary documents. Each page should be marked "Confidential" or with such other term as SCE's standards for the treatment of privileged documents may provide.

In Support of: D.88-01-063, Condition 2; D.06-12-029, Rules I.A, IV.B

Applicable to Class A and Class B Affiliates

See also:

Corporate Policy IM-101: "Information Management: Classification & Handling" (ACT)

History

PGACT V1S1

Section 16.09 FERC Requirements – Preemption

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Affiliate Rule IV.H
To the extent that reporting rules imposed by the FERC require more detailed information or more expeditious reporting than the rules established by the Affiliate Rules, nothing in those CPUC rules shall be construed as modifying the FERC rules.

Applicable to Class A and Class B Affiliates

Discussion

SCE will comply with all relevant FERC requirements.

See also:

Appendix B: FERC Standards of Conduct (SOC)

Section 16.10 Maintenance of Records

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Affiliate Rule IV.F
Record-Keeping: *A utility shall maintain contemporaneous records documenting all tariffed and nontariffed transactions with its affiliates, including but not limited to, all waivers of tariff or* contract *provisions, all discounts, and all negotiations of any sort between the utility and its affiliate whether or not they are consummated. A utility shall maintain such records for a minimum of three years and longer if this Commission or another government agency so requires. For consummated transactions, the utility shall make final transaction documents available for third party review upon 72 hours' notice, or at a time mutually agreeable to the utility and third party.*

Affiliate Rule IV.G
SCE shall maintain a record of all contracts and related bids for the provision of work, products or services between SCE and its affiliates for no less than a period of three years, and longer if the CPUC or another government agency so requires.

Applicable to Class A Affiliates

Discussion

All Intercompany transactions must be adequately documented. Each organization conducting affiliate transactions will be responsible for maintaining documentation for the required three-year period, and will be responsible for forwarding that documentation, or summaries thereof, to SCE's Affiliate Compliance Office on an annual basis so that the annual report on affiliate transactions required by D.93-02-019 may be completed.

It is recommended that organizations include the following information in their records:

- The affiliate involved in the transaction
- The information released or the service provided
- The terms and conditions of the transaction
- The effective date of the transaction
- The SCE contact for further information regarding the transaction

Individual organizations may, at their discretion, record additional information about transactions.

All contracts between SCE and its affiliates, or bids from the utility to the affiliates or from the affiliates to the utility, will be reported to SCE's Affiliates Officer. The Affiliate Compliance Office will maintain a record of these bids and contracts.

In addition, all negotiations of any sort between the utility, on the one hand, and a Class A affiliate, on the other, must be reported to the SCE Affiliate Compliance Office, and contemporaneous documentation must be maintained.

See also:

Section 3.03: Affiliate Officer
Section 14.03: Competitive Bidding Required

History

PGACT 88, p. I-1

SCE's Affiliates Officer maintains a list of contracts between SCE and its covered affiliates that were entered into prior to January 1, 1998, the effective date of the Affiliate Rules. Bids were presented to or from SCE and its affiliates prior to January 1, 1998 were not recorded, except as it may have been required by previously adopted affiliate transaction rules.

Section 16.11 Periodic Reports

Principle

Accurate and Timely Recordkeeping and Reporting

Rules

Quarterly Reports

"Proportionate Share Report" ("Condition 13 Report")
On a quarterly basis, Southern California Edison shall provide the Commission with a report detailing the utility's proportionate share of the holding company's i) total assets; ii) total operating revenues; iii) operating and maintenance expense; and iv) number of employees.
Source: D.88-01-063, Condition 13.

Southern California Edison shall furnish the Commission with:

(a) The quarterly and annual financial statements of its parent holding company, including consolidating workpapers of the holding company and its subsidiaries;
(b) All periodic reports filed by the holding company with the Securities and Exchange Commission.

Source: D.88-01-063, Conditions 5.a and 5.d

Annual Reports

Affiliate Rule I.C
Each utility that has any affiliated entities (as defined in Section I.G) must annually file a report with the Commission entitled "Annual Report on Significant Utility-Affiliate Transactions"

Southern California Edison shall furnish the Commission with:

(a) The quarterly and annual financial statements of its parent holding company, including consolidating workpapers of the holding company and its subsidiaries;
(b) Annual statements concerning the nature of intercompany transactions concerning Edison and a description of the basis upon which cost allocations and transfer pricing have been established in these transactions;
(c) The balance sheets and income statements of the nonconsolidated subsidiaries of the holding company;
(d) All periodic reports filed by the holding company with the Securities and Exchange Commission.

Source: D.88-01-063, Condition 5,

Affiliate Rule VIII.C.2.c
Each utility shall file annually with the Commission a report detailing the nature and status of all complaints.

Affiliate Rule VII.H (partial)

Any utility offering nontariffed products and services shall file periodic reports with the Commission's Energy Division twice annually for the first two years following the effective date of these Rules, then annually thereafter unless otherwise directed by the Commission.

Applicable to Class A and Class B Affiliates

Discussion

The required contents of SCE's annual report are set forth in the rules adopted by R.92-08-008 and modified by D.93-02-019 (See Chapter 21 of this manual). The transactional information provided in this annual report satisfies the reporting requirement of D.88-01-063, Condition 5b. The complaint summary ordered by D.98-12-075 is also submitted with SCE's annual report.

SCE's Controllers Department will prepare the quarterly "Proportionate Share Report" required by D.88-01-063, Condition 13 and the reports required by D.88-01-063, Conditions 5a and 5d.

See also:

Section 7: Separation – Advertising & Marketing – Service Provider Lists
Section 16: Recordkeeping & Reporting – Periodic Reports – Employee Movement
Section 16: Recordkeeping & Reporting – Periodic Reports – Non-Tariffed Products and Services

History

D.88-01-063, Condition 5.e also required:

> Edison shall submit, as a separate exhibit in its next general rate case, an audit of all transactions between Edison and its nonutility affiliates, to be performed by an outside auditing firm which shall be selected and supervised by the Commission's Division of Ratepayer Advocates. The need for subsequent audits will be determined in Edison's next general rate case.

In D.91-05-020, the Commission modified Condition 5.e. in several respects. Among other things, it specified that the audit would be reviewed in a separate phase of SCE 1995 General Rate Case. It also transferred responsibility for the audit from the Division of Ratepayer Advocates to the Commission Advisory and Compliance Division. The Commission-supervised audit was performed in 1992 by Metzler & Associates. The Commission found, in D.95-12-033, that SCE complied with its audit obligation with respect to Condition 5.e and accepted SCE's implementation of the audit's recommendations.

Prior to 2001, the quarterly report required by Holding Company Decision Condition 13 was described in the PROACT Manual under **Recordkeeping & Reporting – Proportionate Share Report**. That listing was consolidated with this section for convenience of reference.

Section 16.12 Periodic Reports – Employee Movement

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Affiliate Rule V.G.2.a
A utility shall track and report to the Commission all employee movement between the utility and affiliates. The utility shall report this information annually pursuant to our Affiliate Transaction Reporting Decision, D.93-02-019, 48 CPUC2d 163, 171-172 and 180 (Appendix A, Section I and Section II H.).

Affiliate Rule II.H.1
The utility shall report any employee who transferred from the utility to any of its affiliated entities during the period covered by the annual report.

Applicable to Class A and Class B Affiliates

Discussion

SCE's Human Resources (HR) Department is responsible for processing movement of utility employees between Class A and Class B affiliates, including obtaining acknowledgment by the employee of restrictions pertaining to use of utility information and of residency requirements. SCE has developed a checklist of exit interview documents required for each utility employee's file. The exit interview is conducted for each utility employees moving to affiliate. The documentation for such employees is reviewed by SCE's Affiliate Compliance Office to ensure conformity to these Rules. Movement of EIX employees to SCE's Class A affiliates are also reviewed by Affiliate Compliance Office to ensure that employees are not moved to EIX and then to an affiliate in order to circumvent any Rules. In the first quarter of each year, HR will provide Affiliate Compliance Office with a summary of all SCE employees hired by affiliates and all affiliate employees hired by SCE in the previous calendar year. Affiliate Compliance Office will incorporate this data into the format required for SCE's annual report on affiliated company transactions.

SCE instituted the required fees and "residency" requirements effective 1/1/98. Affiliate Compliance, working with SCE's HR Department, will track the "residency" of SCE employees moving to, and returning from, affiliates. SCE will note in its annual report the time spent at the required location by employees moving back to SCE or re-transferring to a particular Class A affiliate.

History

PGACT V1S4

Affiliate Rule V.B.1 duplicates and supersedes, D.88-01-063, Condition 6:

Southern California Edison shall also provide to the Commission an annual report identifying non-clerical personnel transferred from Southern California Edison to its parent holding company or any of the holding company's nonutility subsidiaries.

The annual report submitted pursuant to D.93-02-019 contains the information required by Condition 6 and satisfies this condition.

D.97-05-040, Interim Guideline 8, applicable 5/20/97-12/31/97, superseded by provisions of D.06-12-029, Rule V.G.2.a, read:

The UDC, Southern California Edison, shall track the transfer of employees between the UDC and Edison Source, the affiliated entity.

Section 16.13 Periodic Reports – Non-Tariffed Products and Services

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Affiliate Rule VII.H
Any utility offering non-tariffed products and services shall file periodic reports with the Commission's Energy Division twice annually for the first two years following the effective date of these Rules, then annually thereafter unless otherwise directed by the Commission. The utility shall serve periodic reports on the service list of this proceeding. The periodic reports shall contain the following information:

1. A description of each existing or new category of non-tariffed products and services and the authority under which it is offered;
2. A description of the types and quantities of products and services contained within each category (so that, for example, "leases for agricultural nurseries at 15 sites" might be listed under the category "leases of land under utility transmission lines," although the utility would not be required to provide the details regarding each individual lease);
3. The costs allocated to and revenues derived from each category; and
4. Current information on the proportion of relevant utility assets used to offer each category of product and service.

Applicable to Class A Affiliates

Discussion

SCE filed its first semi-annual report required by this Rule on September 17, 1998, its second report on March 15, 1999, its third on September 15, 1999, and its fourth on March 20, 2000. SCE filed its first annual report on March 22, 2001 and its second on March 28, 2002. CPUC Resolution E-3539 expresses the Commission's satisfaction with SCE's intention to comply.

See also:

Section 15.03: Products/Services Offered Prior to 12/16/97 Advice 1286-E-A, April 5, 2000

Procedure

This report is prepared by SCE's Affiliate Compliance Office. Consistent with SCE's commitment SCE will file the annual report no later than June 1 of each year.

Example

In its reports, SCE has formatted the information required by Affiliate Rule VII.H in a matrix that contained the following:

- A listing of existing and new categories of non-tariffed products and services that were offered by SCE during the Reporting Period;
- A description of each of the categories, as well as a listing of the types and quantities of products and services contained within each category;
- The costs allocated to and revenues derived from each category; and
- The proportional share of relevant utility assets used to offer each product and service category.

Column 1 of the matrix is consistent with the categories approved by the Commission in Resolution E-3639, which adopted SCE's Advice 1286-E-A, *Southern California Edison Company Existing Non-Tariffed Products and Services Offered for Sale*, filed on April 5, 2000.

Column 2 of the matrix contains descriptions of each category, consistent with the descriptions contained in Advice 1286-E. In some cases, the descriptions have been expanded to provide a better description of the types of products or services being offered within that category. Column 2 of the matrix also provides quantification (e.g., number of contracts, number of customers, number of transactions, etc.) of the activity within that specific category during the Reporting Period. In addition, SCE identifies the activities in each category which have had no activity during the Reporting Period.

Column 3 of the matrix provides a summary of the costs associated with each category of non-tariffed product or service offerings. The costs reflected in Column 3 are the incremental costs associated with the non-tariffed product or service offerings within each category. Incremental costs are any additional costs incurred by SCE to offer or provide the non-tariffed products or services. Thus, the incremental costs are expenditures that would not be incurred by the utility if the non-tariffed product or service was not offered. The incremental costs are recorded when incurred.

Column 4 of the matrix provides a summary of the gross revenue received during the Reporting Period for each category of non-tariffed products and services. As with the incremental costs, the revenues are recorded when they are incurred. Since the revenues and incremental costs associated with each category are recorded when incurred, the gross margin derived by subtracting the incremental costs from the revenues are not necessarily an accurate estimate of the gross margins for each category. In many cases, for example, SCE may have incurred in prior years the incremental costs to offer a particular product and service, while the revenues generated by and associated with these incremental costs will be received into the future.

Column 5 of the matrix provides an estimate of the proportional share of relevant utility assets used to offer the non-tariffed product or service category. The percent of utility assets associated with the product and service category includes both physical and labor assets.

Section 16.14 Timeliness and Availability of Records

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Affiliate Rules IV.F (partial)
A utility shall maintain contemporaneous records documenting all tariffed and non-tariffed transactions with its affiliates, including but not limited to, all waivers of tariff or contract provisions, all discounts, and all negotiations of any sort between the utility and its affiliate whether or not they are consummated.

Affiliate Rule IV.F (partial)
The utility shall make records documenting all tariffed and non-tariffed transactions with its affiliates available for third party review upon 72 hours' notice, or at a time mutually agreeable to the utility and third party. If D.97-06-110 is applicable to the information the utility seeks to protect, the utility should follow the procedure set forth in D.97-06-110, except that the utility should serve the third party making the request in a manner that the third party receives the utility's D.97-06-110 request for confidentiality within 24 hours of service.

Affiliate Rule V.B.2
The books and records of a utility's parent holding company and affiliates shall be open for examination by the Commission and its staff consistent with the provisions of Public Utilities Code Section 314 and 701, the conditions in the Commission's orders authorizing the utilities holding companies and/or merged with these Rules.

Edison shall ensure that the Commission has access to books and records of the holding company and each of its affiliates and their joint ventures, consistent with the requirements of Public Utilities Code Section 314.
Source: D.88-01-063, Condition 1 (partial)

Applicable to Class A and Class B Affiliates

Discussion

SCE acknowledges that the record-keeping requirements of Affiliate Rule IV.F apply to all transactions between SCE and its Class A affiliates. Each organization conducting affiliate transactions will be responsible for maintaining documentation for the required three-year period, and will be responsible for forwarding that documentation, or summaries thereof, to SCE's Affiliate Compliance Office on an annual basis so that the annual report on affiliate transactions required by D.93-02-019 may be completed.

CPUC Resolution E-3539, Findings of Fact 46, affirms SCE's procedure requiring written requests for information.

The documentation and disclosure requirements of this Rule apply to all transactions, including those related to services permitted by Rule V.E. Proprietary information necessary to perform those services pursuant to Rule V.E, however, will not be disclosed. The exclusive and non-public exchange of this information is expressly permitted by Rule IV.B. SCE retains its rights under the law to protect from disclosure privileged communications, attorney work product, and trade secrets.

Billings between SCE and its Class A affiliates are recorded on a monthly basis. Records of these inter-company billings can only be made available subsequent to the closing of the monthly transactions. CPUC Resolution E-3539, Findings of Fact 59, notes that it is reasonable to define "contemporaneous" as once per month for the purposes of Rule IV.F.

SCE interprets the 72-hour presentation requirement as meaning that documentation concerning the transaction must be available for review by the third business day following the request. SCE similarly interprets the 24-hour requirement in Rule IV.F as meaning within one business day of service. CPUC Resolution E-3539, Findings of Fact 60, describes these interpretations as reasonable.

Although SCE believes it can comply with the requirement to make records of individual transactions available within three business days, it cannot provide aggregate or summary data—such as that provided in SCE's Annual Report on Affiliated Company Transactions—in that period of time. D.92-08-008, in establishing the requirement to submit annual reports, anticipated that it would take time to assemble and verify aggregate data and transactional detail when it set the submittal date for those reports at May 1 of each year. Rule IV.F requires the utility to make available its *records* within the prescribed time, rather than summary information.

The CPUC has placed SCE on notice that it will interpret Section 314 broadly as it applies to transactions between SCE and its holding company, its other affiliates, and its subsidiaries in fulfilling the regulatory responsibilities carried out by the Commission, its staff, and its authorized agents. Administratively, requests for such books and records made by the Commission, its staff, or its authorized agents shall be deemed presumptively valid, material and relevant. Any objections to such requests shall be timely raised before the administrative law judge or assigned commissioner in the proceeding in which such objections arise. In order to sustain an objection to such a request, respondents shall have the burden of showing that the request is not reasonably related to any issue properly before the Commission and, further, is not reasonably calculated to result in the discovery of admissible evidence in the proceeding.

Procedure

All requests from third parties for affiliate transaction information must be made to the SCE's Affiliates Officer, who will arrange retrieval and presentation of the information within the time required. All requests pursuant to this Rule should be submitted in writing to:

R.O. Nichols
Senior Vice President, Regulatory Affairs
Southern California Edison Company

8631 Rush Street
Rosemead, CA 91770

History

Affiliate Rule V.B.2 duplicates and supersedes D.88-01-063, Condition 1:

> *Edison shall ensure that the Commission has access to books and records of the holding company and each of its affiliates and their joint ventures, consistent with the requirements of Public Utilities Code Section 314.*

See also, D.88-01-063, Condition 2

PGACT V1S1, V1S9

Section 16.15 Reporting Transfers of Goods and Services Over $100,000

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Southern California Edison shall notify the Commission in writing within thirty (30) days prior to any transfer to the holding company or its nonutility affiliates of any utility asset or property exceeding a fair market value of $100,000, whether or not considered by the utility to be necessary or useful in the performance of its public utility obligations. This condition shall not include transfers of funds for investment under a cash management system.

Source: D.88-01-063, Condition 7

Applicable to Class A and Class B Affiliates

Discussion

See also:

Section 14.04: Pricing Transfer of Goods and Services

Section 16.16 Proper Sales Pricing

Principle

Accurate and Timely Recordkeeping and Reporting

Policy

Rule IV.F, V.H
For property sales to Affiliates, the following must be reported to the CPUC: The basis on which the cost and sale price were established for any property sold between Southern California Edison and Affiliates. This is reported in the Annual Report on Affiliate Transactions per Rule I.C.

Applicable to Class A and Class B Affiliates

History

PGACT V1S6

Section 16.17 Self-Reporting Violations

Principle

Accurate and Timely Recordkeeping and Reporting

Rule

Rule VIII.D.2.b.ii.(3)
When a public utility is aware that a violation has occurred, the Commission expects the public utility to promptly bring it to the attention of the Commission. The precise timetable that constitutes "prompt" will vary based on the nature of the violation. Violations which physically endanger the public must be immediately corrected and thereafter reported to the Commission staff. Reporting violations should be remedied at the earliest administratively feasible time.

Prompt reporting of violations furthers the public interest by allowing for expeditious correction. For this reason, steps taken by a public utility to promptly and cooperatively report and correct violations may be considered in assessing any penalty.

Discussion

See also:

Chapter 17: Penalties and Complaints

Applicable to Class A Affiliates

Chapter 17. Penalties and Complaints

Equitable Penalties and Complaint Procedures

Section 17.01 Penalties and Complaints: Civil Relief

Principle

Equitable Penalties and Complaint Procedures

Rule

Affiliate Rule II.G
These Rules shall not preclude or stay any form of civil relief, or rights or defenses thereto, that may be available under state or federal law.

Applicable to Class A and Class B Affiliates

Section 17.02 Penalties and Complaints: Counting Violations

Principle

Equitable Penalties and Complaint Procedures

Rule

Affiliate Rule VIII.A. (partial)
Each act or failure to act by a utility in violation of these rules may be considered a separate occurrence.

Applicable to Class A Affiliates

Section 17.03 Complaint Procedures

Principle

Equitable Penalties and Complaint Procedures

Rule

Affiliate Rule VIII.C.1
All complaints shall be filed as formal complaints with the Commission and complainants shall provide a copy to the utility's designated officer (as described below) on the same day that the complaint is filed.

Applicable to Class A Affiliates

Section 17.04 Informal Complaint Inquiries

Principle

Equitable Penalties and Complaint Procedures

Rule

Affiliate Rule VIII.C.6
Prior to filing a formal complaint, a potential complainant may contact the responsible utility officer and/or the Energy Division to inform them of the possible violation of the affiliate rules. If the potential complainant seeks an informal meeting with the utility to discuss the complaint, the utility shall make reasonable efforts to arrange such a meeting. Upon mutual agreement, Energy Division staff and interested parties may attend any such meeting.

If a potential complainant makes an informal contact with a utility regarding an alleged violation of the affiliate transaction rules, the utility officer in charge of affiliate compliance shall respond in writing to the potential complainant within 15 business days. The response would state whether or not the issues raised by the potential complainant require further investigation. (The potential complainant does not have to rely on the responses in deciding whether to file a formal complaint.)

Applicable to Class A Affiliates

Section 17.05 Reparations, Fines, and Penalties

Principle

Equitable Penalties and Complaint Procedures

Rule

Affiliate Rule VIII.D.1 and VIII.D.2 (partial)
When enforcing these rules or any order of the Commission regarding these rules, the Commission may do any or all of the following:

a. Order a utility to stop doing something that violates these rules;

b. Prospectively limit or restrict the amount, percentage, or value of transactions entered into between the utility and its affiliate(s);

c. Assess fines or other penalties;

d. Prohibit the utility from allowing its affiliate(s) to utilize the name and logo of the utility, either on a temporary or a permanent basis;

e. Apply any other remedy available to the Commission.

2. Any public utility which violates a provision of these rules is subject to a fine of not less than five hundred dollars ($500), nor more than $20,000 for each offense.

Applicable to Class A Affiliates

Discussion

The remainder of this subsection distills the principles that the Commission has historically relied upon in assessing fines and restates them in a manner that will form the analytical foundation for future decisions in which fines are assessed. These principles are fully set forth in Affiliate Rule VIII.D.

Effective deterrence creates an incentive for public utilities to avoid violations. Deterrence is particularly important against violations which could result in public harm, and particularly against those where severe consequences could result. To capture these ideas, the two general factors used by the Commission in setting fines are: (1) severity of the offense and (2) conduct of the utility. These help guide the Commission in setting fines which are proportionate to the violation.

Severity of the Offense

The severity of the offense includes several considerations. Economic harm reflects the amount of expense which was imposed upon the victims, as well as any unlawful benefits gained by the public utility. Generally, the greater of these two amounts will be used in establishing the fine.

In comparison, violations which caused actual physical harm to people or property are generally considered the most severe, with violations that threatened such harm closely following.

The fact that the economic harm may be difficult to quantify does not itself diminish the severity or the need for sanctions. For example, the Commission has recognized that deprivation of choice of service providers, while not necessarily imposing quantifiable economic harm, diminishes the competitive marketplace such that some form of sanction is warranted.

Many potential penalty cases before the Commission do not involve any harm to consumers but are instead violations of reporting or compliance requirements. In these cases, the harm may not be to consumers but rather to the integrity of the regulatory processes. For example, compliance with Commission directives is required of all California Public Utilities:

"Every public utility shall obey and comply with every order, decision, direction, or rule made or prescribed by the Commission in the matters specified in this part, or any other matter in any way relating to or affecting its business as a public utility, and shall do everything necessary or proper to secure compliance therewith by all of its officers, agents, and employees." California Public Utilities Code § 702.

Such compliance is absolutely necessary to the proper functioning of the regulatory process. For this reason, disregarding a statutory or Commission directive, regardless of the effects on the public, will be accorded a high level of severity.

The number of the violations is a factor in determining the severity. A series of temporally distinct violations can suggest an on-going compliance deficiency which the public utility should have addressed after the first instance. Similarly, a widespread violation which affects a large number of consumers is a more severe offense than one which is limited in scope. For a "continuing offense," California Public Utilities Code § 2108 counts each day as a separate offense.

Conduct of the Utility

This factor recognizes the important role of the public utility's conduct in (1) preventing the violation, (2) detecting the violation, and (3) disclosing and rectifying the violation. The public utility is responsible for the acts of all its officers, agents, and employees:

"In construing and enforcing the provisions of this part relating to penalties, the act, omission, or failure of any officer, agent or employee of any public utility, acting within the scope of his [or her] official duties or employment, shall in every case be the act, omission, or failure of such public utility." California Public Utilities Code § 2109.

The Utility's Actions to Prevent a Violation

Prior to a violation occurring, prudent practice requires that all public utilities take reasonable steps to ensure compliance with Commission directives. This includes becoming familiar with applicable laws and regulations, and most critically, the utility regularly reviewing its own operations to ensure full compliance. In evaluating the utility's advance efforts to ensure compliance, the Commission will consider the utility's past record of compliance with Commission directives.

The Utility's Actions to Detect a Violation

The Commission expects public utilities to monitor diligently their activities. Where utilities have for whatever reason failed to meet this standard, the Commission will continue to hold the utility responsible for its actions. Deliberate as opposed to inadvertent wrong-doing will be considered an aggravating factor. The Commission will also look at the management's conduct during the period in which the violation occurred to ascertain particularly the level and extent of involvement in or tolerance of the offense by management personnel. The Commission will closely scrutinize any attempts by management to attribute wrong-doing to rogue employees. Managers will be considered, absent clear evidence to the contrary, to have condoned day-to-day actions by employees and agents under their supervision.

The Utility's Actions to Disclose and Rectify a Violation

When a public utility is aware that a violation has occurred, the Commission expects the public utility to promptly bring it to the attention of the Commission. The precise timetable that constitutes "prompt" will vary based on the nature of the violation. Violations which physically endanger the public must be immediately corrected and thereafter reported to the Commission staff. Reporting violations should be remedied at the earliest administratively feasible time.

Prompt reporting of violations furthers the public interest by allowing for expeditious correction. For this reason, steps taken by a public utility to promptly and cooperatively report and correct violations may be considered in assessing any penalty.

Financial Resources of the Utility

Effective deterrence also requires that the Commission recognize the financial resources of the public utility in setting a fine which balances the need for deterrence with the constitutional limitations on excessive fines. The Commission intends to adjust fine levels to achieve the objective of deterrence, without becoming excessive, based on each utility's financial resources.

Totality of the Circumstances in Furtherance of the Public Interest

Setting a fine at a level which effectively deters further unlawful conduct by the subject utility and others requires that the Commission specifically tailor the package of sanctions, including any fine, to the unique facts of the case. The Commission will review facts which tend to mitigate the degree of wrongdoing as well as any facts which exacerbate the wrongdoing. In all cases, the harm will be evaluated from the perspective of the public interest.

The Role of Precedent

The Commission adjudicates a wide range of cases which involve sanctions, many of which are cases of first impression. As such, the outcomes of cases are not usually directly comparable. In future decisions which impose sanctions the parties and, in turn, the Commission will be expected to explicitly address those previously issued decisions which involve the most reasonably comparable factual circumstances and explain any substantial differences in outcome.

Section 17.06 Resolving Complaints

Principle

Equitable Penalties and Complaint Procedures

Rule

Affiliate Rule VIII.C.2.a (partial)
The utility shall investigate and attempt to resolve the complaint. The resolution process shall include a meet-and-confer session with the complainant. A Commission staff member may, upon request by the utility or the complainant, participate in such meet-and-confer sessions and shall participate in the case of a whistleblower complaint.

Rule VIII.C.2.b
The utility shall prepare and preserve a report on each complaint, all relevant dates, companies, customers and employees involved, and if applicable, the resolution reached, the date of the resolution and any actions taken to prevent further violations from occurring. The report shall be provided to the Commission and all parties within four weeks of the date the complaint was filed. In addition, to providing hard copies, the utility shall also provide electronic copies to the Commission and to any party providing an e-mail address.

Rule VIII.C.2.d
The Commission may, notwithstanding any resolution reached by the utility and the complainant, convert a complaint to an investigation and determine whether the utility violated these rules, and impose any appropriate penalties under Section VIII.D or any other remedies provided by the Commission's rules or the Public Utilities Code.

Rule VIII.C.3
The utility will inform the Commission's Energy Division and Consumer Services Division of the results of this dispute resolution process. If the dispute is resolved, the utility shall inform the Commission staff of the actions taken to resolve the complaint and the date the complaint was resolved.

Rule VIII.C.4
If the utility and the complainant cannot reach a resolution of the complaint, the utility will so inform the Commission's Energy Division. It will also file an answer to the complaint within 30 days of the issuance by the Commission's Docket Office of instructions to answer the original complaint. Within 10 business days of notice of failure to resolve the complaint, Energy Division staff will meet and confer with the utility and the complainant and propose actions to resolve the complaint. Under the circumstances where the complainant and the utility cannot resolve the complaint, the Commission shall strive to resolve the complaint within 180 days of the date the instructions to answer are served on the utility.

Applicable to Class A Affiliates

Section 17.07 Temporary Restraining Orders

Principle

Equitable Penalties and Complaint Procedures

Rule

Affiliate Rule VIII.C.2.a (partial)
A party filing a complaint may seek a temporary restraining order at the time the formal complaint is filed. The defendant utility and other interested parties may file responses to a request for a temporary restraining order within 10 days of the filing of the request. An assigned commissioner or administrative law judge may shorten the period for responses, where appropriate. An assigned commissioner or administrative law judge, or the Commission shall act on the request for a temporary restraining order within 30 days. The request may be granted when: (1) the moving party is reasonably likely to prevail on the merits, and (2) a temporary restraining order relief is necessary to avoid irreparable injury, will not substantially harm other parties, and is consistent with the public interest.

A notice of temporary restraining order issued by an assigned commissioner or administrative law judge will only stay in effect until the end of the day of the next regularly-scheduled Commission meeting at which the Commission can issue a temporary restraining order or a preliminary injunction. If the Commission declines to issue a temporary restraining order or a preliminary injunction, the notice of temporary restraining order will be immediately lifted. Whether or not a temporary restraining order or a preliminary injunction is issued, the underlying complaint may still move forward.

Applicable to Class A Affiliates

Section 17.08 Who Can File a Complaint (Standing)

Principle

Equitable Penalties and Complaint Procedures

Rule

Affiliate Rule VIII.B
Any person or corporation as defined in Sections 204, 205, and 206 of the California Public Utilities Code may complain to the Commission or to a utility in writing, setting forth any act or thing done or omitted to be done by any utility or affiliate in violation or claimed violation of any rule set forth in this document.

"Whistleblower complaints" will be accepted and the confidentiality of complainant will be maintained until conclusion of an investigation or indefinitely, if so requested by the whistleblower. When a whistleblower requests anonymity, the Commission will continue to pursue the complaint only where it has elected to convert it into a Commission-initiated investigation. Regardless of the complainant's status, the defendant shall file a timely answer to the complaint.

Applicable to Class A Affiliates

APPENDIX A: CPUC Affiliate Transaction Rules

Affiliate Transaction Rules Applicable to Large California Energy Utilities

I. Definitions

Unless the context otherwise requires, the following definitions govern the construction of these Rules:

A. *"Affiliate"* means any person, corporation, utility, partnership, or other entity 5% or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly either by a utility or any of its subsidiaries, or by that utility's controlling corporation and/or any of its subsidiaries as well as any company in which the utility, its controlling corporation, or any of the utility's affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership. For purposes of these Rules, "substantial control" includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. A direct or indirect voting interest of 5% or more by the utility in an entity's company creates a rebuttable presumption of control.

For purposes of this Rule, "affiliate" shall include the utility's parent or holding company, or any company which directly or indirectly owns, controls, or holds the power to vote 10% or more of the outstanding voting securities of a utility (holding company), to the extent the holding company is engaged in the provision of products or services as set out in Rule II B. However, in its compliance plan filed pursuant to Rule VI, the utility shall demonstrate both the specific mechanism and procedures that the utility and holding company have in place to assure that the utility is not utilizing the holding company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules. Examples include but are not limited to specific mechanisms and procedures to assure the Commission that the utility will not use the holding company, another utility affiliate not covered by these Rules, or a consultant or contractor as a vehicle to (1) disseminate information transferred to them by the utility to an affiliate covered by these Rules in contravention of these Rules, (2) provide services to its affiliates covered by these Rules in contravention of these Rules or (3) to transfer employees to its affiliates covered by these Rules in contravention of these Rules. In the compliance plan, a corporate officer from the utility and holding company shall verify the adequacy of these specific mechanisms and procedures to ensure that the utility is not utilizing the holding company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules. Regulated subsidiaries of a utility, defined as subsidiaries of a utility, the revenues and expenses of which are subject to regulation by the Commission and are included by the Commission in establishing rates for the utility, are not included within the definition of affiliate. However, these Rules apply to all interactions any regulated subsidiary has with other affiliated entities covered by these rules.

B. *"Commission"* means the California Public Utilities Commission or its succeeding state regulatory body.

C. *"Customer"* means any person or corporation, as defined in Sections 204, 205 and 206 of the California Public Utilities Code that is the ultimate consumer of goods and services.

D. *"Customer Information"* means non-public information and data specific to a utility customer which the utility acquired or developed in the course of its provision of utility services.

E. *"FERC"* means the Federal Energy Regulatory Commission.

F. *"Fully Loaded Cost"* means the direct cost of good or service plus all applicable indirect charges and overheads.

G. *"Utility"* means any public utility subject to the jurisdiction of the Commission as an Electrical Corporation or Gas Corporation, as defined in California Public Utilities Code Sections 218 and 222, and with gross annual operating revenues in California of $1 billion or more.

H. *"Resource Procurement"* means the investment in and the production or acquisition of the energy facilities, supplies, and other energy products or services necessary for California public utility gas corporations and California public utility electrical corporations to meet their statutory obligation to serve their customers.

II. Applicability

A. These Rules shall apply to California public utility gas corporations and California public utility electrical corporations, subject to regulation by the California Public Utilities Commission and with gross annual operating revenues in California of $1 billion or more.

B. For purposes of a combined gas and electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity, unless specifically exempted below. For purposes of an electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses electricity or the provision of services that relate to the use of electricity. For purposes of a gas utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or the provision of services that relate to the use of gas. However, regardless of the foregoing, where explicitly provided, these Rules also apply to a utility's parent holding company and to all of its affiliates, whether or not they engage in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity.

C. No holding company nor any utility affiliate, whether or not engaged in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity, shall knowingly:

1. direct or cause a utility to violate or circumvent these Rules, including but not limited to the prohibitions against the utility providing preferential treatment, unfair competitive advantages or non-public information to its affiliates;

2. aid or abet a utility's violation of these Rules; or

3. be used as a conduit to provide non-public information to a utility's affiliate.

D. These Rules apply to transactions between a Commission-regulated utility and another

affiliated utility, unless specifically modified by the Commission in addressing a separate application to merge or otherwise conduct joint ventures related to regulated services.

E. These Rules do not apply to the exchange of operating information, including the disclosure of customer information to its FERC-regulated affiliate to the extent such information is required by the affiliate to schedule and confirm nominations for the interstate transportation of natural gas, between a utility and its FERC-regulated affiliate, to the extent that the affiliate operates an interstate natural gas pipeline. These Rules do not apply to transactions between an electric utility and an affiliate providing broadband over power lines (BPL).

F. *Existing Rules:* Existing Commission rules for each utility and its parent holding company shall continue to apply except to the extent they conflict with these Rules. In such cases, these Rules shall supersede prior rules and guidelines, provided that nothing herein shall supersede the Commission's regulatory framework for broadband over power lines (BPL) adopted in D. 06-04-070 nor shall preclude (1) the Commission from adopting other utility-specific guidelines; or (2) a utility or its parent holding company from adopting other utility-specific guidelines, with advance Commission approval.

G. *Civil Relief:* These Rules shall not preclude or stay any form of civil relief, or rights or defenses thereto, that may be available under state or federal law.

H. These Rules should be interpreted broadly, to effectuate our stated objectives of fostering competition and protecting consumer interests. If any provision of these Rules, or the application thereof to any person, company, or circumstance, is held invalid, the remainder of the Rules, or the application of such provision to other persons, companies, or circumstances, shall not be affected thereby.

III. Nondiscrimination

A. *No Preferential Treatment Regarding Services Provided by the Utility:* Unless otherwise authorized by the Commission or the FERC, or permitted by these Rules, a utility shall not:

1. represent that, as a result of the affiliation with the utility, its affiliates or customers of its affiliates will receive any different treatment by the utility than the treatment the utility provides to other, unaffiliated companies or their customers; or

2. provide its affiliates, or customers of its affiliates, any preference (including but not limited to terms and conditions, pricing, or timing) over non-affiliated suppliers or their customers in the provision of services provided by the utility.

B. *Affiliate Transactions:* Transactions between a utility its parent holding company and its affiliates shall be limited to tariffed products and services, to the sale of goods, property, products or services made generally available by the utility or affiliate to all market participants through an open, competitive bidding process, to the provision of information made generally available by the utility to all market participants, to Commission-approved resource procurement by the utility, or as provided for in Rules V D (joint purchases), V E (corporate support) and VII (new products and services) below.

1. *Resource Procurement:* No utility shall engage in resource procurement, as defined in these Rules, from an affiliate without prior approval from the Commission. Blind

transactions between a utility and its affiliate, defined as those transactions in which neither party knows the identity of the counterparty until the transaction is consummated, are exempted from this Rule. A transaction shall be deemed to have prior Commission approval (a) before the effective date of this Rule, if authorized by the Commission specifically or through the delegation of authority to Commission staff or (b) after the effective date of this Rule, if authorized by the Commission generally or specifically or through the delegation of authority to Commission staff.

2. *Provision of Supply, Capacity, Services or Information:* Except as provided for in Rules V D, V E, and VII, a utility shall provide access to utility information, services, and unused capacity or supply on the same terms for all similarly situated market participants. If a utility provides supply, capacity, services, or information to its affiliate(s), it shall contemporaneously make the offering available to all similarly situated market participants, which include all competitors serving the same market as the utility's affiliates.

3. *Offering of Discounts:* Except when made generally available by the utility through an open, competitive bidding process, if a utility offers a discount or waives all or any part of any other charge or fee to its affiliates, or offers a discount or waiver for a transaction in which its affiliates are involved, the utility shall contemporaneously make such discount or waiver available to all similarly situated market participants. The utilities should not use the "similarly situated" qualification to create such a unique discount arrangement with their affiliates such that no competitor could be considered similarly situated. All competitors serving the same market as the utility's affiliates should be offered the same discount as the discount received by the affiliates. A utility shall document the cost differential underlying the discount to its affiliates in the affiliate discount report described in Rule III F 7 below.

4. *Tariff Discretion:* If a tariff provision allows for discretion in its application, a utility shall apply that tariff provision in the same manner to its affiliates and other market participants and their respective customers.

5. *No Tariff Discretion:* If a utility has no discretion in the application of a tariff provision, the utility shall strictly enforce that tariff provision.

6. *Processing Requests for Services Provided by the Utility*: A utility shall process requests for similar services provided by the utility in the same manner and within the same time for its affiliates and for all other market participants and their respective customers.

C. *Tying of Services Provided by a Utility Prohibited:* A utility shall not condition or otherwise tie the provision of any services provided by the utility, nor the availability of discounts of rates or other charges or fees, rebates, or waivers of terms and conditions of any services provided by the utility, to the taking of any goods or services from its affiliates.

D. *No Assignment of Customers*: A utility shall not assign customers to which it currently provides services to any of its affiliates, whether by default, direct assignment, option or by any other means, unless that means is equally available to all competitors.

E. *Business Development and Customer Relations*: Except as otherwise provided by these Rules, a utility shall not:

1. provide leads to its affiliates;

2. solicit business on behalf of its affiliates;

3. acquire information on behalf of or to provide to its affiliates;

4. share market analysis reports or any other types of proprietary or nonpublicly available reports, including but not limited to market, forecast, planning or strategic reports, with its affiliates;

5. request authorization from its customers to pass on customer information exclusively to its affiliates;

6. give the appearance that the utility speaks on behalf of its affiliates or that the customer will receive preferential treatment as a consequence of conducting business with the affiliates; or

7. give any appearance that the affiliate speaks on behalf of the utility.

F. *Affiliate Discount Reports:* If a utility provides its affiliates a discount, rebate, or other waiver of any charge or fee associated with products or services provided by the utility, the utility shall, within 24 hours of the time at which the product or service provided by the utility is so provided, post a notice on its electronic bulletin board providing the following information:

1. the name of the affiliate involved in the transaction;

2. the rate charged;

3. the maximum rate;

4. the time period for which the discount or waiver applies;

5. the quantities involved in the transaction;

6. the delivery points involved in the transaction;

7. any conditions or requirements applicable to the discount or waiver, and a documentation of the cost differential underlying the discount as required in Rule III B 2 above; and

8. procedures by which a nonaffiliated entity may request a comparable offer.

A utility that provides an affiliate a discounted rate, rebate, or other waiver of a charge or fee associated with services provided by the utility shall maintain, for each billing period, the following information:

1. the name of the entity being provided services provided by the utility in the transaction;
2. the affiliate's role in the transaction (i.e., shipper, marketer, supplier, seller);
3. the duration of the discount or waiver;
4. the maximum rate;
5. the rate or fee actually charged during the billing period; and
6. the quantity of products or services scheduled at the discounted rate during the billing period for each delivery point.

All records maintained pursuant to this provision shall also conform to FERC rules where applicable.

IV. Disclosure and Information

A. *Customer Information*: A utility shall provide customer information to its affiliates and unaffiliated entities on a strictly non-discriminatory basis, and only with prior affirmative customer written consent.

B. *Non-Customer Specific Non-Public Information:* A utility shall make non-customer specific non-public information, including but not limited to information about a utility's natural gas or electricity purchases, sales, or operations or about the utility's gas-related goods or services and electricity-related goods or services, available to the utility's affiliates only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions, and keeps the information open to public inspection. Unless otherwise provided by these Rules, a utility continues to be bound by all Commission-adopted pricing and reporting guidelines for such transactions. A utility is also permitted to exchange proprietary information on an exclusive basis with its affiliates, provided the utility follows all Commission-adopted pricing and reporting guidelines for such transactions, and it is necessary to exchange this information in the provision of the corporate support services permitted by Rule V E below. The affiliate's use of such proprietary information is limited to use in conjunction with the permitted corporate support services, and is not permitted for any other use. Nothing in this Rule precludes the exchange of information pursuant to D.97-10-031. Nothing in this Rule is intended to limit the Commission's right to information under Public Utilities Code Sections 314 and 581.

C. *Service Provider Information:* Except upon request by a customer or as otherwise authorized by the Commission or another governmental body, a utility shall not provide its customers with any list of service providers, which includes or identifies the utility's affiliates, regardless of whether such list also includes or identifies the names of unaffiliated entities.

D. *Supplier Information*: A utility may provide non-public information and data which has been received from unaffiliated suppliers to its affiliates or non-affiliated entities only if the utility first obtains written affirmative authorization to do so from the supplier. A utility shall not actively solicit the release of such information exclusively to its own affiliate in an effort to keep such information from other unaffiliated entities.

E. *Affiliate-Related Advice or Assistance*: Except as otherwise provided in these Rules, a utility shall not offer or provide customers advice or assistance with regard to its affiliates or other service providers.

F. *Recordkeeping*: A utility shall maintain contemporaneous records documenting all tariffed and nontariffed transactions with its affiliates, including but not limited to, all waivers of tariff or contract provisions, all discounts, and all negotiations of any sort between the utility and its affiliate whether or not they are consummated. A utility shall maintain such records for a minimum of three years and longer if this Commission or another government agency so requires. For consummated transactions, the utility shall make such final transaction documents available for third party review upon 72-hours' notice, or at a time mutually agreeable to the utility and third party.

If D.97-06-110 is applicable to the information the utility seeks to protect, the utility should follow the procedure set forth in D.97-06110, except that the utility should serve the third party making the request in a manner that the third party receives the utility's D.97-06110 request for confidentiality within 24 hours of service.

F. *Maintenance of Affiliate Contracts and Related Bids:* A utility shall maintain a record of all contracts and related bids for the provision of work, products or services between the utility and its affiliates for no less than a period of three years, and longer if this Commission or another government agency so requires.

G. *FERC Reporting Requirements*: To the extent that reporting rules imposed by the FERC require more detailed information or more expeditious reporting, nothing in these Rules shall be construed as modifying the FERC rules.

V. Separation

A. *Corporate Entities*: A utility, its parent holding company, and its affiliates shall be separate corporate entities.

B. *Books and Records*: A utility, its parent holding company, and its affiliates shall keep separate books and records.

1. Utility books and records shall be kept in accordance with applicable Uniform System of Accounts (USOA) and Generally Accepted Accounting Procedures (GAAP).

2. The books and records of a utility's parent holding company and affiliates shall be open for examination by the Commission and its staff consistent with the provisions of Public Utilities Code Sections 314 and 701, the conditions in the Commission's orders authorizing the utilities' holding companies and/or mergers and these Rules.

C. *Sharing of Plant, Facilities, Equipment or Costs:* A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Rule V E of these Rules. Physical separation required by this rule shall be accomplished preferably by having office space in a separate building, or, in the alternative, through the use of separate elevator banks and/or security-controlled access. This

provision does not preclude a utility from offering a joint service provided this service is authorized by the Commission and is available to all non-affiliated service providers on the same terms and conditions (e.g., joint billing services pursuant to D.97-05-039).

D. *Joint Purchases:* To the extent not precluded by any other Rule, the utilities and their affiliates may make joint purchases of good and services, but not those associated with the traditional utility merchant function. For purpose of these Rules, to the extent that a utility is engaged in the marketing of the commodity of electricity or natural gas to customers, as opposed to the marketing of transmission and distribution services, it is engaging in merchant functions. Examples of permissible joint purchases include joint purchases of office supplies and telephone services. Examples of joint purchases not permitted include gas and electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, systems operations, and marketing. The utility must insure that all joint purchases are priced, reported, and conducted in a manner that permits clear identification of the utility and affiliate portions of such purchases, and in accordance with applicable Commission allocation and reporting rules.

E. *Corporate Support*: As a general principle, a utility, its parent holding company, or a separate affiliate created solely to perform corporate support services may share with its affiliates joint corporate oversight, governance, support systems and personnel, as further specified below. Any shared support shall be priced, reported and conducted in accordance with the Separation and Information Standards set forth herein, as well as other applicable Commission pricing and reporting requirements.

As a general principle, such joint utilization shall not allow or provide a means for the transfer of confidential information from the utility to the affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates. In the compliance plan, a corporate officer from the utility and holding company shall verify the adequacy of the specific mechanisms and procedures in place to ensure the utility follows the mandates of this paragraph, and to ensure the utility is not utilizing joint corporate support services as a conduit to circumvent these Rules.

Examples of services that may be shared include: payroll, taxes, shareholder services, insurance, financial reporting, financial planning and analysis, corporate accounting, corporate security, human resources (compensation, benefits,-employment policies), employee records, regulatory affairs, lobbying, legal, and pension management. However, if a utility and its parent holding company share any key officers after 180 days following the effective date of the decision adopting these Rule modifications, then the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized. For purposes of this Rule, key officers are the Chair of the entire corporate enterprise, the President at the utility and at its holding company parent, the chief executive officer at each, the chief financial officer at each, and the chief regulatory officer at each, or in each case, any and all officers whose responsibilities are the functional equivalent of the foregoing.

Examples of services that may not be shared include: employee recruiting, engineering, hedging and financial derivatives and arbitrage services, gas electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, system operations, and marketing. However, if a utility and its parent holding company share

any key officers (as defined in the preceding paragraph) after 180 days following the effective date of the decision adopting these Rule modifications, then the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized.

F. *Corporate Identification and Advertising:*

1. A utility shall not trade upon, promote, or advertise its affiliate's affiliation with the utility, nor allow the utility name or logo to be used by the affiliate or in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first point where the utility name or logo appears that:

    a. the affiliate "is not the same company as [i.e. PG&E, Edison, the Gas Company, etc.], the utility";

    b. the affiliate is not regulated by the California Public Utilities Commission; and

    c. "you do not have to buy [the affiliate's] products in order to continue to receive quality regulated services from the utility." The application of the name/logo disclaimer is limited to the use of the name or logo in California.

2. A utility, through action or words, shall not represent that, as a result of the affiliate's affiliation with the utility, its affiliates will receive any different treatment than other service providers.

3. A utility shall not offer or provide to its affiliates advertising space in utility billing envelopes or any other form of utility customer written communication unless it provides access to all other unaffiliated service providers on the same terms and conditions.

4. A utility shall not participate in joint advertising or joint marketing with its affiliates. This prohibition means that utilities may not engage in activities which include, but are not limited to the following:

    a. A utility shall not participate with its affiliates in joint sales calls, through joint call centers or otherwise, or joint proposals (including responses to requests for proposals (RFPs)) to existing or potential customers. At a customer's unsolicited request, a utility may participate, on a nondiscriminatory basis, in non-sales meetings with its affiliates or any other market participant to discuss technical or operational subjects regarding the utility's provision of transportation service to the customer;

    b. Except as otherwise provided for by these Rules, a utility shall not participate in any joint activity with its affiliates. The term "joint activities" includes, but is not limited to, advertising, sales, marketing, communications and correspondence with any existing or potential customer;

    c. A utility shall not participate with its affiliates in trade shows, conferences, or other information or marketing events held in California.

5. A utility shall not share or subsidize costs, fees, or payments with its affiliates associated with research and development activities or investment in advanced technology research.

G. *Employees*

1. Except as permitted in Rule V E (corporate support), a utility its parent holding company and its affiliates shall not jointly employ the same employees, this Rule prohibiting joint employees also applies to Board Directors, and corporate officers except for the following circumstances: In instances when this Rule is applicable to holding companies, any board member or corporate officer may serve on the holding company and with either the utility or affiliate (but not both) to the extent consistent with Rule V E (corporate support). Where the utility is a multi-state utility, is not a member of a holding company structure, and assumes the corporate governance functions for the affiliates, the prohibition against any board member or corporate officer of the utility also serving as a board member or corporate officer of an affiliate shall only apply to affiliates that operate within California. In the case of shared directors and officers, a corporate officer from the utility and holding company shall describe and verify in the utility's compliance plan required by Rule VI the adequacy of the specific mechanisms and procedures in place to ensure that the utility is not utilizing shared officers and directors as a conduit to circumvent any of these Rules. In its compliance plan, the utility shall list all shared directors and officers between the utility and affiliates. No later than 30 days following a change to this list, the utility shall notify the Commission's Energy Division and the parties on the service list of R.97-04-011/I.97-04-012 of any change to this list.

2. All employee movement between a utility its parent holding company and its affiliates shall be consistent with the following provisions:

   a. A utility shall track and report to the Commission all employee movement between the utility and affiliates. The utility shall report this information annually pursuant to our Affiliate Transaction Reporting Decision, D.93-02-016, 48 CPUC2d 163, 171-172 and 180 (Appendix A, Section I and Section II H.).

   b. Once an employee of a utility becomes an employee of an affiliate, the employee may not return to the utility for a period of one year. This Rule is inapplicable if the affiliate to which the employee transfers goes out of business during the one-year period. In the event that such an employee returns to the utility, such employee cannot be retransferred, reassigned, or otherwise employed by the affiliate for a period of two years. Employees transferring from the utility to the affiliate are expressly prohibited from using information gained from the utility in a discriminatory or exclusive fashion, to the benefit of the affiliate or to the detriment of other unaffiliated service providers.

   c. When an employee of a utility is transferred, assigned, or otherwise employed by the affiliate, the affiliate shall make a one-time payment to the utility in an amount equivalent to 25% of the employee's base annual compensation, unless the utility can demonstrate that some lesser percentage (equal to at least 15%) is appropriate for the class of employee included. In the limited case where a rank-and-file (non-executive) employee's position is eliminated as a result of electric industry restructuring, a utility may demonstrate that no fee or a lesser percentage than 15%

is appropriate. All such fees paid to the utility shall be accounted for in a separate memorandum account to track them for future ratemaking treatment (i.e. credited to the Electric Revenue Adjustment Account or the Core and Noncore Gas Fixed Cost Accounts, or other ratemaking treatment, as appropriate), on an annual basis, or as otherwise necessary to ensure that the utility's ratepayers receive the fees. This transfer payment provision will not apply to clerical workers. Nor will it apply to the initial transfer of employees to the utility's holding company to perform corporate support functions or to a separate affiliate performing corporate support functions, provided that that transfer is made during the initial implementation period of these rules or pursuant to a § 851 application or other Commission proceeding. However, the rule will apply to any subsequent transfers or assignments between a utility its parent holding company and its affiliates of all covered employees at a later time.

d. Any utility employee hired by an affiliate shall not remove or otherwise provide information to the affiliate which the affiliate would otherwise be precluded from having pursuant to these Rules.

e. A utility shall not make temporary or intermittent assignments or rotations to its energy marketing affiliates. Utility employees not involved in marketing may be used on a temporary basis (less than 30% of an employee's chargeable time in any calendar year) by affiliates not engaged in energy marketing only if:

   i. All such use is documented, priced and reported in accordance with these Rules and existing Commission reporting requirements, except that when the affiliate obtains the services of a non-executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 10% of direct labor cost, or fair market value. When the affiliate obtains the services of an executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 15% of direct labor cost, or fair market value.

   ii. Utility needs for utility employees always take priority over any affiliate requests;

   iii. No more than 5% of full time equivalent utility employees may be on loan at a given time;

   iv. Utility employees agree, in writing, that they will abide by these Affiliate Transaction Rules; and

   v. Affiliate use of utility employees must be conducted pursuant to a written agreement approved by appropriate utility and affiliate officers.

H. *Transfer of Goods and Services*: To the extent that these Rules do not prohibit transfers of goods and services between a utility its parent holding company and its affiliates, and except for as provided by Rule V.G.2.e, all such transfers shall be subject to the following pricing provisions:

1. Transfers from the utility to its affiliates of goods and services produced, purchased or developed for sale on the open market by the utility will be priced at fair market value.

2. Transfers from an affiliate to the utility of goods and services produced, purchased or developed for sale on the open market by the affiliate shall be priced at no more than fair market value.

3. For goods or services for which the price is regulated by a state or federal agency, that price shall be deemed to be the fair market value, except that in cases where more than one state commission regulates the price of goods or services, this Commission's pricing provisions govern.

4. Goods and services produced, purchased or developed for sale on the open market by the utility will be provided to its affiliates and unaffiliated companies on a nondiscriminatory basis, except as otherwise required or permitted by these Rules or applicable law.

5. Transfers from the utility to its affiliates of goods and services not produced, purchased or developed for sale by the utility will be priced at fully loaded cost plus 5% of direct labor cost.

6. Transfers from an affiliate to the utility of goods and services not produced, purchased or developed for sale by the affiliate will be priced at the lower of fully loaded cost or fair market value.

VI. Regulatory Oversight

A. *Compliance Plans:* No later than June 30, 2007, each utility shall file a compliance plan by advice letter with the Energy Division of the Commission. The compliance plan shall include:

1. A list of all affiliates of the utility, as defined in Rule I A of these Rules, and for each affiliate, its purpose or activities, and whether the utility claims that Rule II B makes these Rules applicable to the affiliate;

2. A demonstration of the procedures in place to assure compliance with these Rules.

The utility's compliance plan shall be in effect between the filing and a Commission determination of the advice letter. A utility shall file a compliance plan annually thereafter by advice letter where there is some change in the compliance plan (i.e., when there has been a change in the purpose or activities of an affiliate, a new affiliate has been created, or the utility has changed the compliance plan for any other reason).

B. *New Affiliate Compliance Plans*: Upon the creation of a new affiliate the utility shall immediately notify the Commission of the creation of the new affiliate, as well as posting notice on its electronic bulletin board. No later than 60 days after the creation of this affiliate, the utility shall file an advice letter with the Energy Division of the Commission. The advice letter shall state the affiliate's purpose or activities, whether the utility claims that Rule II B makes these Rules applicable to the affiliate, and shall include a demonstration to the

Commission that there are adequate procedures in place that will ensure compliance with these Rules.

C. *Affiliate Audit*: The Commission's Energy Division shall have audits performed biennially by independent auditors. The audits shall cover the last two calendar years which end~~s~~ on December 31, and shall verify that the utility is in compliance with the Rules set forth herein. The Energy Division shall post the audit reports on the Commission's web site. The audits shall be at shareholder expense.

D. *Witness Availability:* Affiliate officers and employees shall be made available to testify before the Commission as necessary or required, without subpoena, consistent with the provisions of Public Utilities Code Sections 314 and 701, the conditions in the Commission's orders authorizing the utilities' holding companies and/or mergers and these Rules.

E. *Officer Certification.* No later than March 31 of each year, the key officers of a utility and its parent holding company, as defined in Rule V E (corporate support), shall certify to the Energy Division of the Commission in writing under penalty of perjury that each has personally complied with these Rules during the prior calendar year. The certification shall state:

I, [name], hold the office of [title] at [name of utility or holding company], and occupied this position from January 1, [year] to December 31[year],

I hereby certify that I have reviewed the Affiliate Transaction Rules Applicable to Large California Energy Utilities of the California Public Utilities Commission and I am familiar with the provisions therein. I further certify that for the above period, I followed these Rules and am not aware of any violations of them, other than the following: [list or state "none"].

I swear/affirm these representations under penalty of perjury of the laws of the State of California.

_____*[Signature]*

Executed at_____[City], County of _____, on _____[Date]

VII. Utility Products and Services

A. *General Rule:* Except as provided for in these Rules, new products and services shall be offered through affiliates.

B. *Definitions:* The following definitions apply for the purposes of Rule VII:

1. "Category" refers to a factually similar group of products and services that use the same type of utility assets or capacity. For example, "leases of land under utility transmission lines" or "use of a utility repair shop for third party equipment repair" would each constitute a separate product or service category.

2. "Existing" products and services are those which a utility is offering on the effective date of these Rules.

3. "Products" include use of property, both real and intellectual, other than those uses authorized under General Order 69-C.

4. "Tariff" or "tariffed" refers to rates, terms and conditions of services as approved by this Commission or the Federal Energy Regulatory Commission (FERC), whether by traditional tariff, approved contract or other such approval process as the Commission or the FERC may deem appropriate.

C. U*tility Products and Services*: Except as provided in these Rules, a utility shall not offer nontariffed products and services. In no event shall a utility offer natural gas or electricity commodity service on a nontariffed basis. A utility may only offer for sale the following products and services:

1. Existing products and services offered by the utility pursuant to tariff;

2. Unbundled versions of existing utility products and services, with the unbundled versions being offered on a tariffed basis;

3. New products and services that are offered on a tariffed basis; and

4. Products and services which are offered on a nontariffed basis and which meet the following conditions:

   a. The nontariffed product or service utilizes a portion of a utility asset or capacity;

   b. such asset or capacity has been acquired for the purpose of and is necessary and useful in providing tariffed utility services;

   c. the involved portion of such asset or capacity may be used to offer the product or service on a nontariffed basis without adversely affecting the cost, quality or reliability of tariffed utility products and services;

   d. the products and services can be marketed with minimal or no incremental ratepayer capital, minimal or no new forms of liability or business risk being incurred by utility ratepayers, and no undue diversion of utility management attention; and

   e. The utility's offering of such nontariffed product or service does not violate any law, regulation, or Commission policy regarding anticompetitive practices.

D. *Conditions Precedent to Offering New Products and Services:* This Rule does not represent an endorsement by the Commission of any particular nontariffed utility product or service. A utility may offer new nontariffed products and services only if the Commission has adopted and the utility has established:

1. A mechanism or accounting standard for allocating costs to each new product or service to prevent cross-subsidization between services a utility would continue to provide on a tariffed basis and those it would provide on a nontariffed basis;

2. A reasonable mechanism for treatment of benefits and revenues derived from offering such products and services, except that in the event the Commission has already approved a performance-based ratemaking mechanism for the utility and the utility seeks a different sharing mechanism, the utility should petition to modify the performance-based ratemaking decision if it wishes to alter the sharing mechanism, or clearly justify why this procedure is inappropriate, rather than doing so by application or other vehicle.

3. Periodic reporting requirements regarding pertinent information related to nontariffed products and services; and

4. Periodic auditing of the costs allocated to and the revenues derived from nontariffed products and services.

E. *Requirement to File an Advice Letter:* Prior to offering a new category of nontariffed products or services as set forth in Rule VII C above, a utility shall file an advice letter in compliance with the following provisions of this paragraph.

1. The advice letter shall:

   a. demonstrate compliance with these rules;

   b. address the amount of utility assets dedicated to the non-utility venture, in order to ensure that a given product or service does not threaten the provision of utility service, and show that the new product or service will not result in a degradation of cost, quality, or reliability of tariffed goods and services;

   c. address the potential impact of the new product or service on competition in the relevant market including but not limited to the degree in which the relevant market is already competitive in nature and the degree to which the new category of products or services is projected to affect that market.

   d. be served on the service list of Rulemaking 97-04-011/Investigation 97-04-012, as well as on any other party appropriately designated by the rules governing the Commission's advice letter process.

2. For categories of nontariffed products or services targeted and offered to less than 1% of the number of customers in the utility's customer base, in the absence of a protest alleging non-compliance with these Rules or any law, regulation, decision, or Commission policy, or allegations of harm, the utility may commence offering the product or service 30 days after submission of the advice letter. For categories of nontariffed products or services targeted and offered to 1% or more of the number of customers in the utility's customer base, the utility may commence offering the product or service after the Commission approves the advice letter through the normal advice letter process.

3. A protest of an advice letter filed in accordance with this paragraph shall include:

a. An explanation of the specific Rules, or any law, regulation, decision, or Commission policy the utility will allegedly violate by offering the proposed product or service, with reasonable factual detail; or

b. An explanation of the specific harm the protestant will allegedly suffer.

4. If such a protest is filed, the utility may file a motion to dismiss the protest within 5 working days if it believes the protestant has failed to provide the minimum grounds for protest required above. The protestant has 5 working days to respond to the motion.

5. The intention of the Commission is to make its best reasonable efforts to rule on such a motion to dismiss promptly. Absent a ruling granting a motion to dismiss, the utility shall begin offering that category of products and services only after Commission approval through the normal advice letter process.

F. *Existing Offerings*: Unless and until further Commission order to the contrary as a result of the advice letter filing or otherwise, a utility that is offering tariffed or nontariffed products and services, as of the effective date of this decision, may continue to offer such products and services, provided that the utility complies with the cost allocation and reporting requirements in this rule. No later than January 30, 1998, each utility shall submit an advice letter describing the existing products and services (both tariffed and nontariffed) currently being offered by the utility and the number of the Commission decision or advice letter approving this offering, if any, and requesting authorization or continuing authorization for the utility's continued provision of this product or service in compliance with the criteria set forth in Rule VII. This requirement applies to both existing products and services explicitly approved and not explicitly approved by the Commission.

G. *Section 851 Application*: A utility must continue to comply fully with the provisions of Public Utilities Code Section 851 when necessary or useful utility property is sold, leased, assigned, mortgaged, disposed of, or otherwise encumbered as part of a nontariffed product or service offering by the utility. If an application pursuant to Section 851 is submitted, the utility need not file a separate advice letter, but shall include in the application those items which would otherwise appear in the advice letter as required in this Rule.

H. *Periodic Reporting of Nontariffed Products and Services:* Any utility offering nontariffed products and services shall file periodic reports with the Commission's Energy Division twice annually for the first two years following the effective date of these Rules, then annually thereafter unless otherwise directed by the Commission. The utility shall serve periodic reports on the service list of this proceeding. The periodic reports shall contain the following information:

1. A description of each existing or new category of nontariffed products and services and the authority under which it is offered;

2. A description of the types and quantities of products and services contained within each category (so that, for example, "leases for agricultural nurseries at 15 sites" might be listed under the category "leases of land under utility transmission lines," although the utility would not be required to provide the details regarding each individual lease);

3. The costs allocated to and revenues derived from each category;

4. Current information on the proportion of relevant utility assets used to offer each category of product and service.

I. *Offering of Nontariffed Products and Services to Affiliates:* Nontariffed products and services which are allowed by this Rule may be offered to utility affiliates only in compliance with all other provisions of these Affiliate Rules. Similarly, this Rule does not prohibit affiliate transactions which are otherwise allowed by all other provisions of these Affiliate Rules.

VIII. Complaint Procedures and Remedies

A. The Commission shall strictly enforce these rules. Each act or failure to act by a utility in violation of these rules may be considered a separate occurrence.

B. *Standing:*

1. Any person or corporation as defined in Sections 204, 205 and 206 of the California Public Utilities Code may complain to the Commission or to a utility in writing, setting forth any act or thing done or omitted to be done by any utility or affiliate in violation or claimed violation of any rule set forth in this document.

2. "Whistleblower complaints" will be accepted and the confidentiality of complainant will be maintained until conclusion of an investigation or indefinitely, if so requested by the whistleblower. When a whistleblower requests anonymity, the Commission will continue to pursue the complaint only where it has elected to convert it into a Commission-initiated investigation. Regardless of the complainant's status, the defendant shall file a timely answer to the complaint.

C. *Procedure:*

1. All complaints shall be filed as formal complaints with the Commission and complainants shall provide a copy to the utility's designated officer (as described below) on the same day that the complaint is filed.

2. Each utility shall designate an Affiliate Compliance Manager who is responsible for compliance with these affiliate rules and the utility's compliance plan adopted pursuant to these rules. Such officer shall also be responsible for receiving, investigating and attempting to resolve complains. The Affiliate Compliance Manager may, however, delegate responsibilities to other officers and employees.

   a. The utility shall investigate and attempt to resolve the complaint. The resolution process shall include a meet-and-confer session with the complainant. A Commission staff member may, upon request by the utility or the complainant, participate in such meet-and-confer sessions and shall participate in the case of the whistleblower complaint.

      A party filing a complaint may seek a temporary restraining order at the time the formal complaint is filed. The defendant utility and other interested parties may file responses to a request for a temporary restraining order within 10 days of the filing of the request. An assigned commissioner or administrative law judge may shorten

the period for responses, where appropriate. An assigned commissioner or administrative law judge, or the Commission shall act on the request for a temporary restraining order within 30 days. The request may be granted when: (1) the moving party is reasonably likely to prevail on the merits, and (2) temporary restraining order relief is necessary to avoid irreparable injury, will not substantially harm other parties, and is consistent with the public interest.

A notice of temporary restraining order issued by an assigned commissioner or administrative law judge will only stay in effect until the end of the day of the next regularly-scheduled Commission meeting at which the Commission can issue a temporary restraining order or a preliminary injunction. If the Commission declines to issue a temporary restraining order or a preliminary injunction, the notice of temporary restraining order will be immediately lifted. Whether or not a temporary restraining order or a preliminary injunction is issued, the underlying complaint may still move forward.

b. The utility shall prepare and preserve a report on each complaint, all relevant dates, companies, customers, and employees involved, and if applicable, the resolution reached, the date of the resolution and any actions taken to prevent further violations from occurring. The report shall be provided to the Commission and all parties within four weeks of the date the complaint was filed. In addition, to providing hard copies, the utility shall also provide electronic copies to the Commission and to any party providing an e-mail address.

c. Each utility shall file annually with the Commission a report detailing the nature and status of all complaints.

d. The Commission may, notwithstanding any resolution reached by the utility and the complainant, convert a complaint to an investigation and determine whether the utility violated these rules, and impose any appropriate penalties under Section VIILD or any other remedies provided by the Commission's rules or the Public Utilities Code.

3. The utility will inform the Commission's Energy Division and Consumer Services Division of the results of this dispute resolution process. If the dispute is resolved, the utility shall inform the Commission staff of the actions taken to resolve the complaint and the date the complaint was resolved.

4. If the utility and the complainant cannot reach a resolution of the complaint, the utility will so inform the Commission's Energy Division. It will also file an answer to the complaint within 30 days of the issuance by the Commission's Docket Office of instructions to answer the original complaint. Within 10 business days of notice of failure to resolve the complaint, Energy Division staff will meet and confer with the utility and the complainant and propose actions to resolve the complaint. Under the circumstances where the complainant and the utility cannot resolve the complaint, the Commission shall strive to resolve the complaint within 180 days of the date the instructions to answer are served on the utility.

5. The Commission shall maintain on its web page a public log of all new, pending and resolved complaints. The Commission shall update the log at least once every week.

The log shall specify, at a minimum, the date the complaint was received, the specific allegations contained in the complaint, the date the complaint was resolved and the manner in which it was resolved, and a description of any similar complaints, including the resolution of such similar complaints.

6. *Preliminary Discussions:*

   a. Prior to filing a formal complaint, a potential complainant may contact the responsible utility officer and/or the Energy Division to inform them of the possible violation of the affiliate rules. If the potential complainant seeks an informal meeting with the utility to discuss the complaint, the utility shall make reasonable efforts to arrange such a meeting. Upon mutual agreement, Energy Division staff and interested parties may attend any such meeting.

   b. If a potential complainant makes an informal contact with a utility regarding an alleged violation of the affiliate transaction rules, the utility officer in charge of affiliate compliance shall respond in writing to the potential complainant within 15 business days. The response would state whether or not the issues raised by the potential complainant require further investigation. (The potential complainant does not have to rely on the responses in deciding whether to file a formal complaint.)

D. *Remedies:*

1. When enforcing these rules or any order of the Commission regarding these rules, the Commission may do any or all of the following:

   a. Order a utility to stop doing something that violates these rules;

   b. Prospectively limit or restrict the amount, percentage, or value of transactions entered into between the utility and its affiliate(s);

   c. Assess fines or other penalties;

   d. Prohibit the utility from allowing its affiliate(s) to utilize the name and logo of the utility, either on a temporary or a permanent basis;

   e. Apply any other remedy available to the Commission.

2. Any public utility which violates a provision of these rules is subject to a fine of not less than five hundred dollars ($500), nor more than $20,000 for each offense. The remainder of this subsection distills the principles that the Commission has historically relied upon in assessing fines and restates them in a manner that will form the analytical foundation for future decisions in which fines are assessed. Before discussing those principles, reparations are distinguished.

   a. *Reparations:* Reparations are not fines and conceptually should not be included in setting the amount of a fine. Reparations are refunds of excessive or discriminatory amounts collected by a public utility. PU Code § 734. The purpose is to return funds to the victims which were unlawfully collected by the public utility.

Accordingly, the statute requires that all reparation amounts are paid to the victims. Unclaimed reparations generally escheat to the state, Code of Civil Procedure § 1519.5, unless equitable or other authority directs otherwise, e.g., Public Utilities Code § 394.9.

b. *Fines:* The purpose of a fine is to go beyond restitution to the victim and to effectively deter further violations by this perpetrator or others.

For this reason, fines are paid to the State of California, rather than to victims.

Effective deterrence creates an incentive for public utilities to avoid violations. Deterrence is particularly important against violations which could result in public harm, and particularly against those where severe consequences could result. To capture these ideas, the two general factors used by the Commission in setting fines are: (1) severity of the offense and (2) conduct of the utility. These help guide the Commission in setting fines which are proportionate to the violation.

i. *Severity of the Offense:* The severity of the offense includes several considerations. Economic harm reflects the amount of expense which was imposed upon the victims, as well as any unlawful benefits gained by the public utility. Generally, the greater of these two amounts will be used in establishing the fine. In comparison, violations which caused actual physical harm to people or property are generally considered the most severe, with violations that threatened such harm closely following.

The fact that the economic harm may be difficult to quantify does not itself diminish the severity or the need for sanctions. For example, the Commission has recognized that deprivation of choice of service providers, while not necessarily imposing quantifiable economic harm, diminishes the competitive marketplace such that some form of sanction is warranted.

Many potential penalty cases before the Commission do not involve any harm to consumers but are instead violations of reporting or compliance requirements. In these cases, the harm may not be to consumers but rather to the integrity of the regulatory processes. For example, compliance with Commission directives is required of all California public utilities:

> "Every public utility shall obey and comply with every order, decision, direction, or rule made or prescribed by the Commission in the matters specified in this part, or any other matter in any way relating to or affecting its business as a public utility, and shall do everything necessary or proper to secure compliance therewith by all of its officers, agents, and employees."

Public Utilities Code § 702.

Such compliance is absolutely necessary to the proper functioning of the regulatory process. For this reason, disregarding a statutory or Commission

directive, regardless of the effects on the public, will be accorded a high level of severity.

The number of the violations is a factor in determining the severity. A series of temporally distinct violations can suggest an on-going compliance deficiency which the public utility should have addressed after the first instance. Similarly, a widespread violation which affects a large number of consumers is a more severe offense than one which is limited in scope. For a "continuing offense," PU Code § 2108 counts each day as a separate offense.

ii. *Conduct of the Utility:* This factor recognizes the important role of the public utility's conduct in (1) preventing the violation, (2) detecting the violation, and (3) disclosing and rectifying the violation. The public utility is responsible for the acts of all its officers, agents, and employees:

> "In construing and enforcing the provisions of this part relating to penalties, the act, omission, or failure of any officer, agent, or employee of any public utility, acting within the scope of his [or her] official duties or employment, shall in every case be the act, omission, or failure of such public utility."

Public Utilities Code § 2109.

(1) *The Utility's Actions to Prevent a Violation.* Prior to a violation occurring, prudent practice requires that all public utilities take reasonable steps to ensure compliance with Commission directives. This includes becoming familiar with applicable laws and regulations, and most critically, the utility regularly reviewing its own operations to ensure full compliance. In evaluating the utility's advance efforts to ensure compliance, the Commission will consider the utility's past record of compliance with Commission directives.

(2) *The Utility's Actions to Detect a Violation.* The Commission expects public utilities to monitor diligently their activities. Where utilities have for whatever reason failed to meet this standard, the Commission will continue to hold the utility responsible for its actions. Deliberate as opposed to inadvertent wrong-doing will be considered an aggravating factor. The Commission will also look at the management's conduct during the period in which the violation occurred to ascertain particularly the level and extent of involvement in or tolerance of the offense by management personnel. The Commission will closely scrutinize any attempts by management to attribute wrong-doing to rogue employees. Managers will be considered, absent clear evidence to the contrary, to have condoned day-to-day actions by employees and agents under their supervision.

(3) *The Utility's Actions to Disclose and Rectify a Violation.* When a public utility is aware that a violation has occurred, the Commission expects the public utility to promptly bring it to the attention of the

Commission. The precise timetable that constitutes "prompt" will vary based on the nature of the violation. Violations which physically endanger the public must be immediately corrected and thereafter reported to the Commission staff. Reporting violations should be remedied at the earliest administratively feasible time. Prompt reporting of violations furthers the public interest by allowing for expeditious correction. For this reason, steps taken by a public utility to promptly and cooperatively report and correct violations may be considered in assessing any penalty.

iii. *Financial Resources of the Utility:* Effective deterrence also requires that the Commission recognize the financial resources of the public utility in setting a fine which balances the need for deterrence with the constitutional limitations on excessive fines. Some California utilities are among the largest corporations in the United States and others are extremely modest, one-person operations. What is accounting rounding error to one company is annual revenue to another. The Commission intends to adjust fine levels to achieve the objective of deterrence, without becoming excessive, based on each utility's financial resources.

iv. *Totality of the Circumstances in Furtherance of the Public Interest:* Setting a fine at a level which effectively deters further unlawful conduct by the subject utility and others requires that the Commission specifically tailor the package of sanctions, including any fine, to the unique facts of the case. The Commission will review facts which tend to mitigate the degree of wrongdoing, as well as any facts which exacerbate the wrongdoing. In all cases, the harm will be evaluated from the perspective of the public interest.

v. *The Role of Precedent:* The Commission adjudicates a wide range of cases which involve sanctions, many of which are cases of first impression. As such, the outcomes of cases are not usually directly comparable. In future decisions which impose sanctions the parties and, in turn, the Commission, will be expected to explicitly address those previously issued decisions which involve the most reasonably comparable factual circumstances and explain any substantial difference in outcome.

IX. Protecting the Utility's Financial Health

A. *Information from Utility on Necessary Capital.* Each utility shall provide to the Commission on the last business day of November of each year a report with the following information:

1. the utility's estimate of investment capital needed to build or acquire long-term assets (i.e., greater than one year), such as operating assets and utility infrastructure, over each of the next five years;

2. the utility's estimate of capital needed to meet resource procurement goals over each of the next five years;

3. the utility's policies concerning dividends, stock repurchase and retention of capital for each year;

4. the names of individuals involved in deciding corporate policies for the utility's dividends, stock repurchase and retention of capital;

5. the process by which corporate policies concerning dividends, stock repurchase and retention of capital are implemented; and

6. how the utility expects or intends to meet its investment capital needs.

B. *Restrictions on Deviations from Authorized Capital Structure.* A utility shall maintain a balanced capital structure consistent with that determined to be reasonable by the Commission in its most recent decision on the utility's capital structure. The utility's equity shall be retained such that the Commission's adopted capital structure shall be maintained on average over the period the capital structure is in effect for ratemaking purposes. Provided, however, that a utility shall file an application for a waiver on a case by case basis and in a timely manner, of this Rule if an adverse financial event at the utility reduces the utility's equity ratio by 1% or more. In order to assure that regulatory staff has adequate time to review and assess the application and to permit the consideration of all relevant facts, the utility shall not be considered in violation of this Rule during the period the waiver is pending resolution. Nothing in this provision creates a presumption of either reasonableness or unreasonableness of the utility's actions which may have caused the adverse financial event.

C. *Ring-Fencing.* Within three months of the effective date of the decision adopting this amendment to the Rules, a utility shall obtain a non-consolidation opinion that demonstrates that the ring fencing around the utility is sufficient to prevent the utility from being pulled into bankruptcy of its parent holding company. The utility shall promptly provide the opinion to the Commission. If the current ring-fencing provisions are insufficient to obtain a non-consolidation opinion, the utility shall promptly undertake the following actions:

1. notify the Commission of the inability to obtain a non- consolidation opinion;

2. propose and implement, upon Commission approval, such ring- fencing provisions that are sufficient to prevent the utility from being pulled into the bankruptcy of its parent holding company; and then

3. obtain a non-consolidation opinion.

D. *Changes to Ring-Fencing Provisions.* A utility shall notify the Commission of any changes made to its ring-fencing provisions within 30 days.

APPENDIX B: FERC Standards of Conduct (SOC)

Standards of Conduct for Open Access

Title 18, Code of Federal Regulations, Section 358

Authority: 15 U.S.C. 717–717w, 3301–3432; 16 U.S.C. 791–825r, 2601–2645; 31 U.S.C. 9701; 42 U.S.C. 7101–7352.

Source: 73 FR 63829, Oct. 27, 2008, unless otherwise noted.

§ 358.1 Applicability

(a) This part applies to any interstate natural gas pipeline that transports gas for others pursuant to subparts B or G of part 284 of this chapter and conducts transmission transactions with an affiliate that engages in marketing functions.

(b) This part applies to any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce and conducts transmission transactions with an affiliate that engages in marketing functions.

(c) This part does not apply to a public utility transmission provider that is a Commission-approved Independent System Operator (ISO) or Regional Transmission Organization (RTO). If a public utility transmission owner participates in a Commission-approved ISO or RTO and does not operate or control its transmission system and has no access to transmission function information, it may request a waiver from this part.

(d) A transmission provider may file a request for a waiver from all or some of the requirements of this part for good cause.

§ 358.2 General Principles

(a) A transmission provider must treat all transmission customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and must not make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage with respect to any transportation of natural gas or transmission of electric energy in interstate commerce, or with respect to the wholesale sale of natural gas or of electric energy in interstate commerce.

(b) A transmission provider's transmission function employees must function independently from its marketing function employees, except as permitted in this part or otherwise permitted by Commission order.

(c) A transmission provider and its employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public transmission function information to the transmission provider's marketing function employees.

(d) A transmission provider must provide equal access to non-public transmission function information disclosed to marketing function employees to all its transmission customers, affiliated and non-affiliated, except as permitted in this part or otherwise permitted by Commission order.

§ 358.3 Definitions

(a) Affiliate of a specified entity means:

(1) Another person that controls, is controlled by or is under common control with, the specified entity. An affiliate includes a division of the specified entity that operates as a functional unit.

(2) For any exempt wholesale generator (as defined under Sec. 366.1 of this chapter), affiliate shall have the meaning set forth in Sec. 366.1 of this chapter, or any successor provision.

(3) ``Control'' as used in this definition means the direct or indirect authority, whether acting alone or in conjunction with others, to direct or cause to direct the management policies of an entity. A voting interest of 10 percent or more creates a rebuttable presumption of control.

(b) Internet Web site refers to the Internet location where an interstate natural gas pipeline or a public utility posts the information, by electronic means, required under this part 358.

(c) Marketing functions means:

(1) in the case of public utilities and their affiliates, the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights, all as subject to an exclusion for bundled retail sales, including sales of electric energy made by providers of last resort (POLRs) acting in their POLR capacity; and

(2) in the case of interstate pipelines and their affiliates, the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, natural gas, subject to the following exclusions:

(i) Bundled retail sales,

(ii) Incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities,

(iii) Sales of natural gas solely from a seller's own production,

(iv) Sales of natural gas solely from a seller's own gathering or processing facilities, and

(v) On-system sales by an intrastate natural gas pipeline, by a Hinshaw interstate pipeline exempt from the Natural Gas Act, by a local distribution company, or by a local distribution company operating under section 7(f) of the Natural Gas Act.

(d) Marketing function employee means an employee, contractor, consultant or agent of a transmission provider or of an affiliate of a transmission provider who actively and personally engages on a day-to-day basis in marketing functions.

(e) Open Access Same Time Information System or OASIS refers to the Internet location where a public utility posts the information required by part 37 of this chapter, and where it may also post the information required to be posted on its Internet Web site by this part 358.

(f) Transmission means electric transmission, network or point-to-point service, ancillary services or other methods of electric transmission, or the interconnection with jurisdictional transmission facilities, under part 35 of this chapter; and natural gas transportation, storage, exchange, backhaul, or displacement service provided pursuant to subparts B or G of part 284 of this chapter.

(g) Transmission customer means any eligible customer, shipper or designated agent that can or does execute a transmission service agreement or can or does receive transmission service, including all persons who have pending requests for transmission service or for information regarding transmission.

(h) Transmission functions means the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.

(i) Transmission function employee means an employee, contractor, consultant or agent of a transmission provider who actively and personally engages on a day-to-day basis in transmission functions.

(j) Transmission function information means information relating to transmission functions.

(k) Transmission provider means:

(1) Any public utility that owns, operates or controls facilities used for the transmission of electric energy in interstate commerce; or

(2) Any interstate natural gas pipeline that transports gas for others pursuant to subparts B or G of part 284 of this chapter.

(3) A transmission provider does not include a natural gas storage provider authorized to charge market-based rates.

(l) Transmission service means the provision of any transmission as defined in Sec. 358.3(f).

(m) Waiver means the determination by a transmission provider, if authorized by its tariff, to waive any provisions of its tariff for a given entity.

§358.4 Non-discrimination requirements

(a) A transmission provider must strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service, if the tariff provisions do not permit the use of discretion.

(b) A transmission provider must apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all transmission customers in a not unduly discriminatory manner, if the tariff provisions permit the use of discretion.

(c) A transmission provider may not, through its tariffs or otherwise, give undue preference to any person in matters relating to the sale or purchase of transmission service (including, but not limited to, issues of price, curtailments, scheduling, priority, ancillary services, or balancing).

(d) A transmission provider must process all similar requests for transmission in the same manner and within the same period of time.

§358.5 Independent Functioning rule

(a) General rule. Except as permitted in this part or otherwise permitted by Commission order, a transmission provider's transmission function employees must function independently of its marketing function employees.

(b) Separation of functions.

(1) A transmission provider is prohibited from permitting its marketing function employees to:

(i) Conduct transmission functions; or

(ii) Have access to the system control center or similar facilities used for transmission operations that differs in any way from the access available to other transmission customers.

(2) A transmission provider is prohibited from permitting its transmission function employees to conduct marketing functions.

§358.6 No Conduit rule

(a) A transmission provider is prohibited from using anyone as a conduit for the disclosure of non-public transmission function information to its marketing function employees.

(b) An employee, contractor, consultant or agent of a transmission provider, and an employee, contractor, consultant or agent of an affiliate of a transmission provider that is engaged in marketing functions, is prohibited from disclosing non-public transmission function information to any of the transmission provider's marketing function employees.

§358.7 Transparency rule

(a) Contemporaneous disclosure.

(1) If a transmission provider discloses non-public transmission function information, other than information identified in paragraph (a)(2) of this section, in a manner contrary to the requirements of Sec. 358.6, the transmission provider must immediately post the information that was disclosed on its Internet Web site.

(2) If a transmission provider discloses, in a manner contrary to the requirements of Sec. 358.6, non-public transmission customer information, critical energy infrastructure information (CEII) as defined in Sec. 388.113(c)(1) of this chapter or any successor provision, or any other information that the Commission by law has determined is to be subject to limited dissemination, the transmission provider must immediately post notice on its Web site that the information was disclosed.

(b) Exclusion for specific transaction information. A transmission provider's transmission function employee may discuss with its marketing function employee a specific request for transmission service submitted by the marketing function employee. The transmission provider is not required to contemporaneously disclose information otherwise covered by Sec. 358.6 if the information relates solely to a marketing function employee's specific request for transmission service.

(c) Voluntary consent provision. A transmission customer may voluntarily consent, in writing, to allow the transmission provider to disclose the transmission customer's non-public information to the transmission provider's marketing function employees. If the transmission customer authorizes the transmission provider to disclose its information to marketing function employees, the transmission provider must post notice on its Internet Web site of that consent along with a statement that it did not provide any preferences, either operational or rate-related, in exchange for that voluntary consent.

(d) Posting written procedures on the public Internet. A transmission provider must post on its Internet Web site current written procedures implementing the standards of conduct.

(e) Identification of affiliate information on the public Internet.

(1) A transmission provider must post on its Internet Web site the names and addresses of all its affiliates that employ or retain marketing function employees.

(2) A transmission provider must post on its Internet Web site a complete list of the employee-staffed facilities shared by any of the transmission provider's transmission function employees and marketing function employees. The list must include the types of facilities shared and the addresses of the facilities.

(3) The transmission provider must post information concerning potential merger partners as affiliates that may employ or retain marketing function employees, within seven days after the potential merger is announced.

(f) Identification of employee information on the public Internet.

(1) A transmission provider must post on its Internet Web site the job titles and job descriptions of its transmission function employees.

(2) A transmission provider must post a notice on its Internet Web site of any transfer of a transmission function employee to a position as a marketing function employee, or any transfer of a marketing function employee to a position as a transmission function employee. The information posted under this section must remain on its Internet Web site for 90 days. No such job transfer may be used as a means to circumvent any provision of this part. The information to be posted must include:

(i) The name of the transferring employee,

(ii) The respective titles held while performing each function (i.e., as a transmission function employee and as a marketing function employee), and

(iii) The effective date of the transfer.

(g) Timing and general requirements of postings on the public Internet.

(1) A transmission provider must update on its Internet Web site the information required by this part 358 within seven business days of any change, and post the date on which the information was updated. A public utility may also post the information required to be posted under part 358 on its OASIS, but is not required to do so.

(2) In the event an emergency, such as an earthquake, flood, fire or hurricane, severely disrupts a transmission provider's normal business operations, the posting requirements in this part may be suspended by the transmission provider. If the disruption lasts longer than one month, the transmission provider must so notify the Commission and may seek a further exemption from the posting requirements.

(3) All Internet Web site postings required by this part must be sufficiently prominent as to be readily accessible.

(h) Exclusion for and recordation of certain information exchanges.

(1) Notwithstanding the requirements of Sec. Sec. 358.5(a) and 358.6, a transmission provider's transmission function employees and marketing function employees may exchange certain non-public transmission function information, as delineated in Sec. 358.7(h)(2), in which case the transmission provider must make and retain a contemporaneous record of all such exchanges except in emergency circumstances, in which case a record must be made of the exchange as soon as practicable after the fact. The transmission provider shall make the record available to the Commission upon request. The record may consist of

hand-written or typed notes, electronic records such as e-mails and text messages, recorded telephone exchanges, and the like, and must be retained for a period of five years.

(2) The non-public information subject to the exclusion in Sec. 358.7(h)(1) is as follows:

(i) Information pertaining to compliance with Reliability Standards approved by the Commission, and
(ii) Information necessary to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units.

(i) Posting of waivers. A transmission provider must post on its Internet Web site notice of each waiver of a tariff provision that it grants in favor of an affiliate, unless such waiver has been approved by the Commission. The posting must be made within one business day of the act of a waiver. The transmission provider must also maintain a log of the acts of waiver, and must make it available to the Commission upon request. The records must be kept for a period of five years from the date of each act of waiver.

§358.8 Implementation requirements

(a) Effective date. A transmission provider must be in full compliance with the standards of conduct on the date it commences transmission transactions with an affiliate that engages in marketing functions.

(b) Compliance measures and written procedures.

(1) A transmission provider must implement measures to ensure that the requirements of Sec. Sec. 358.5 and 358.6 are observed by its employees and by the employees of its affiliates.

(2) A transmission provider must distribute the written procedures referred to in Sec. 358.7(d) to all its transmission function employees, marketing function employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information.

(c) Training and compliance personnel.

(1) A transmission provider must provide annual training on the standards of conduct to all the employees listed in paragraph (b)(2) of this section. The transmission provider must provide training on the standards of conduct to new employees in the categories listed in paragraph (b)(2) of this section, within the first 30 days of their employment. The transmission provider must require each employee who has taken the training to certify electronically or in writing that s/he has completed the training.

(2) A transmission provider must designate a chief compliance officer who will be responsible for standards of conduct compliance. The transmission provider must post the name of the chief compliance officer and provide his or her contact information on its Internet Web site.

(d) Books and records. A transmission provider must maintain its books of account and records (as prescribed under parts 101, 125, 201 and 225 of this chapter) separately from those of its affiliates that employ or retain marketing function employees, and these must be available for Commission inspections.

APPENDIX C: FERC Affiliate Restrictions

FERC AFFILIATE RESTRICTIONS

Affiliate Restrictions (formerly the Codes of Conduct)

Code of Federal Regulations]
[Title 18, Volume 1]
[Revised as of April 1, 2010]
From the U.S. Government Printing Office via GPO Access
[CITE: 18CFR35.39]

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TITLE 18--CONSERVATION OF POWER AND WATER RESOURCES

CHAPTER I--FEDERAL ENERGY REGULATORY COMMISSION, DEPARTMENT OF ENERGY

PART 35_FILING OF RATE SCHEDULES AND TARIFFS--Table of Contents

Subpart H_Wholesale Sales of Electric Energy, Capacity and Ancillary Services at Market-Based Rates

Sec. 35.39 Affiliate restrictions.

(a) General affiliate provisions. As a condition of obtaining and retaining market-based rate authority, the conditions provided in this section, including the restriction on affiliate sales of electric energy and all other affiliate provisions, must be satisfied on an ongoing basis, unless otherwise authorized by Commission rule or order. Failure to satisfy these conditions will constitute a violation of the Seller's market-based rate tariff.

(b) Restriction on affiliate sales of electric energy or capacity. As a condition of obtaining and retaining market-based rate authority, no wholesale sale of electric energy or capacity may be made between a franchised public utility with captive customers and a market-regulated power sales affiliate without first receiving Commission authorization for the transaction under section 205 of the Federal Power Act. All authorizations to engage in affiliate wholesale sales of electric energy or capacity must be listed in a Seller's market-based rate tariff.

(c) Separation of functions.

(1) For the purpose of this paragraph, entities acting on behalf of and for the benefit of a franchised public utility with captive customers (such as entities controlling or marketing power from the electrical generation assets of the franchised public utility) are considered part of the franchised public utility. Entities acting on behalf of and for the benefit of the market-regulated power sales affiliates of a franchised public

utility with captive customers are considered part of the market-regulated power sales affiliates.

(2)(i) To the maximum extent practical, the employees of a market-regulated power sales affiliate must operate separately from the employees of any affiliated franchised public utility with captive customers.

(ii) Franchised public utilities with captive customers are permitted to share support employees, and field and maintenance employees with their market-regulated power sales affiliates. Franchised public utilities with captive customers are also permitted to share senior officers and boards of directors with their market-regulated power sales affiliates; provided, however, that the shared officers and boards of directors must not participate in directing, organizing or executing generation or market functions.

(iii) Notwithstanding any other restrictions in this section, in emergency circumstances affecting system reliability, a market-regulated power sales affiliate and a franchised public utility with captive customers may take steps necessary to keep the bulk power system in operation. A franchised public utility with captive customers or the market-regulated power sales affiliate must report to the Commission and disclose to the public on its Web site, each emergency that resulted in any deviation from the restrictions of section 35.39, within 24 hours of such deviation.

(d) Information sharing.

(1) A franchised public utility with captive customers may not share market information with a market-regulated power sales affiliate if the sharing could be used to the detriment of captive customers, unless simultaneously disclosed to the public.

(2) Permissibly shared support employees, field and maintenance employees and senior officers and board of directors under Sec. Sec. 35.39(c)(2)(ii) may have access to information covered by the prohibition of Sec. 35.39(d)(1), subject to the no-conduit provision in Sec. 35.39(g).

(e) Non-power goods or services.

(1) Unless otherwise permitted by Commission rule or order, sales of any non-power goods or services by a franchised public utility with captive customers, to a market-regulated power sales affiliate must be at the higher of cost or market price.

(2) Unless otherwise permitted by Commission rule or order, sales of any non-power goods or services by a market-regulated power sales affiliate to an affiliated franchised public utility with captive customers may not be at a price above market.

(f) Brokering of power.

(1) Unless otherwise permitted by Commission rule or order, to the extent a market-regulated power sales affiliate seeks to broker power for an affiliated franchised public utility with captive customers:

(i) The market-regulated power sales affiliate must offer the franchised public utility's power first;

(ii) The arrangement between the market-regulated power sales affiliate and the franchised public utility must be non-exclusive; and

(iii) The market-regulated power sales affiliate may not accept any fees in conjunction with any brokering services it performs for an affiliated franchised public utility.

(2) Unless otherwise permitted by Commission rule or order, to the extent a franchised public utility with captive customers seeks to broker power for a market-regulated power sales affiliate:

(i) The franchised public utility must charge the higher of its costs for the service or the market price for such services;

(ii) The franchised public utility must market its own power first, and simultaneously make public (on the Internet) any market information shared with its affiliate during the brokering; and

(iii) The franchised public utility must post on the Internet the actual brokering charges imposed.

(g) No conduit provision. A franchised public utility with captive customers and a market-regulated power sales affiliate are prohibited from using anyone, including asset managers, as a conduit to circumvent the affiliate restrictions in Sec. Sec. 35.39(a) through (g).

(h) Franchised utilities without captive customers. If necessary, any affiliate restrictions regarding separation of functions, power sales or non-power goods and services transactions, or brokering involving two or more franchised public utilities, one or more of whom has captive customers and one or more of whom does not have captive customers, will be imposed on a case-by-case basis.

[Order 697, 72 FR 40038, July 20, 2007, as amended by Order 697-A, 73 FR 25912, May 7, 2008]

APPENDIX D: Reporting Requirements for Utility-Affiliate Transactions

Reporting Requirements for Utility-Affiliate Transactions

R.92-08-008 as Revised by D.93-02-019

I. GENERAL

I.A. INTENT The purpose of these reporting requirements is to enable the Commission to monitor, track, and audit transactions between electrical, gas, and telephone corporations on the one hand and every subsidiary or affiliate of, or corporation holding a controlling interest in, the electrical, requirements of Public Utilities Code Sections 587 and 797.

I.B. APPLICABILITY
This Order applies to all electric, gas, and telephone operations.

Each corporation subject to this order will hereinafter be referred to either as a "utility" or as specific type of utility (e.g., "electric utility", "gas utility", "telephone utility") as appropriate.

I.C. REQUIREMENTS
Each utility that has any affiliated entities (as defined in Section I.G) must annually file a report with the Commission entitled "Annual Report on Significant Utility-Affiliate Transactions" (hereinafter referred to as the annual report).

Each utility that does not have any affiliated entities is not required to file an annual report but must file an annual statement to the Commission stating that the utility has no affiliated entities (hereinafter referred to as the annual statement). The annual statement must meet the requirements of Sections I.D, I.E, and I0F with regards to reporting period covered, schedule for filing, and verification.

The annual report for each utility that is any one of the following:

- An electric utility;
- A gas utility;
- A telephone utility which is a Local Exchange Carrier (LECD);
- A telephone utility which is a dominate Inter-Exchange Carrier (IEC) as determined by D.84-06-11;
- A telephone utility offering facilities-based cellular telecommunications services;

Shall contain the material required in Sections II A through G of this order as well as any supporting material and/or documents also required under those sections. These utilities are classified as "dominant utilities."

The annual report for each utility that is any one of the following:

- A telephone utility which is a Non-Dominant Inter-Exchange Carrier (NDIED) as determined by D.84-06-11;
- A telephone utility that resells cellular telecommunications services; and,
- A telephone utility that is a radiotelephone corporation;

Shall consist of accurately completing, preparing, and filing the material required in Sections II.A of this order as well as any supporting material and/or documents also required under that section. These utilities are classified as "competitive utilities."

Any material that is required that a utility is unable to provide must be reasonably described and the reasons the data cannot be obtained, as well as the efforts expanded [sic] to obtain the information, must be set forth in the utility's annual report and verified in accordance with Section I.F.

Any controlling corporation or utility which controls more than one utility subject to the above reporting requirements may file a single consolidated report for the utilities covering all of the information required of each of the utilities in Section II.A, and Section II.B Items #2 and #3. The remaining information required of each utility must be filed separately by each utility. The consolidated report must be verified by the appropriate corporate officers of each utility for which the report is being filed in accordance with Section I.F.

I.D. TIME PERIOD TO BE COVERED IN THE ANNUAL REPORT
Each annual report or annual statement filed by a utility shall cover the period of one calendar year (January 1 to December 31).

Each utility must file an annual report or annual statement for calendar year 1989 and every calendar year thereafter, according to the schedule contained in Section I.E.

I.E. TIME, PLACE, AND MANNER OF FILING
Each utility must file its annual report or annual statement for calendar years 1989, 1990, and 1991 by January 29, 1993 if it is an electric or gas utility and by March 1, 1993 if it is a telephone utility.

Each utility must file its annual report or annual statement for calendar year 1992, and every year thereafter, on the 1st of May in the calendar year following the period covered in the annual report or annual statement.

Each utility shall file an original, two hard copies, and one electronic copy of either its annual report or annual statement with the Finance Branch, Commission Advisory and Compliance Division (CACD). The electronic copy must be submitted in a form compatible with Commission software and computer capabilities.

I.F. VERIFICATION
Each annual report must be signed by a corporate officer of the utility stating under penalty of perjury under the laws of the State of California (CCP 2015.5) that the annual report is complete and accurate with no material omissions.

Each annual statement filed with the Commission by a utility stating that is [sic] has no affiliated entities also must be signed by a corporate officer of the utility stating under penalty of perjury under the laws of the State of California (CCP 2015.5) that the statement is accurate and contains no material omissions.

I.G. DEFINITIONS
Unless the context otherwise requires, the following definitions govern the construction of this Order:

Definitions Applicable to Corporate Structure and Organization

I.G.a. "Company" means any corporation or person as defined in Public Utilities Code Sections 204-206, including but not limited to joint ventures, limited partnerships, and strategic alliances.

I.G.b. "Affiliated Entity" means any "Controlling Corporation", "Subsidiary" (other than a "Regulated Subsidiary") or "Affiliate" as defined below.

I.G.c. "Controlling Corporation" means any company, which holds a controlling interest in a utility. A controlling interest is defined as directly or indirectly owning, controlling, or holding the power to vote 10% or more of the outstanding voting securities of a utility. [CHAPTER 2: DEFINITIONS]

I.G.d. "Subsidiary" means any company 10% or more of the outstanding securities of which are directly or indirectly owned, controlled, or held with power to vote, by either a utility or a controlling corporation.

I.G.e. "Affiliate" means any company 5% or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly either by a utility of any of its subsidiaries, or by that utility's controlling corporation and/or any of its subsidiaries as well as any company in which the utility, its controlling corporation, or any of the utility's affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership.

I.G.f. "Securities" means any note, draft, stock, treasury stock, bond, debenture, certificate of interest or participation in any profit-sharing agreement, any collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting trust certificate, certificate of deposit for a security, receiver's or trustee's certificate, or in general any instrument commonly known as a security.

I.G.g. "Regulated Subsidiary" means any subsidiary of a utility the revenues and expenses of which are subject to regulation by the Commission and are included by the Commission in establishing rates for the utility. For purposes off this rulemaking only, the Yellow Pages subsidiary of any telephone company which is a local exchange carrier (LEC) is a regulated subsidiary if its net revenues are inputted by the Commission in setting the rates of the LEC.

Definitions Applicable to the Reporting of Transactions

I.G.h. "Allocated Cost" means the cost to provide a good and/or service that is calculated by first determining the total cost to provide a good or service, and then assigning to either the affiliated entity (or the utility) a portion of the total costs based upon the affiliated entity's (or the utility's) proportional share of the good or service provided. Allocated cost should be determined according to the procedures outlined by each utility in Section II.B of this report and should include applicable overhead and direct use of utility assets.

I.G.i. "Fair Market Value" means the price offered by a willing purchaser in an arms-length transaction.

I.G.j. "Intangible Asset" means any asset having no physical existence, its value being set by the rights and anticipatory benefits that possession confers upon the owner. This includes intellectual property, licenses, franchises, marketable emission permits and emission offsets, etc.

I.G.k. "Intellectual Property" means any proprietary market data, customer lists, marketing or feasibility studies, leads and prospects for future business opportunities, patents, trade secrets, copyrights, or other marketable technologies.

I.G.l. "Tariffed Service" means any provision of electric, gas, or telephone services the price, terms, and conditions of which are set by tariffs established by the Commission and which are available to all customers meeting the requirements contained in the tariff.

I.G.m. "Transaction" means the provision of any good, property, service, privilege, or act between any two parties for which compensation normally would be provided if each party were independent of the other and acting in its best financial interest.

I.G.n. "Transfer price" means the price that the utility recorded in its accounting records as either 1) having paid an affiliated entity for the provision of any good, property service, privilege, or act or 2) received from an affiliated entity for providing the affiliated entity with any good, property, service, privilege, or act. If not payment was either received or made, the transfer price is zero ($0).

I.H APPLICABILITY TO REGUALTED SUBSIDIARIES

A regulated subsidiary is considered part of the utility, and therefore any transactions between a regulated subsidiary and an affiliated entity are considered the same as a transaction between the utility and an affiliated entity and must be reported accordingly.

II. REPORTING REQUIREMENTS

II.A.ORGANIZATIONAL STRUCTURE

II.A.1. Each utility shall list and provide the following information for each affiliated entity and regulated subsidiary that the utility had during the period covered by the annual report:

- Name;
- Form of organization (e.g., corporation, partnership, joint venture, strategic alliance, etc.);
- Brief description of business activities engaged in;
- Relationship to the utility (e.g., controlling corporation, subsidiary, regulated subsidiary, affiliate);
- Ownership by the utility (including type and percent ownership);
- Voting rights held by the utility and parent
- Corporate officers;
- Any other company besides the utility that owns 5% or more of the affiliated entity (unless legally precluded from providing the information);

II.A.2. The utility shall prepare and submit a corporate organizational chart showing any and all corporate relationships between the utility and its affiliated entities and regulated subsidiaries listed in #1 [II.A.1] above. The hart should have the controlling corporation (if any) at the top of the chart; the utility and any subsidiaries and/or affiliates of the controlling corporation in the middle levels of the chart and all secondary subsidiaries and affiliates (e.g., a subsidiary that in turn is owned by another subsidiary or and/or affiliate) in the lower levels. Any regulated subsidiary should be clearly noted.

II.A.3. For a competitive utility that has individuals who are classified as "controlling corporations" of the competitive utility, the utility must only report under the requirements of #1 [II.A.1] and #2 [II.A.2] above any affiliated entity that either 1) is a public utility or 2) transacts any business with the utility filling the annual report excluding the provision of tariffed services.

II.B. PROCEDURAL AND ACCOUNTING SAFEGUARDS

II.B.1. Each utility shall submit to the Commission a description of the procedures and controls in effect during the period covered by the annual report, as well as copies of any guidelines and/or policies in effect during the period covered by the annual report that relate to any transaction between a utility and any of its affiliated entities and that are used to:

- Ensure that all transactions between a utility and its affiliated entities are recorded in the accounting systems of the utility (except for employee transfers);
- Calculate the "transfer price" for transactions with affiliated entities;
- Ensure that the utility and its affiliated entities maintain subsidiary ledgers for recording all inter-company transactions;
- Reconcile subsidiary ledgers with the utility's books;
- Ensure that recordkeeping practices are sufficient to allow and facilitate full reporting and documentation by the Commission of all transactions between the utility and its affiliated entities;
- Ensure that the affiliated entities make timely reimbursement to the utility for any outstanding balances due;
- Calculate and determine the cost allocations used to apportion the cost of providing any good or service between the utility and its affiliated entities;
- Calculate the overhead costs associated with the provision of any good or service;
- Calculate the facilities cost and use of utility assets associated with the provision of any good or service;
- Calculate the fair market value of any good, service, or asset;
- Approve any request for goods or services requested from the utility by an affiliated entity (this description should include the corporate officers who must approve the request);
- Approve any request for goods or services requested by the utility from an affiliated entity (this description should include the corporate officers who must approve the request).

II.B.2 Each utility shall submit, in tabular form, a list of all contracts (including written agreements if not otherwise listed under #1 [II.B.1] above) between the utility and its affiliate entities that were either signed or in effect during the period covered by the

annual report and that involve the provision of greater than $5,000 in goods and/or services. Contracts covering the provision or tariffed utility services shall not be reported if offered at tariffed rates or pursuant to a contract filed with the Commission. This list shall include the following:

- Parties to the contract;
- Corporate officers of both the utility and the affiliated entity that signed the contract;
- Date the contract became effective;
- Brief description of the substantive terms and conditions of the contract;
- Approximate value of the goods, services, or assets provided under the contract;
- Location of the contract; and,
- Any material or subsequent modifications to the contract, including any waivers (written or otherwise) to the contract, as well as a brief description of the reasons for the modifications and/or waiver.

II.B.3. Any verbal agreement between a utility an any of its affiliated entities that involves or will ultimately involve the expenditure by the utility of any amount over $100,000 should be reported, to the extent possible, under #2 [II.B.2] above.

II.B.4. Each utility shall annually provide a list of all internal audits conducted regarding transactions between the utility and any of its affiliated entities, including in its list the following:

- Dates the audit was conducted;
- Date of final audit report;
- Purpose of audit; and,
- Summary of audit findings and recommendations.

II.C. UTILITY PROVISON OF GOODS AND SERVICES TO ITS AFFILIATED ENTITIES

II.C.1. Using the format of Table II.C.1, each utility shall report any goods and/or services that the utility provided to any of its affiliated entities during the period covered by the annual report. All goods and/or services shall be reported regardless of whether or not the utility was reimbursed.

II.C.2. For purposes of this section, and section II.D, "Goods" are defined as any tangible item having economic value. Examples of "goods" include office supplies, office computers, and personal automobiles. No item shall qualify as a good if it has:
II.C.2.a a depreciable life, for federal tax purposes, of more than 3 years, except for cars, personal computers, and office machinery,[11] and
II.C.2.b a value of greater than $20, 0000.

The transfer of any item of tangible property described in II.C.2.a or II.C.2.b above shall be reported under Section E ("Transfer of Tangible Asset").

II.C.3. For purposes of this section, "Services" includes any activity of economic value provided by the utility, or company under contract to the utility, to any affiliated entity. Examples

[11]See Section 1240, "Classes of Depreciable Property," 1992 U.S. Master Tax Guide (Commerce Clearing House) discussing Internal Revenue Code sections 1245 and 1250.

of "services" include, but are not limited to the provision of professional expertise (e.g., legal, consulting, engineering), administrative support (e.g., data and payroll processing, arranging travel, transportation services, etc.) and general corporate management and support activities (e.g., time spent by corporate executives and employees on affiliated entity issues, investor relations, shareholder services, etc.).

II.C.4. The cost of each good and/or service that the utility provided to any of its affiliated entities shall be assigned to an appropriate USOA Account of the utility.

II.C.5. Using the format shown, each utility shall create a table (entitled Table II.C.1), containing:

- A set of columns by listing horizontally across the top each affiliated entity of the utility, excluding, however, any affiliated entities to which the utility provided no goods and/or services during the calendar year.
- A set of rows by listing vertically down the left side of Table II.C.1 each USOA account (listed in ascending order) for which the utility had incurred a cost (whether or not reimbursed) for providing any good or service to an affiliated entity.
- The middle portions of Table II.C.1, corresponding to each horizontal column and vertical row, will be called cells.

II.C.6. For each cell in Table II.C.1, the utility shall aggregate all transactions for goods and/or services it provided to each affiliated entity under:

(1) The appropriate column heading for the affiliated entity; and,
(2) The row corresponding to the appropriate USOA account category.

II.C.7 The following information shall be reported in the corresponding cells of Table

- The total transfer price assigned to this USOA account for any goods or services provided by the utility to the affiliated entity;
- The allocated cost, if different from the transfer price, for any goods or services provided by the utility to the affiliated entity;
- Allocated costs as a percentage of total recorded costs for the USOA account;
- The ratio for each USOA account of the actual total recorded expenses versus total expenses authorized in the utility's most recent General Rate Case (expressed as a percentage).

II.C.8 At the end of each row, briefly list the applicable cost allocation methodology and transfer pricing method used to determine the corresponding dollar volumes listed under II.C.7 above.

II.C.9. In addition to the information requested in Table II.C.1, each utility shall provide, as a separate document, a brief narrative description for any affiliated entity that had over $10,000 of transfer price recorded in any USOA account. The is narrative description will describe in greater detail the types of goods and services provided, as well as the methodologies used to calculate their transfer price and allocated cost.

II.C.10. Electric and gas utilities are not required to report in Table II.C.1 any tariffed utility services provided to their affiliated entities.

II.C.11. Telephone utilities shall not report in Table II.C.1 any tariffed services (including roamer services) provided to any of their affiliated entities. Instead, each telephone utility shall separately list for each affiliated entity the following information:

- All special contracts under which utility services were bought;
- The dollar amount and volume of services bought under each special contract;
- The dollar amount of services bought under each special contract as a percentage the total dollar amount of services provided by the utility to all customers receiving service under the special contract.

Telephone utilities shall also report the following:

- Any tariffed rate schedule or option, 10% or more of the revenues from which are attributable to utility's affiliated entities.

II.D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

II.D.1. Section C required each utility to report goods and/or services that it provided to its affiliated entities. This section (Section D) requires the reporting of all goods and/or services that the affiliated entities provided to the utility.

II.D.2. Each utility shall report any goods and/or services that were provided to it by any of its affiliated entities during the period covered by the annual report. All goods and/or services shall be reported regardless of whether or not the affiliated entity was reimbursed.

II.D.3. For purposes of this section, "Goods" has the same meaning as used in Section II.C above.

II.D.4. For purposes of this section, "Services" includes any activity of economic value provided by the affiliated entity, or any company under contract to the affiliated entity, to the utility. The examples of the types of service listed in #3 of Section II.C above are applicable to this section as well. Purchases of natural gas or electric energy from any affiliated entity should be reported in this section.

II.D.5. The cost of each good and/or services that the affiliated entity provided to the utility shall be assigned by the utility to an appropriate USOA Account of the utility.

II.D.6. Using the format shown, each utility shall create a table (entitled Table II.D.1), containing:

- A set of columns by listing horizontally across the top of Table II.C.1 each affiliated entity listed in Table-A-1, excluding, however, any affiliated entities which provided no goods and/or services to the utility during the calendar year.
- A set of rows by listing vertically down the left side of Table II.C.1 each USOA account (listed in ascending order) for which the utility had incurred a cost for goods and/or services provided by the affiliated entity.
- The middle portions of Table II.C.1, corresponding to each horizontal column and vertical row, will be called cells.

II.D.7 For each cell in Table II.C.1, the utility shall aggregate all transactions for goods and/or services it provided to each affiliated entity under:

(1) The appropriate column heading for that affiliated entity; and,
(2) The row corresponding to the appropriate USOA account category.

II.D.8. The following information shall be reported in the corresponding cells of Table II.C.1:

- The total transfer price assigned to this USOA account for any goods or services provided by the affiliated entity to the utility;
- The allocated cost, if different from the transfer price, as calculated by he affiliated entity as the cost for any goods or services provided to the utility;
- The fair market value of the goods and service provided, if determined;
- Allocated costs as a percentage of total recorded costs for the USOA account.

II.D.9. At the end of each row, each utility shall briefly list the applicable methodology used to determine allocated cost and transfer price as well as any calculations and reviews utilities to determine fair market value.

II.D.10. In addition to the information requested in Table II.C.1, each utility shall provide, as a separate document, a brief narrative description for any USOA account that had recorded over $10,000 in goods and services provided by an affiliated entity. This narrative description will describe in greater detail the types of goods and services provided as well as the methodologies used to calculate their transfer price and a summary of all methodologies and calculations used to determine fair market value.

II.D.11. For any USOA account classification containing greater than $25,000 in reported transaction, the utility shall provide as an addendum to Table II.D.1 any comparisons performed by the utility of the cost of goods or services provided by the affiliated entities with other providers not affiliated with the utility.

II.E. TRANSFERS OF TANGIBLE ASSETS

II.E.1 The utility shall report the sale or transfer of any tangible asset (including personal property and real property such as land). This includes sales from the utility to an affiliated entity or vice-versa. The sale or transfer of goods already reported in sections II.C and II.D need not be reported again here.

II.E.2 The requirements of this section apply to the transfer of any tangible asset of the utility regardless of whether or not considered by the utility to be necessary or useful in the performance of its public utility obligations.

II.E.3 For each tangible asset transferred from the utility to an affiliated entity (or vice-versa), the utility shall provide the following information:

- Affiliated entities involved in the transfer;
- Description of the asset;
- Price at which the asset was originally purchased;
- Price and terms at which the asset was sold or transferred;
- Methods used to determine the selling price of the asset;
- Copies of all appraisals done to determine the fair market value of the asset upon sale;
- Results of any competitive bidding or competing offers to purchase the asset.

II.E.4. If the tangible asset is being transferred from the utility to an affiliated entity, the utility shall also submit the following information in addition to that required above:

- The length of time the utility has held the asset;
- Utility account in which the asset was held;
- Amount of time, if any, the asset was held in "Plant Held for Future Use"; and,
- Value at which the asset was carried on the utility's books.

II.E.5. If the tangible asset being transferred is land and/or real property, the utility, in addition to the above requirements, shall also provide the following:

- Amount of time the affiliated entity had either expressed interest in acquiring the property or had conducted feasibility/marketing studies on the property's use; and,
- Other properties located within the area that are owned or leased, or under option to any affiliated entity.

II.E.6. Any cumulative transfer of employees, utility assets (including goods) and property, etc. that collectively results in a transfer of an independent business entity from the utility to an affiliated entity shall be reported in this section. For each such cumulative transfer, the utility shall include in its annual report any valuations of the new business entity. This shall include any valuations done using as the value of the transfer the market value of the independent entity as a stand-along company as well as any valuations using commonly utilized valuation methods such as price-earning multiples comparable sale evaluations, discounted cash-flow analyses, etc.

II.E.7. For purposes of section II.E, the lease of any tangible asset is considered a transfer and is subject to the reporting requirements of II.E.3 through II.E.5 above.

II.F. TRANSFERS OF INTANBIBLE AND INTELLECTUAL PROPERTY

II.F.1 For all intangible assets transferred from the utility to any of its affiliated entities, the utility shall provide the following information:

- Affiliated entities involved in the transaction;
- Description of the asset, including the patent/copyright numbers if applicable;
- The price at which the asset was originally acquired, if purchased; or,
- The estimated cost of development if the asset was developed by the utility;
- The price and terms at which the asset was sold or transferred to the affiliated entity;
- The estimated fair market value, if determined, of the intangible asset to be transferred; and,
- Methods used to determine the selling price.

II.F.2. Software purchased from third parties and transferred between the utility and its affiliated entity should be reported under Sections II.C and II.D (Transfer of Goods and/or Services) of the annual report as long as the software has a purchase price of under $20,000.

II.F.3. An affiliated entity which has access to any intangible assets or intellectual property of the utility such as marketing data, databases, customer lists, marketing or feasibility

studies, leads and prospects for future business opportunities, trade secrets, etc. must meet the reporting requirement of #1 above.

II.F.4. All transfers of intangible assets from the utility to an affiliated entity must be reported in #1 above even if the utility received no compensation for the transfer.

II.G. FINANCIAL TRANSACTIONS

II.G.1. The utility shall report the guarantee of all notes, debentures, debt obligations, or other securities of any affiliated entity and shall cite the applicable Commission decision, if any, authorizing the guarantee.

II.G.2. The requirements of #1 above will apply as well to any guarantee of under 12 months in length not requiring Commission approval as well as any cash infusion agreements through both loans and/or equity investments.

II.G.3. The transfer of funds for investment between the utility and its affiliated entities under a cash management system are not required to be reported, except as noted in #4 below. However, any costs of bookkeeping, management fees, etc. associated with transfers of these funds shall be reported under Sections II.C and/or II.D as appropriate.

II.G.4. Each utility shall report the length of time and the dollar amount that a negative cash balance has existed in the intercompany accounts of any affiliated entity during the period to be reported.

II.G.5. Each utility shall specify the procedures used to allocate tax liabilities and responsibilities between the utility and its regulated subsidiaries and affiliated entities.

II.G.6. Each utility shall specify the procedures used to internally transfer funds between the utility and its affiliated entities to reimburse the utility for services provided to the affiliated entities. These procedures shall include the number of days that elapse between when a bill is presented to the affiliated entity for payment and when the funds are actually transferred to the utility. The procedures shall also include the applicable carrying charges and interest rates, if any, that are applied to outstanding balances owed to the utility by an affiliated entity.

II.G.7 Each utility will submit to the Commission the following information:

- II.G.7.a. The quarterly and annual financial statements of the utility's controlling corporation, including consolidating workpapers of the controlling corporation and its subsidiaries (both regulated and unregulated);
- II.G.7.b. The balance sheets and income statements of the non-consolidated subsidiaries of the controlling corporation (unless legally precluded from providing them);
- II.G.7.c. All periodic reports filed by the controlling corporation with the Securities and Exchange Commission; and
- II.G.7.d. An annual report of the utility's proportionate share of the controlling corporation's
  - (i) Total assets;
  - (ii) Total operating revenues;

(iii) Operating and maintenance expense; and
(iv) Number of employees

If a utility does not have a controlling corporation but instead carries out non-regulated activities through other subsidiaries or affiliates of the utility, then that utility shall be considered as the controlling corporation for complying with the requirements of #7.

II.H. TRANSFER OF EMPLOYEES

II.H.1. The utility shall report any employee who transferred from the utility to any of its affiliated entities during the period covered by the annual report. For calendar years 1989 through 1992, the utility must only report utility employees who commenced employment for an affiliated entity within six months after leaving the utility.

II.H.2. The utility shall provide, in tabular form, the following information on all non-clerical employees who retire, resign, transfer, are reassigned, or otherwise leave the utility and subsequently commence employment in any capacity (including intermittent, part-time and consulting) with any of the utility's affiliated entities:

(a) Last title and position held at the utility;
(b) Last division assigned to within the utility;
(c) Final salary with the utility;
(d) Years employed by the utility;
(e) Affiliated entity at which the employee has commenced employment;
(f) Job classification and title at the affiliated entity;
(g) Whether the employee's expected tenure at the affiliate entity is permanent (six months or longer) or temporary;
(h) Any pension, benefit, or reinstatement rights that the employee may retain with the utility; and,
(i) A brief description of the level and extent of utility efforts to recruit new employees assigned to the same position within the utility.

II.H.3. To protect the confidentiality of employees, the utility is not required to list names but shall assign either a letter (e.g., A, B, C, etc.) or number (e.g., 1, 2, 3, etc.) to each employee subject to the reporting requirements of #2 above.

II.H.4. If a Commission decision requires the utility to collect a "fee" for any employee transferred to an affiliated entity, the utility shall report he amount of the fee collected for each employee.

III. AUDITING COMPLIANCE

III.1. Commission staff may investigate and audit all transactions between the utility and its affiliated entities and between affiliated entities necessary to ensure compliance with these reporting requirements and California Public Utilities Code Section 587.

III.2. Commission staff shall be provided with all information, including but not limited to records, accounts, corporate books, timesheets, contracts, workpapers, computer programs, etc. used to create the annual reports.

III.3. If requested by Commission staff, each utility shall provide the above information within 15 working days following receipt of a written request from Commission staff.

III.4. In carrying out its review of the above items, the Commission may utilize the services of independent agents not employed by the Commission but retained by the Commission under contract. The independent agents retained by the commission shall have the same rights and privileges as Commission staff.

III.5. Further, Commission staff or the Commission's agent may investigate and audit any transaction of the utility and its affiliated entities either in the course of its general responsibilities for regulatory oversight or in connection with formal dockets, and are not restricted in the timing and scope of such investigations because of the utilities' requirements to file annual reports under this Order.

APPENDIX E: Holding Company Conditions

Holding Company Conditions

Affiliate Transaction Rules from SCE's Holding Company Decision D.88-01-063

Ordering Paragraph 1. Southern California Edison Company (Edison) is authorized to effect the reorganization proposed in this application. Such authority is contingent on acceptance by Edison, SCE Holding Company, and Edison Merger Company of the following conditions.

Condition 1. Edison shall ensure that the Commission has access to books and records of the holding company and each of its affiliates and their joint ventures, consistent the requirements of Public Utilities Code Section 314. Edison is placed on notice that the commission will interpret Section 314 broadly, as it applies to transactions between Edison and the holding company or its affiliates and subsidiaries in fulfilling its regulatory responsibilities as carried out by the Commission, its staff and its authorized agents. Administratively, requests for such books and records made by the Commission, its staff or its authorized agents shall be deemed presumptively valid, material, and relevant. Any objections to such requests shall be timely raised before the administrative law judge or assigned commissioner in the proceeding in which such objections arise. In order to sustain an objection to such a request, respondents shall have the burden of showing that the request is not reasonably related to any issue properly before the Commission and, further, is not reasonably calculated to result in the discovery of admissible evidence in the proceeding.

Condition 2. Edison, Edison's holding company, and each of its subsidiaries and the joint ventures of the holding company and/or its subsidiaries shall employ accounting and other procedures and controls related to cost allocations and transfer pricing to ensure and facilitate full review by the Commission and to protect against cross-subsidization of nonutility activities by Edison's customers. These procedures and controls are explained in Edison's Corporate Policies and Guidelines for Affiliate Transactions. This document is attached hereto, and by this reference is made part of these conditions. Edison's policies include the application of a five% markup on fully loaded labor costs billed to nonutility affiliates for the use of Edison employees. This billing policy, as well as Edison's Corporate Policies and Guidelines for Affiliate Transactions, will be reviewed in subsequent Edison General Rate Cases.

Condition 3. Edison's holding company and each of its subsidiaries and the joint ventures of the holding company and/or its subsidiaries shall keep their books in a manner consistent with generally accepted accounting principles and, where feasible, consistent with the Uniform System of Accounts.

Condition 4. The officers and employees of Edison's holding company and its subsidiaries shall appear and testify in Commission proceedings, as necessary or required.

Condition 5. Edison shall furnish the commission with:

5. a. The quarterly and annual financial statements of its parent holding company, including consolidating workpapers of the holding company and its subsidiaries;

5.b. Annual statements concerning the nature of intercompany transactions concerning Edison and a description of the basis upon which cost allocations and transfer pricing have been established in these transactions;

5.c. The balance sheets and income statements of the non-consolidated subsidiaries of the holding company;

5.d. All periodic reports filed by the holding company with the Securities and Exchange Commission; and

5.e. Edison shall submit, as a separate exhibit in its test year 1992 general rate case, and audit of al transactions between Edison and its nonutility affiliates, to be performed at Edison's expense by an outside auditing firm, which shall be selected and supervised by a Project Coordinator appointed by the Director of the Commission Advisory and Compliance Division. The consultant's audit report shall be completed and submitted to the Commission as directed by the Project Coordinator, on or before July 31, 1992. The need for subsequent audits will be determined in Edison's 1992 general rate case.[12]

Condition 6. Edison shall avoid a diversion of management talent that would adversely affect the utility. Edison shall also provide to the Commission an annual report identifying non-clerical personnel transferred from Edison to its parent holding company or any of the holding company's nonutility subsidiaries.

Condition 7. Edison shall notify the Commission in writing within thirty (30) days prior to any transfer to the holding company or its nonutility affiliates of any utility asset or property exceeding a fair market value of $100,000, whether or not considered by the utility to be necessary or useful in the performance of its public utility obligations. This condition shall not include transfers of funds for investment under a cash management system.

Condition 8. Market, technological, or similar data transferred, directly or indirectly, from Edison to a nonutility affiliate shall be transferred at market value. This condition will ensure that the utility is compensated and that ratepayers are indifferent to the transaction. However, if such data is related to the production of electricity by a Qualifying Facility in which an Edison nonutility affiliate has an ownership interest, then the Commission's procedures for disclosure, as set forth in the Commission's decisions in OIR-2, or its successor proceedings, shall apply.

Condition 9. Edison shall maintain a balanced capital structure consistent with the determined to be reasonable by the Commission in Edison's most recent general rate case decision. Edison's equity shall be retained such that the Commission's adopted capital structure will be maintained on average over the period the capital structure is in effect for ratemaking purposes.

[12] This text of Condition 5.e. was adopted by Decision 91-05-020.

Condition 10. The dividend policy of Edison shall continue to be established by Edison's Board of Directors a though Edison were a comparable stand-alone utility company.

Condition 11. Edison shall not guarantee the notes, debentures, debt obligations, or other securities of its parent holding company or any of its subsidiaries without first obtaining the written consent of this Commission.

Condition 12. The capital requirements of the utility, as determined to be necessary to meet its obligation to serve, shall be given first priority by the Board of Directors of Edison's parent holding company and Edison.

Condition 13. On a quarterly basis, Edison shall provide the Commission with a report detailing the utility's proportionate share of the holding company's

(i) total assets;
(ii) total operating revenues;
(iii) operating and maintenance expense; and
(iv) number of employees.

Condition 14. Where product rights, patents, copyrights, or similar legal rights are transferred from the utility to the parent holding company or any of its nonutility subsidiaries, a royalty payment may be required to ensure that ratepayers receive appropriate compensation. Such royalty payments shall be developed on a case-by-case basis.

Condition 15. Neither Edison's holding company nor its subsidiaries shall provide interconnection facilities and related electrical equipment to Edison, directly or indirectly, where third-party power producers are required to purchase or otherwise pay for such facilities and equipment in conjunction with the sale of electrical energy to Edison, unless the third party may obtain and provide facilities and equipment of like or superior design and quality through competitive bidding. The holding company and its nonutility subsidiaries may participate in any competitive bidding for such facilities and equipment.

APPENDIX F: Policies and Procedures Concerning Affiliate Participation in SCE Requests for Offers and Requests for Proposals

Policies And Procedures Concerning Affiliate Participation In SCE Requests For Offers And Requests For Proposals

March 14, 2010

This set of Policies and Procedures Concerning Affiliate Participation in SCE Requests for Offers and Requests for Proposals (the "RFO Policies") establishes certain policies and procedures that are to be followed in connection with SCE's affiliates responding to an SCE Request for Offers or Request for Proposals (both referred to herein as "RFOs") to provide long-term[13] capacity, energy and/or ancillary services (such RFO response being referred to as "Affiliate California Activities").

1. *Introduction*

FERC's Affiliate Restrictions and Standards of Conduct ("FERC Rules") and the CPUC's Affiliate Transaction Rules ("ATR") generally prohibit the transfer of non-public transmission information to SCE's marketing function employees[14] as well as the transfer of non-public transmission, market and other proprietary information to SCE's Class A affiliates[15] (such as EMG) ("affiliates"). Officers and other employees of Edison International ("EIX") and shared support personnel coming into possession of this information may not serve as conduits to transfer such information from the utility to the affiliates (or to any SCE marketing function employees in the case of non-public transmission information) or to create the opportunity for preferential treatment, unfair competitive advantage or cross-subsidization. The ATR as well as the CPUC's holding company decision also require that SCE and its affiliates maintain structural separation, and ratepayer indifference to transactions, between the utility and its affiliates. In implementing these principles, the CPUC has concluded that utilities must maintain complete procurement planning independence from their affiliates.

These RFO Policies are designed to implement these principles with respect to Affiliate California Activities while addressing the requirement that holding company personnel and shared support personnel also perform their governance and oversight responsibilities and discharge their fiduciary obligations to shareholders. Accordingly, these RFO Policies both restrict the provision of RFO-specific information to EIX personnel and limit the role of EIX personnel in decisions of affiliates with respect to RFOs. Specifically, as discussed below, these RFO Policies require EIX personnel to participate in decisions of affiliates with respect to RFOs only through the formulation by the affiliate's board of directors of standards for affiliate bidding and/or through affiliate board approval or disapproval of the affiliate's bid, but prohibit EIX personnel from otherwise participating in developing, modifying or causing to be modified the *contents* of a bid. By limiting the participation of EIX personnel in the decisions of affiliates in this manner, these RFO Policies are designed to ensure that EIX personnel will not serve as conduits to transfer utility information, or provide any unfair competitive advantage, to affiliates.

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[13] As defined in D.05-12-022, long-term means greater than three months.
[14] As defined in FERC Order No. 717, 125 FERC ¶ 61,064 (2008), *codified at* 18 C.F.R. §§ 358.2(c), 358.3(c), and 358.3(d).
[15] As defined in D.97-12-088, 77 CPUC2d 449.

2. *RFO Utility Procedures*

2.1 Commencement of Process. Whenever an RFO is issued for which an affiliate is a potential responder, SCE's Senior Vice President of Power Procurement will distribute these RFO Policies to appropriate utility personnel and will notify the EIX Chief Ethics and Compliance Officer and request that these RFO Policies be communicated to appropriate EIX and affiliate personnel. The Senior Vice President of Power Procurement will also make arrangements to retain an Independent Evaluator as called for by the CPUC in its decisions, but if EIX or EME provides notice in writing that no affiliate will respond to the RFO, then the role of the Independent Evaluator may, as appropriate and if permitted by applicable CPUC rules, be terminated, suspended or modified.

2.2 Restricted Access to RFO Information. The utility will limit access to RFO Information (as defined below) to utility personnel involved in SCE's RFO Decision-making (as defined below) or who otherwise have a "need to know" such information. Accordingly, affiliate personnel will not have access to such information, and holding company personnel will not have access to such information except as provided in section 2.4.

(a) "RFO Information" means non-public information, data and materials that SCE develops or receives in anticipation of or during the course of an RFO that would not exist but for the RFO and that, if known by a bidder participating or potentially participating in an RFO, would provide it with a competitive advantage in an RFO. RFO Information includes information about the timing of the issuance of an RFO, bids, the evaluation of bids, negotiating positions, terms of agreement, and similar substantive information.

(b) "RFO Decision-making" by SCE means the formulation by SCE of an RFO and SCE's evaluation and selection of proposals or bids that are received in response.

2.3 Non-Public Procurement Information. Without in any way limiting general restrictions under FERC Rules or CPUC rules or decisions on the transfer of transmission, market and other non-public proprietary information from the utility to affiliates, utility personnel may not disclose or transfer Non-Public Procurement Information (as defined below) to the utility's affiliates. Accordingly, such Non-Public Procurement Information should not be the topic of discussions at meetings of intercompany councils at any time when affiliate personnel are present.

"Non-Public Procurement Information" means non-public information, including RFO Information, about the utility's procurement plans, energy positions, needs, strategies, contracts, projections and the like that, if known by a market participant, would provide it with a current or future competitive advantage.

2.4 *Limited Access By Holding Company Personnel And Shared Support Personnel To Information.* Notwithstanding sections 2.2 and 2.3, but subject to CPUC requirements respecting utility procurement planning independence, holding company personnel and Shared Support Personnel (as defined below) may obtain Non-Public Procurement Information as follows:

(a) Officers of EIX (and any EIX employee they designate to assist them in connection with corporate oversight) may obtain from the utility Non-Public Procurement

Information that is not RFO Information in order to fulfill their fiduciary duties, but such officers and supporting EIX personnel who receive such information may not serve as conduits to transfer proprietary information from the utility to the affiliates or to create the opportunity for preferential treatment, unfair competitive advantage or cross-subsidization.

(b) Shared Support Personnel (as defined below) may obtain Non-Public Procurement Information (including RFO Information) as they may deem necessary to perform their obligations as corporate auditor, secretary, controller, accountant, disclosure counsel or other person with responsibility for such matters as financial reporting, corporate disclosures, governance, internal audit, compliance, or any of the functions that are permitted to be performed as shared services under Rule V.E. of the ATR, so long as they do not serve as conduits to transfer proprietary information from the utility to the affiliates or to create the opportunity for preferential treatment, unfair competitive advantage or cross-subsidization. Shared Support Personnel who receive Non-Public Procurement Information may not participate in Affiliate RFO Decision-making (as defined in Section 3.1 below), provided, however, that this restriction shall not prevent Shared Support Personnel from providing support services to an affiliate in response to a request from such affiliate for assistance, so long as the same individual does not advise both the utility and the affiliate with respect to an issue that is or may be the subject of negotiation between the utility and the affiliate, such that the provision of such advice would be inconsistent with principles of arms' length dealing.

(c) "Shared Support Personnel" means individuals who provide the support services permitted by Rule V.E. of the ATR to the utility, EIX, and/or affiliates, but excludes (i) individuals who are officers, employees, or directors of affiliates, and (ii) the CEO of EIX.

2.5 Affiliate Questions. To the extent mandated by CPUC and/or FERC requirements, or otherwise suggested by the Independent Evaluator, SCE will post any questions from affiliates about an RFO on an electronic website or bulletin board that is easily accessible to all potential bidders, and affiliates' questions will be answered through the website or bulletin board.

3. *RFO Affiliate Procedures*

3.1 Affiliate RFO Decision-making. EIX personnel are permitted to participate in Affiliate RFO Decision-making only through participation in the decisions made by the affiliate's board of directors as set forth in Sections 3.2 and 3.3 below and in actions undertaken in anticipation or support thereof. "Affiliate RFO Decision-making" means decisions by an affiliate concerning the contents of any response by the affiliate to an SCE RFO. This provision should not be construed to prevent Shared Support Personnel from obtaining such information as they may deem necessary to perform their obligations as corporate auditor, secretary, controller, accountant, disclosure counsel or other person with responsibility for such matters as financial reporting, corporate disclosures, governance, internal audit, compliance or any of the functions that are permitted to be performed as shared services under Rule V.E. of the ATR, nor shall this provision prevent Shared Support Personnel from providing support services to an affiliate subject to the limitations identified in section 2.4(b). EIX personnel and Shared Support Personnel may not serve as conduits to transfer proprietary information from the utility to the affiliates or to create the opportunity for preferential treatment, unfair competitive advantage or cross-subsidization.

3.2 Board of Directors Participation. EIX personnel may participate in Affiliate RFO Decision-making to discharge their fiduciary obligations or to provide support and assistance to the discharge of such duties. Such participation will be consistent with the guidelines set forth below, which are intended to assure that such persons may, on an informed basis, set standards for and/or approve or disapprove the affiliate's bid but not otherwise participate in developing, modifying or causing to be modified the *contents* of the bid, which shall be developed independently by the affiliate's operating personnel. Accordingly, subject to sections 3.1 above and 3.4 and 3.6 below, EIX personnel, on the one hand, and affiliate personnel on the other hand, should avoid engaging in any discussion with one another concerning the contents of any response by the affiliate to an SCE RFO other than at affiliate board of directors meetings or in anticipation or support thereof.

3.3 Affiliate Board Actions. Actions undertaken by the board of directors of an affiliate as part of Affiliate RFO Decision-making may not be used as a conduit to transfer proprietary information from the utility to the affiliates or to create the opportunity for preferential treatment, unfair competitive advantage or cross-subsidization and may consist only of the following:

(a) The formulation of general criteria (that are not bid or counterparty specific) for investments or projects of the type in question, such as size of project, target returns, financing parameters, extent of risk (e.g., the nature and extent of "offramps"), portfolio diversification, application and enforcement of overall portfolio risk metrics, resource evaluation criteria, general contractual requirements (e.g., length of contracts, fixed or variable pricing, creditworthiness of counterparties), equipment specifications (e.g., age or nature of technology, performance guarantees), construction terms (e.g., experience of contractors, environmental constraints, fixed versus cost based pricing, and performance guarantees), operations and maintenance arrangements and requisite regulatory and political environment;

(b) Approval or disapproval of any non-binding indication of interest that the affiliate intends to submit in response to the RFO, without altering the specific terms thereof;

(c) Approval or disapproval in its entirety of any binding bid that the affiliate intends to submit in response to the RFO, without altering the specific terms thereof; and

(d) Approval or disapproval of investments made pursuant to the terms of the bid.

It is intended that while there could be several meetings of the affiliate board in anticipation of any single approval/disapproval decision of the board under paragraphs (b), (c), or (d), the board's approval/disapproval process will be non-iterative and will not change the contents or specific terms of an indication of interest, bid or investment. Accordingly, the particular proposal before the board should not be modified by board action in any material way during the course of the review process, and a negative decision once reached should not, absent special circumstances (e.g., a change in the RFO), be subject to reconsideration based on a materially modified proposal. This section is not intended to prevent or otherwise limit an affiliate officer or employee who serves on an affiliate board (and who is not also an officer or employee of EIX) from participating in any Affiliate RFO Decision-making that occurs outside the context of the affiliate board approval/disapproval process.

3.4 Informed Decisions. Nothing in these RFO Policies is intended to prevent or limit an affiliate board or board member from diligently seeking and obtaining information from the affiliate in order to discharge fiduciary obligations or for decisions to be made on an informed basis. Such information may be gathered, assembled and reviewed prior to any applicable board meeting, but the process for doing so shall not affect the content of the affiliate's response to the RFO.

3.5 Record-keeping. The affiliate shall keep records of the applicable board (or board committee) meetings, by way of minutes, other written records and/or utilization of outside observers, as well as preservation of materials presented to board members to assist in their analysis, so as to be able to demonstrate that board meetings were not a conduit to transfer proprietary information from the utility to the affiliate or to create the opportunity for preferential treatment, unfair competitive advantage or cross-subsidization.

3.6 Transferred Employees. From time to time, SCE officers or employees who have been involved in the utility's RFO Decision-making with respect to an RFO, or who otherwise have obtained Non-Public Procurement Information, may transfer from SCE to EIX or an affiliate. In these situations, the person who transfers must not use or disclose Non-Public Procurement Information for the affiliate's benefit and, in any event, will not participate in Affiliate RFO Decision-making with respect to an RFO for which he or she has been involved in RFO Decision-making at the utility.

APPENDIX G: Policies and Procedures Regarding Affiliate Trading in the California Market

POLICIES AND PROCEDURES REGARDING AFFILIATE TRADING IN THE CALIFORNIA MARKET

March 14, 2010

This set of Policies and Procedures for Affiliate Trading in the California Market (the "Affiliate Trading Policies") establishes certain policies and procedures that are to be followed in connection with SCE's affiliates engaging in energy markets trading in the California market ("Affiliate California Activities").

1. Introduction

FERC's Standards of Conduct and the CPUC's Affiliate Transaction Rules ("ATR") generally prohibit the transfer of non-public transmission information to SCE's marketing function employees[16] as well as the transfer of non-public transmission and other proprietary information to SCE's Class A affiliates[17] (such as EMG) ("affiliates"). FERC's Affiliate Restrictions generally prohibit the transfer of market information from SCE to its market affiliates if such information could be used to the detriment of captive retail customers. The Affiliate Restrictions and Standards of Conduct are referred to herein as the "FERC Rules." Officers and other employees of Edison International ("EIX") and shared support personnel coming into possession of this information may not serve as conduits for the otherwise prohibited transfer of such information or to create the opportunity for preferential treatment, unfair competitive advantage or cross-subsidization. The ATR as well as the CPUC's holding company decision also require that SCE and its affiliates maintain structural separation, and ratepayer indifference to transactions, between the utility and its affiliates. In implementing these principles, the CPUC has concluded that utilities must maintain complete procurement planning independence from their affiliates.

These Affiliate Trading Policies are designed to implement these principles with respect to Affiliate California Activities while addressing the requirement that holding company personnel and shared support personnel also perform their governance and oversight responsibilities and discharge their fiduciary obligations to shareholders. Accordingly, these Affiliate Trading Policies limit the role of EIX personnel with respect to trading in the California market to overseeing compliance with applicable risk management policies, and limit EIX involvement in individual trading decisions or strategies with respect to such market. By limiting the participation of EIX personnel in the decisions of the utility and the affiliates in this manner, these Affiliate Trading Policies are designed to ensure that EIX personnel will not serve as conduits for the otherwise prohibited transfer of information, or provide any unfair competitive advantage.

2. Trading

2.1 Certain Definitions.

"California market" means, with respect to Trading or Trading Strategies, transactions in CAISO markets, or transactions at locations within the territory of the

[16] As defined in FERC Order No. 717, 125 FERC ¶ 61,064 (2008), *codified at* 18 C.F.R. §§ 358.2(c), 358.3(c), and 358.3(d).
[17] As defined in D. 97-12-088, 77 CPUC2d 449.

Western Electricity Coordinating Council other than a transaction that, at or prior to the time of transacting, the affiliate engaging in such transaction reasonably believes does not involve a California utility or a source or sink (viz., serving load) in California.

"Policies" means rules, practices, guidelines, requirements, criteria, methods, procedures, or processes.

"Trading" means hedging and proprietary trading of both physical and financial products in respect of energy, including without limitation electrical energy or capacity, transmission rights, natural gas, and emission credits or allowances.[18]

"Trading Policies" means Policies applicable to Trading generally or to particular products and/or markets, including without limitation approval of products, establishing market, credit, liquidity, legal, regulatory and operational risk limits, determining methodologies, establishing trading limits, maintaining appropriate organizational integrity, establishing appropriate business controls, approving counterparties and criteria for counterparties, defining acceptable or required Policies and instruments for hedging, approving practices and procedures for Policy violations, and establishing Policies for utilizing brokers and clearing houses, accounting and reporting practices, and trading limits.

"Trading Strategies" means the application or use in current or planned Trading of closely held knowledge, data, software or opinions not known to counterparties.

2.2 Separation. No person who is a member of the affiliate corporate committee (currently the EME Risk Management Committee) responsible for overseeing Trading at an affiliate shall simultaneously be a member of or attend the utility corporate committee (currently SCE Risk Management Committee) responsible for overseeing Trading at the utility. In addition, no officer or other employee of EIX may serve as a member of or attend the utility corporate committee (currently SCE Risk Management Committee) responsible for overseeing Trading at the utility.

2.3 Confidentiality of Information. Without in any way affecting general restrictions under FERC Rules or CPUC rules or decisions on the transfer of transmission, market and other non-public proprietary information between the utility and affiliates, information about Trading by the utility may not be disclosed or transferred to affiliates, nor may information about Trading by affiliates in the California market be transferred to utility employees who are not Shared Support Personnel (as defined below).[19] Accordingly, such information should not be the topic of discussions at meetings of intercompany councils at any time when both utility and affiliate personnel are present. Subject to the further provisions of these Affiliate Trading Policies, and so long as they do not serve as conduits for the otherwise prohibited transfer of proprietary information between the utility and the affiliates or to create the opportunity for preferential

[18] For avoidance of any doubt, this definition of Trading does not include any power purchase agreements, or similar bilateral agreements, established through direct negotiation between the buyer and seller (rather than transacting through an exchange) between an SCE affiliate and an unaffiliated source or sink.

[19] The General Counsel of EIX (or a person or persons designated by the General Counsel) may, on a case-by-case basis, authorize an exception from the general prohibition on the transfer to the utility of information about Trading by affiliates in the California market.

treatment, unfair competitive advantage or cross-subsidization, this prohibition should not be construed to prevent officers of EIX (and any EIX employee they designate to assist them in connection with corporate oversight) from receiving such information in the discharge of their fiduciary responsibilities to shareholders to govern EIX and its subsidiaries, or to prevent Shared Support Personnel (as defined below) from obtaining such information as they may deem necessary to perform their obligations as corporate auditor, secretary, controller, accountant, disclosure counsel or other person with responsibility for such matters as financial reporting, corporate disclosures, governance, internal audit, compliance, or any of the functions that are permitted to be performed as shared services under Rule V.E. of the ATR. "Shared Support Personnel" means individuals who provide the support services permitted by Rule V.E. of the ATR to the utility, EIX, and/or affiliates, but excludes (i) individuals who are officers, employees, or directors of affiliates, and (ii) the CEO of EIX.

2.4 California Trading Strategies. Subject to section 2.6, EIX personnel will not participate in the consideration, formulation and/or implementation of any Trading Strategy by the utility or, with respect to the California market, an affiliate, or approve any particular trade by either. This prohibition should not be construed to prevent officers of EIX, in the discharge of their fiduciary obligations, from:

(a) Assessing and monitoring whether any Trading Strategy, Trading Policy, or the aggregated positions of either the affiliate or the utility conform to enterprise risk management Policies of EIX (and require appropriate corrective action if they do not);

(b) Assessing and monitoring whether any Trading Strategy of the affiliate conforms to the applicable Trading Policies of the affiliate (and require the cessation of any Trading Strategy that does not); or

(c) Assessing and monitoring whether any particular trade or position of the affiliate or the aggregated positions of the affiliate conform to applicable Trading Policies of the affiliate (and require appropriate corrective action if they do not).

2.5 Reporting. Financial and other reporting about Trading activities by the utility and by affiliates with respect to the California market to EIX officers (or their designees) or to Shared Support Personnel shall aggregate data so as not to reveal individual or specific trading positions unless disaggregation is necessary for the recipient to perform his or her fiduciary oversight obligations or shared support function. Absent an emergency situation (and subject to the exception for approval of unusual affiliate transactions set forth in section 2.6 below), to the extent disaggregated information about particular trades or positions of the utility or of an affiliate with respect to the California market are provided to EIX officers (or their designees) or to Shared Support Personnel, such information shall not be provided within less than one week after the execution of any particular trade or position being reported on.

2.6 Unusual Transactions. Notwithstanding sections 2.3 and 2.5, officers of EIX, in the discharge of their fiduciary obligations, may participate in the approval or disapproval of a particular Trading transaction by an affiliate in the California market that is unusual or that, because of the term or other special attributes of the transaction, presents unusual or special risks, provided that such officers do not serve as conduits for the otherwise prohibited transfer of proprietary information between the utility and the affiliates or to create the opportunity for preferential treatment, unfair competitive advantage or cross-subsidization. Participation in such

approval or disapproval of a transaction by an affiliate shall be limited to the procedures set forth in this section 2.6, which are intended to assure that such persons may, on an informed basis, approve or disapprove of a proposed unusual transaction of the affiliate, but may not initiate the proposal or otherwise materially affect the transaction's structure or other attributes, which shall be developed independently by the affiliate's operating personnel.

(a) Approval or disapproval of any such unusual Trading transaction shall occur at a board of directors or board committee meeting or meetings of the affiliate, and officers of EIX may participate in the approval or disapproval process to discharge their fiduciary obligations as members of that board or in support thereof.

(b) Because approval or disapproval of an unusual transaction shall occur in the context of EIX officers' fiduciary obligations as directors, holding company personnel, on the one hand, and affiliate personnel, on the other hand, should avoid engaging in any discussion with one another of whether the affiliate will engage in such transaction other than at board of directors meetings of the affiliate or in anticipation or support thereof. It is intended that while there could be several affiliate board meetings involved in any approval/disapproval decision, the board's approval or disapproval will involve final decisions that do not result in modification of the proposal in any material way absent special circumstances (such as a change in counter party or a new proposal from a counter party); provided that a reduction in transaction size or other risk mitigation measures may be made that do not fundamentally affect terms with the direct counter party (such as through third party hedges).

(c) The affiliate shall keep records of the applicable board (or board committee) meetings, by way of minutes, other written records and/or utilization of outside observers, as well as preservation of materials presented to board members to assist in their analysis, so as to be able to demonstrate that board meetings were not a conduit for the otherwise prohibited transfer of proprietary information between the utility and the affiliate or to create the opportunity for preferential treatment, unfair competitive advantage or cross subsidization.

(d) Nothing in the above procedures is intended to prevent or limit an affiliate board or board member from diligently seeking and obtaining information from the affiliate in order to discharge fiduciary obligations or for decisions to be made on an informed basis. Such information may be gathered, assembled and reviewed prior to any applicable board meeting, but the process for doing so shall not affect the content or transaction structure of the Trading transaction developed independently by the affiliate's operating personnel.

2.7 Certifications. Periodically, senior officers at Edison Mission Marketing & Trading, Inc. ("EMMT") and EMMT traders (or other personnel of EME or its subsidiaries) who are directly responsible for California Trading activities shall certify that, to the best of their knowledge and belief, they have not received any confidential or proprietary information of the utility, whether from utility personnel, holding company or EME officers, or otherwise that provided EMMT or EME with the opportunity for preferential treatment, unfair competitive advantage or cross-subsidization with respect to Trading.

APPENDIX H: Policies and Procedure for Administration of Affiliate Power Contracts Prior to Commercial Operation Date

Policies and Procedure For Administration of Affiliate Power Contracts Prior To Commercial Operation Date

March 14, 2010

These Policies and Procedures for Administration of Affiliate Power Contracts Prior To Commercial Operation Date (the "*Policies*") set forth certain policies and procedures for the administration of certain power purchase contracts between SCE and its affiliates.

1. *Introduction*

FERC's Affiliate Restrictions and Standards of Conduct ("*FERC Rules*") and the CPUC's Affiliate Transaction Rules ("*ATR*") generally prohibit SCE from taking actions that provide preferential treatment, unfair competitive advantage, or non-public proprietary utility information to SCE's Class A affiliates[20] (such as EMG) ("*affiliates*"). The ATR as well as the CPUC's holding company decision also require that SCE maintain ratepayer indifference to transactions between the utility and its affiliates.

These Policies are designed to promote compliance with these principles in SCE's administration of Affiliate Power Contracts between the time of contract execution and the commencement of commercial operations, while addressing the requirement that holding company personnel and shared support personnel also perform their governance and oversight responsibilities and discharge their fiduciary obligations to shareholders. For purposes of these Policies, the term "*Affiliate Power Contract*" means a contract to purchase power from a new or repowered generation resource which has not yet commenced commercial operations, where SCE's Risk Management Committee or the applicable SCE contract manager become aware that the entity that has contracted to sell power to SCE (1) is an "affiliate" as defined in Rule I.A of the ATR, or (2) would become an "affiliate" upon the exercise of an option or other similar right by an existing "affiliate." Any entity that is, or would become, an "affiliate" pursuant to the preceding sentence shall be referred to herein as the "*Affiliate Counterparty*."

As a means of promoting compliance with the FERC Rules and ATR, these Policies, among other things, (1) provide for an Independent Evaluator ("*IE*") to monitor certain communications between SCE and the Affiliate Counterparty in respect of the administration of the Affiliate Power Contract, (2) require SCE contract managers to obtain prior approval from the utility's Risk Management Committee for certain formal changes to the Affiliate Power Contract, and (3) require SCE contract managers periodically to furnish written contract administration reports in respect of the administration of the Affiliate Power Contract to SCE's Risk Management Committee ("*RMC*"), SCE's Affiliates Officer, SCE's officer(s) responsible for power procurement, and the IE.

These Policies also limit the role of Edison International ("EIX") officers and employees in affiliate decisions related to SCE's administration of an Affiliate Power Contract. Specifically, as discussed in Section 3 below, these Policies permit EIX officers and employees to participate in affiliate decisions concerning issues or disputes under Affiliate Power Contracts only through affiliate board actions that formulate standards for, and/or approve or disapprove, an affiliate's position. EIX officers and employees are prohibited from otherwise participating in such affiliate decisions, including developing or modifying the terms of the affiliate's position with respect to administration of the Affiliate Power Contract. These Policies are designed to ensure that EIX officers and employees will not serve as

[20] As defined in D.97-12-088, 77 CPUC2d 449.

conduits to transfer utility information, or provide any unfair competitive advantage or cross-subsidization to affiliates in connection with the administration of the Affiliate Power Contract.

These Policies do not replace or supersede any applicable rules or requirements that remain in force and effect, including, but not limited to, FERC Rules, the ATR and D.06-05-034 (the KRCC Settlement).

2. *SCE's Administration of Affiliate Power Contracts.*

2.1 *General Principles of Affiliate Power Contract Administration.* Contract managers and other SCE personnel shall not take actions that provide cross-subsidies or an unfair competitive advantage to an Affiliate Counterparty in administering an Affiliate Power Contract.

2.2 *Dissemination of Policies*. SCE's Affiliates Officer or SCE's officer(s) responsible for power procurement, as and when appropriate, will distribute these Policies to SCE personnel responsible for administering an Affiliate Power Contract, and request that the EIX Chief Ethics and Compliance Officer communicate these Policies to appropriate EIX and affiliate officers and employees.

2.3 *Independent Evaluator Oversight*. SCE shall utilize one or more IEs for its Affiliate Power Contracts as provided herein. SCE personnel shall take all reasonable steps to include the IE in any substantive communication with an Affiliate Counterparty regarding any amendment, modification, interpretation or waiver of any term or provision in an Affiliate Power Contract. To the maximum extent practicable, SCE also shall invite the IE to monitor all regularly-scheduled communications between SCE personnel and an Affiliate Counterparty at which major milestones in the development process are discussed. SCE personnel will give the IE access to such non-privileged information as the IE may request for the purpose of enabling the IE to assess whether the utility is dealing with the Affiliate Counterparty in a manner that is consistent with section 2.1. SCE will request that the IE make an initial report to the applicable SCE contract manager whenever the IE believes that SCE is proposing to deal with the Affiliate Counterparty in a manner that is not consistent with section 2.1 and to contact SCE's officer(s) responsible for power procurement, as appropriate, in the event the IE's concerns have not been fully resolved by the contract manager. SCE will further request that the IE make a further report to SCE's Affiliates Officer, if he or she deems it necessary and appropriate.

2.4 *Documentation, Review and Oversight of Affiliate Power Contract Administration.*

(a) SCE shall maintain contemporaneous records documenting all negotiations regarding an Affiliate Power Contract with an Affiliate Counterparty, whether or not the amendment, modification, interpretation or waiver being negotiated is consummated.

(b) SCE contract managers shall obtain pre-approval from the utility's RMC for decisions involving Affiliate Power Contracts in any of the following circumstances: (1) execution of a proposed amendment; (2) issuance of a waiver, modification, or similar written alteration of contractual rights; (3) the IE recommends RMC pre-approval; (4) SCE's Affiliates Officer recommends RMC pre-approval; or (5) responsible SCE personnel choose to present the issue to the RMC. SCE shall take all reasonable steps to

include the IE in those portions of the RMC meetings during which requests for pre-approval pursuant to this paragraph are discussed.

(c) All other Affiliate Power Contract administration decisions and approvals may be made without the prior approval of the RMC, but the SCE contract manager shall provide a written periodic report on such decisions to the RMC, SCE's Affiliates Officer, SCE's officer(s) responsible for power procurement, and the IE. The recipients of such reports shall take such action as they deem appropriate in response.

2.5 *Affiliate Power Contract Decisionmaking Restrictions*.

(a) Officers and employees who have transferred to SCE from EIX or an affiliate shall not serve as the SCE contract manager, or as the contract manager's direct supervisor, for an Affiliate Power Contract if negotiations regarding the initial execution of such Affiliate Power Contract began prior to the officer's or employee's transfer to SCE, or within the six month period following such transfer.

(b) Members of SCE's RMC who were previously employed by EIX or an affiliate shall not participate in decisionmaking by the RMC with respect to the administration of an Affiliate Power Contract if negotiations regarding the initial execution of such Affiliate Power Contract began prior to the member's transfer to SCE, or within the six month period following such transfer.

3. *EIX Participation in Affiliate Power Contract Administration.*

3.1 *Access to Information*. Subject to the other provisions of these Policies and applicable law, EIX officers and employees may, at their discretion and for the purpose of discharging their fiduciary duties, obtain information from SCE regarding the administration of power purchase contracts, provided, however, that they shall not serve as conduits to transfer non-public proprietary SCE information to affiliates or to create the opportunity for any unfair competitive advantage or cross-subsidization to affiliates in connection with the administration of the Affiliate Power Contract or otherwise.

3.2 *Limited Participation by EIX Officers and Employees*.

(a) EIX officers and employees may participate in decisions made by an affiliate concerning an issue or dispute regarding the administration of an Affiliate Power Contract only through board actions, subject to Sections 3.3, 3.4 and 3.5 below. Nothing stated herein, however, precludes EIX or SCE employees from providing any of the corporate support services that are permitted to be performed as shared services under Rule V.E. of the ATR, so long as they do not serve as conduits to transfer proprietary information from the utility to an affiliate or to create the opportunity for preferential treatment, unfair competitive advantage or cross-subsidization. Shared Support Personnel (as defined below) who receive non-public proprietary information regarding the administration of power purchase contracts from SCE may not participate in decisions made by an affiliate concerning an issue or dispute with respect to the administration of an Affiliate Power Contract, provided, however, that this restriction shall not prevent Shared Support Personnel from providing support services to an affiliate in response to a request from such affiliate for assistance, so long as the same individual does not advise both the

utility and the affiliate in connection with an Affiliate Power Contract on an issue that is or may be the subject of negotiation between the utility and the affiliate, such that the provision of such advice would be inconsistent with principles of arms' length dealing.

(b) "Shared Support Personnel" means individuals who provide the support services permitted by Rule V.E. of the ATR to the utility, and/or affiliates, but excludes (i) individuals who are officers, employees, or directors of affiliates, and (ii) the CEO of EIX.

(c) Without limiting the restrictions set forth above, in the event SCE's Controller, Treasurer or Director of Risk Control also holds the same position at EIX, that person shall not participate in decisionmaking regarding the administration of the credit and collateral terms of any Affiliate Power Contract.

3.3 *Affiliate Board Actions.* Members of the board of directors of the affiliate may, on an informed basis, formulate standards for and/or approve or disapprove the affiliate's position with respect to an issue or dispute regarding the administration of an Affiliate Power Contract in accordance with Section 3.4 below. EIX officers and employees may provide support and assistance to such board members in the discharge of such duties. EIX officers and employees may not otherwise participate in decisions by an affiliate concerning an issue or dispute regarding the administration of an Affiliate Power Contract, including developing or modifying the contents of the affiliate's position, which shall be developed independently by the affiliate's operating personnel. Accordingly, subject to Section 3.4 and 3.5 below, EIX officers and employees, on the one hand, and affiliate personnel on the other hand, should avoid engaging in discussions concerning an issue or dispute regarding the administration of an Affiliate Power Contract other than through such board actions, or in anticipation or support thereof, except that EIX officers and employees and affiliate personnel may discuss any such issue or dispute regarding the administration of an Affiliate Power Contract if representatives of SCE, and the IE, are also present.

3.4 *Scope of Affiliate Board Actions*. Board actions by an affiliate regarding the administration of an Affiliate Power Contract may consist only of the following:

(a) The establishment of general criteria for the affiliate's administration of Affiliate Power Contracts;

(b) Approval or disapproval in its entirety of any proposal (i) made to the affiliate by SCE, or (ii) to be made by the affiliate to waive, modify, alter or exercise any one or more provisions of or rights under such Affiliate Power Contract or to commit funds with respect thereto; and

(c) Approval or disapproval of any settlement of or proposal to settle a dispute under an Affiliate Power Contract.

Provided that, unless representatives of SCE and the IE are present, any such board action under paragraphs (b) or (c) shall be limited to the approval or disapproval in its entirety of the proposal presented to the board and shall not otherwise include developing, modifying or causing to be modified the contents of any such proposal presented to it. It is intended that while there could be several board meetings in anticipation of any single approval/disapproval of a board action under paragraphs (b) or (c), the board's approval/disapproval process will be non-iterative and will not

change the contents or specific terms of an affiliate's position. Accordingly, the specific proposal before the board should not be modified by board action in any material way during the course of the review process, and a negative decision once reached should not, absent special circumstances, be subject to reconsideration based on a modified proposal. This section is not intended to prevent or otherwise limit an affiliate officer or employee who serves on an affiliate board (and who is not also an officer or employee of EIX) from participating in any Affiliate Power Contract decision making that occurs outside the context of the affiliate board approval/disapproval process.

3.5 *Informed Decisions.* Nothing in these Policies is intended to limit a board or board member or personnel providing support and assistance to such board or board member, from diligently seeking and obtaining information from the affiliate in order to discharge fiduciary obligations or for decisions to be made on an informed basis. Such information may be gathered, assembled and reviewed prior to any applicable board meeting, but the process for doing so shall not affect the content of the affiliate's position on any Affiliate Power Contract issue.

3.6 *Record-keeping.* EIX or the affiliate, as the case may be, shall keep records of the applicable board (or board committee) meetings, by way of minutes, other written records and/or utilization of outside observers, as well as preservation of materials presented to board members to assist in their analysis, so as to be able to demonstrate that board actions were not a conduit to transfer proprietary information from the utility to the affiliate or to create the opportunity for unfair competitive advantage or cross-subsidization.

3.7 *Transferred Employees*. From time to time, SCE officers or employees who have been involved in contract administration, or who otherwise have obtained proprietary information, may transfer from SCE to EIX or an affiliate. In these situations, the person who transfers must not use or disclose SCE non-public proprietary information for the affiliate's benefit and, in any event, shall not participate in the administration of any Affiliate Power Contract on which he or she worked while employed at SCE.

APPENDIX I: Forms, Tables, Matrices

Employee Transfer from Affiliate to SCE Affiliate Transaction Rule V.G.2.b

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Affiliates Officer Approval
Employee Transfer from Affiliate to SCE

This form must be completed before an affiliate employee transfers for employment from the affiliate to the utility

In accordance with the California Public Utilities Commission's (CPUC) Affiliate Transaction Rules (ATRs) SCE will track all employee movement between the utility and its affiliates. The ATRs establish a residency requirement for all affiliate employees transferring to SCE. Any affiliate employee, who has previously worked at SCE, must remain at the affiliate for at least one year before returning to SCE. The purpose of this form is to confirm that the employee identified has met the residency requirement.

To be completed by SCE Human Resources

Affiliate Company:	*[Name of Affiliate]*
Employee Name:	*[Employee Name]*
Pernr#:	*[Pernr #]*
Hiring SCE Manager:	*[Hiring Manager Name]*
Department/Organization:	*[Department/Organization]*
Effective Start Date with SCE:	*[Date]*
Comments, if any:	

SCE's Human Resources confirms that the employee listed above has met the residency requirement for employees transferring from an affiliate to the utility as required by the Rule V.G.2.b. of the ATRs. Below is the employee's employment history for the last five years.

Last Five Years of Employment		
Company	**Duration**	**Number of Months**

_____
HR Project Manager (Print)

_____
HR Project Manager (Signature)

_____
Date

SOUTHERN CALIFORNIA EDISON®
An EDISON INTERNATIONAL® Company

Affiliates Officer Approval
Employee Transfer from Affiliate to SCE

This form must be completed before an affiliate employee transfers for employment from the affiliate to the utility

To be completed by SCE's Affiliates Officer

Please check the appropriate box:

☐ **Approved**: In accordance with Rule V.G.2.b. of the ATRs, the employee identified above has met the residency requirement.

☐ **Not Approved**: In accordance with Rule V.G.2.b. of the ATRs, the employee identified above has not met the residency requirement. Therefore, the employment by the utility of the employee identified above has been denied.

_____
SCE Affiliates Officer (Print)

_____ _____
SCE Affiliates Officer (Signature) *Date*

Date completed form received by SCE HR: _____ Date completed form received by the Affiliate Compliance Office: _____

Adherence to Affiliate Transaction Rules
Affiliate Transaction Rule V.G

SOUTHERN CALIFORNIA EDISON®
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Adherence to Affiliate Transaction Rules

This form must be completed before an SCE employee transfers for employment to an affiliate

In accordance with the California Public Utilities Commission's (CPUC) Affiliate Transaction Rules (ATRs), SCE employees may not be used as a conduit to provide non-public utility information to its affiliates. The purpose of this form is to obtain confirmation that the employee listed below has been informed of the separation between SCE and its non-regulated affiliates and the prohibition on information sharing.

To be completed by SCE Human Resources

Hiring Affiliate:	*[Name of Affiliate]*
Date of Transfer:	*[Date]*
Employee Name:	*[Employee Name]*
Pernr#:	*[Pernr #]*

To be completed by the employee

This is to acknowledge that I have met with the Affiliate Compliance Office (ACO) and have reviewed the Affiliate Transaction Rules issued by the California Public Utilities Commission (CPUC), Decision 06-12-029.

I understand and hereby agree:

1. not to use or disclose any confidential or nonpublic utility information or documents obtained during my employment with Southern California Edison Company (SCE) to any officer, director, employee, representative, investor, partner or supplier of Edison Mission Group and its subsidiaries;
   ____ (*initial*)

2. not to take with me any confidential or nonpublic utility information or documents (electronic or hard copy) obtained during my employment with SCE;
   _____ (*initial*) and

3. to adhere to the Affiliate Transaction Rules throughout my employment with [name of Affiliate].
   _____(*initial*)

In compliance with CPUC Affiliate Transaction Rules, I confirm that I have been informed of the rules governing the information restrictions from SCE to an affiliate and I agree to comply with such instructions.

_____ *Employee Name (Print)*

_____ *Date*

_____ *Employee Signature*

Date completed form received by SCE HR: _____

Date completed form received by the Affiliate Compliance Office: _____

Affiliates Officer Approval
Property Transfer to an Affiliate
Affiliate Transaction Rule V.G.2.b

SOUTHERN CALIFORNIA EDISON®
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Affiliates Officer Approval
Property Transfer to an Affiliate

This form must be completed before an SCE employee transfers for employment to an affiliate

In accordance with the California Public Utilities Commission's (CPUC) Affiliate Transaction Rules (ATRs), SCE must properly record any transfer of property from SCE to the affiliates. The purpose of this form is to obtain confirmation that the employee listed below identifies all SCE property being transferred from SCE to the affiliate.

To be completed by SCE Human Resources

Hiring Affiliate:	*[Name of Affiliate]*
Date of Transfer:	*[Date]*
Employee Name:	*[Employee Name]*
Pernr#:	*[Pernr #]*

To be completed by the employee

The transfer of any SCE property (including furniture, personal computers, telecommunication equipment, at home or in office, devices, or any other SCE-owned asset) from SCE to an affiliate must be approved by the SCE Affiliates Officer. (For any properties transferred, the minimum book or fair market value for which such approval is required will be $100.)

Please check the appropriate box:

☐ **Yes, I have property to transfer** ☐ **No property to transfer**

If you check the "Yes" box, please complete the following table:

Name of Item (Brand, Model, etc.)	Device ID (Computer or Printer)	Accounting Used to Purchase Item (IO or DCC)	Date Purchased

In compliance with ATRs, I confirm that I have been informed of the rules governing the transfer of property from SCE to an affiliate, and I have identified in the table above all SCE property I am transferring to the affiliate.

_____ *Employee Name (Print)*

_____ *Date*

_____ *Employee Signature*

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Affiliates Officer Approval
Property Transfer to an Affiliate

This form must be completed before an SCE employee transfers for employment to an affiliate

To be completed by SCE's Affiliates Officer:

Please check the appropriate box:

☐ **Approved**: I approve the above listed assets to be transferred from SCE to the affiliate.

☐ **Not Approved**: I do not approve the transfer of the assets listed above from SCE to the affiliate.

If not approved, please explain:

_____

_____

_____
SCE Affiliates Officer(Print)

_____
SCE Affiliates Officer Signature

_____
Date

Date completed form received by SCE HR: _____

Date completed form received by the Affiliate Compliance Office: _____

Affiliate Request for Direct Placement of SCE Employee
SCE's Affiliate Holding Company Condition no. 6

SOUTHERN CALIFORNIA EDISON®
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Affiliate Request for Direct Placement of SCE Employee

This form must be completed before an SCE employee is directly placed for employment with an affiliate

In accordance with the California Public Utilities Commission's (CPUC) Affiliate Transaction Rules (ATRs) and SCE's Holding Company Condition No. 6, SCE must avoid diversion of management talent that would adversely affect the utility when an SCE employee transfers from the utility to an affiliate. The purpose of this request is to obtain confirmation from the identified employee's manager that the employment of the employee listed below by the affiliate would not adversely affect the utility.

To be completed by SCE Human Resources

Affiliate Requesting Direct Placement:	*[Name of Affiliate]*
Position Being Directly Placed:	*[Title of Position]*
Employee Name:	*[Employee Name]*
Pernr#:	*[Pernr #]*
Current Job Title:	*[Current Job Title]*
Department/Organization:	*[Department/Organization]*

To be completed by employee's manager

Please check the appropriate box:

☐ **Approved**: As the manager of the employee identified above, and in compliance with SCE's Holding Company Condition No. 6, I confirm that the employee identified above can be directly placed for employment by the affiliate without creating a diversion of management talent that would adversely affect SCE.

☐ **Not Approved**: As the manager of the employee identified above, and in compliance with SCE's Holding Company Condition No. 6, employment by the affiliate of the employee identified above would result in a diversion of management talent that would adversely affect SCE.

If not approved, please explain why this would result in a diversion of management talent that would adversely affect SCE:

_____

_____

_____ *Manager Name (Print)*	_____ *Manager Signature*
_____ *Title*	_____ *Date*

Date completed form received by SCE HR: _____ Date completed form received by the Affiliate Compliance Office: _____

Affiliate Request for Interview of SCE Employee SCE's Affiliate Holding Company Condition no. 6

SOUTHERN CALIFORNIA EDISON®
An EDISON INTERNATIONAL® Company

Affiliate Request for Interview of SCE Employee

This form must be completed before an SCE employee interviews for employment with an affiliate

In accordance with the California Public Utilities Commission's (CPUC) Affiliate Transaction Rules (ATRs) and SCE's Holding Company Condition No. 6, SCE must avoid diversion of management talent that would adversely affect the utility when an SCE employee transfers from the utility to an affiliate. The purpose of this request is to obtain confirmation from the identified employee's manager that if the affiliate identified below selects the employee for employment, such employment would not adversely affect the utility.

To be completed by SCE Human Resources

Affiliate Requesting Interview:	*[Name of Affiliate]*
Position Being Interviewed For:	*[Title of Position]*
Employee Name:	*[Employee Name]*
Pernr#:	*[Pernr #]*
Current Job Title:	*[Current Job Title]*
Department/Organization:	*[Department/Organization]*
Comments, if any:	

To be completed by employee's manager

Please check the appropriate box:

☐ **Approved**: As the manager of the employee identified above, and in compliance with SCE's Holding Company Condition No. 6, I confirm that the employee identified above can be interviewed by the affiliate with the possibility of being hired by the affiliate without creating a diversion of management talent that would adversely affect SCE.

☐ **Not Approved**: As the manager of the employee identified above, and in compliance with SCE's Holding Company Condition No. 6, employment by the affiliate of the employee identified above would result in a diversion of management talent that would adversely affect SCE.

If not approved, please explain why this would result in a diversion of management talent that would adversely affect SCE:

_____

_____

_____ *Manager Name (Print)*	_____ *Manager Signature*
_____ *Title*	_____ *Date*

Date completed form received by SCE HR: _____

Date completed form received by the Affiliate Compliance Office: _____

Employee Transfer from SCE to Affiliate
Affiliate Transaction Rule V.G.2.b

SOUTHERN CALIFORNIA EDISON®
An EDISON INTERNATIONAL® Company

Affiliates Officer Approval
Employee Transfer from SCE to Affiliate

This form must be completed before an SCE employee transfers for employment from the utility to the affiliate

In accordance with the California Public Utilities Commission's (CPUC) Affiliate Transaction Rules (ATRs) and the SCE's Holding Company Conditions, a SCE employee must meet two requirements before transferring to an affiliate. First, the employee's manager must confirm that the loss of that employee will not create a diversion of management talent that would adversely affect the utility. Second, the SCE employee must meet the residency requirement established by the ATRs. Therefore any utility employee, who becomes an employee of an affiliate, may not return to the utility for a period of one year. Furthermore, if the employee returns to the utility after the one year period, the employee may not return to the same affiliate for at least two years. The purpose of this form is to confirm that the employee identified has met both the diversion of management talent requirement and the residency requirement.

To be completed by SCE Human Resources:

Hiring Affiliate:	*[Name of Affiliate]*
Employee Name:	*[Employee Name]*
Pernr#:	*[Pernr #]*
Current Job Title/Organization:	*[Current Job Title/Organization]*
Effective Start Date with Affiliate:	*[Date]*
Comments, if any:	

Diversion of Management Talent:
SCE's Human Resources confirms that the manager of the employee listed above has acknowledged that the affiliate listed above may hire the employee without a diversion of management talent that would adversely affect the utility. The confirmation from the employee's manager is on the "Request for Interview" or "Direct Placement" form attached.

Residency Requirement:
SCE's Human Resources confirms that the employee listed above has met the residency requirement as required by Rule V.G.2.b. of the ATRs. Below is the employee's employment history for the last five years.

Last Five Years of Employment		
Company	**Duration**	**Number of Months**

_____
HR Project Manager (Print)

_____ _____
HR Project Manager (Signature) *Date*

SOUTHERN CALIFORNIA EDISON®
An EDISON INTERNATIONAL® Company

Affiliates Officer Approval
Employee Transfer from SCE to Affiliate

This form must be completed before an SCE employee transfers for employment from the utility to the affiliate

To be completed by SCE's Affiliates Officer:

Please check the appropriate box:

☐ **Approved**: In accordance with Rule V.G.2.b. of the ATRs, and SCE's Holding Company Conditions, the employee identified above has met the residency requirement and can be hired by the affiliate without creating a diversion of management talent that would adversely affect SCE.

☐ **Not Approved**: In accordance with Rule V.G.2.b. of the ATRs, and SCE's Holding Company Conditions, the employee identified above has not met the residency requirement or the diversion of management talent requirement for employee transferring from the utility to the affiliate. Therefore, the employment by the affiliate of the employee identified above has been denied.

_____
SCE Affiliates Officer(Print)

_____
SCE Affiliates Officer (Signature)

_____
Date

Date completed form received by SCE HR: _____

Date completed form received by the Affiliate Compliance Office: _____

Corporate Support Authorization Form
Affiliate Transaction Rule V.E.

Revised 07-01-12 **CSA REQUEST # 12-XX**

This form must be completed and approved before an SCE employee, whose shared support is generally identified in the Shared Support Function Matrix, but not directly identified, may provide a Directly Charged Corporate Support Service to an affiliate pursuant to CPUC Affiliate Transaction Rule V.E.

Section I: Request – *To be completed by requested SCE Organization*

Company Requesting Work:	Est. Start Date:
SCE Organization to Provide Service:	SCE Organization Approval:
	Signature:
SCE Employee Providing Services to Affiliate:	Date:
	PAX:
Description of Service Being Requested	

Section II: Accounting Distribution

All charges by the SCE employee for labor and non-labor will be charged to the following:

Internal Order Number* _____

*Insert the Internal Order (IO) Number that your Organization uses to bill labor and non-labor charges to this particular Affiliate. If you are not sure whether your Organization has an existing and active IO to allocate labor and non-labor charges to the requesting Affiliate then please Contact George Couts in Regulatory Operations for assistance. Where it has been determined that a new IO must be established, a completed Internal Order Request Form must be submitted to the CCI group within Controllers. All needed Forms are available on Portal. Contact George Couts in Regulatory Operations for assistance with these Forms.

Upon completion of Sections I and II of this Form forward to George Couts in Regulatory Operations (G.O.4 Ground Flr).

Section III: Affiliate Compliance Office Approval

SCE Regulatory Compliance Director	
Signature: Date:	☐ Approved ☐ Not Approved

Copy Distribution:

☐ SCE Affiliate Compliance Office	☐ SCE Organization Internal Controller	☐ SCE Regulatory Compliance Director
☐ Affiliate Contact	☐ SCE Organization Manager	☐ File

Intercompany Service Request (ISR) Form
Affiliate Transaction Rule V.G.2.e

Revised 05-01-12 **ISR # XX-XX**

This form must be completed and approved before an SCE employee may provide a Directly Requested Service to an affiliate pursuant to CPUC Affiliate Transaction Rule V.G.2.e

Section I: Request - *To be completed by Affiliate*

Company Requesting Service:	Class A (covered) ☐ Class B (non-covered) ☐		
	Estimated		
SCE Organization to Provide Service:	No. Hours:	Start Date:	Completion Date:
Description of Service Being Requested			
SCE Employee Requested: _____ (Requested employee must read the attached rules and sign Section II of this form) Phone and PAX Number: _____ Pony Address: _____ E-mail Address: _____			

Section II: SCE Employee Acknowledgement

I have read and understand the CPUC's affiliate transaction rules regarding the temporary use of utility employees (D. 98-08-035, Rule V.G.2.e). I also understand that SCE needs will always take priority over any needs or requests of an affiliate.

Signature: _____

Phone and PAX: _____

E-mail Address: _____

Section III: SCE Organization Approval - *To be completed by SCE Organization providing service*

SCE Approval:		Phone:	
Organization/Title:		PAX:	

For services provided to a Class A Affiliate, my approval certifies that my employee is not involved in marketing functions for SCE. Requests made by Class B Affiliates are exempt from the CPUC Rules established in D.98-08-035 and are not subject to the prohibition on the use of marketing employees. I have read and understand the CPUC's affiliate transaction rules regarding the temporary use of utility employees (Rule V.G.2.e). I also understand that SCE labor needs will always take priority over any needs or requests of an affiliate.

Signature: _____

Section IV: Accounting Distribution

All charges by the SCE employee for labor and non-labor will be charged to the following:

Internal Order Number* _____

*An Internal Order Request Form must be submitted to CCI to obtain an Internal Order Number. This Form is available on Portal at Services>Forms>Forms>FI/CO Forms>Internal Orders Request Form. Contact Tonya Hunter in Regulatory Compliance for assistance with this Form.

Only the SCE employee who has signed Section II of this form is authorized to use the Internal Order Number listed above. Where additional SCE employees will be providing direct or indirect support for the work assignment detailed in Section I above, such SCE employees must contact Tonya Hunter in Regulatory Compliance before proceeding with such assignments.

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Section V: Affiliate Approval

Affiliate Requestor Name:		Requesting Officer Name:	
Title:			
Phone Number:		Signature:	
Email Address:		Date:	
Requesting Company must ***sign and date*** Section V			

Section VI: Affiliates Officer Approval

Southern California Edison Affiliates Officer
Signature: _____ Date: _____ ☐ Approved ☐ Not Approved

Copy Distribution:

☐ SCE Employee Providing Service	☐ SCE Affiliates Controller	☐ Requesting Affiliate Company
☐ SCE Affiliates Officer	☐☐ SCE Organization Internal Controller	☐ Affiliate Contact
☐ SCE Affiliates Counsel	☐ SCE Organization Approver	☐ Affiliate Controller ☐☐ File

Intercompany Service Request
Affiliate Transaction Rules Summary

Southern California is committed to conducting its business with its affiliated companies in a manner consistent with the California Public Utilities Commission's (CPUC's) Affiliate Transaction Rules. It is important that each SCE employee who provides a service to an affiliated company understands and strictly follows these regulations.

As required by the CPUC in Decision 98-08-035, Affiliate Rule V.G.2.e.iv, SCE employees are required to agree, in writing, that they will abide by the Affiliate Transaction Rules. The following excerpts are the most pertinent rules regarding temporary or intermittent use of a utility employee by an Affiliate, with Rule V.G appearing first due to its importance. Please review these rules prior to providing any service to an Affiliate. SCE will view violations of these Rules as a serious matter.

The CPUC's complete set of rules and related information may be reviewed on the Portal under Org Units, Regulatory Compliance, Affiliate Compliance.

V.G. ***Employees:***

V.G.2. All employee movement between a utility and its affiliates shall be consistent with the following provisions:

V.G.2.d Any utility employee hired by an affiliate shall not remove or otherwise provide information to the affiliate which the affiliate would otherwise be precluded from having pursuant to these Rules.

V.G.2.e. A utility shall not make temporary or intermittent assignments or rotations to its energy marketing affiliates. Utility employees not involved in marketing may be used on a temporary basis (less than 30% of an employee's chargeable time in any calendar year) by affiliates not engaged in energy marketing only if:

V.G.2.e.i. All such use is documented, priced and reported in accordance with these Rules and existing Commission reporting requirements, except that when the affiliate obtains the services of a non-executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 10% of direct labor cost, or fair market value. When the affiliate obtains the services of an executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 15% of direct labor cost, or fair market value.

V.G.2.e.ii. Utility needs for utility employees always take priority over any affiliate requests;

V.G.2.e.iii. No more than 5% of full time equivalent utility employees may be on loan at a given time;

V.G.2.e.iv. Utility employees agree, in writing, that they will abide by these Affiliate Transaction Rules; and

V.G.2.e.v. Affiliate use of utility employees must be conducted pursuant to a written agreement approved by appropriate utility and affiliate officers.

II. ***Applicability***

II.H. These Rules should be interpreted broadly, to effectuate our stated objectives of fostering competition and protecting consumer interests. If any provision of these Rules, or the application thereof to any person, company, or circumstance, is held invalid, the remainder of the Rules, or the application of such provision to other persons, companies, or circumstances, shall not be affected thereby.

III. ***Nondiscrimination***

III.E. Business Development and Customer Relations: Except as otherwise provided by these Rules, a utility shall not:

III.E.1. provide leads to its affiliates;

III.E.2. solicit business on behalf of its affiliates;

III.E.3. acquire information on behalf of or to provide to its affiliates;

III.E.4. share market analysis reports or any other types of proprietary or non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with its affiliates;

III.E.5. request authorization from its customers to pass on customer information exclusively to its affiliates;

III.E.6. give the appearance that the utility speaks on behalf of its affiliates or that the customer will receive preferential treatment as a consequence of conducting business with the affiliates; or

III.E.7. give any appearance that the affiliate speaks on behalf of the utility.

IV. Disclosure and Information

IV.A. ***Customer Information:*** *A utility shall provide customer information to its affiliates and unaffiliated entities on a strictly non-discriminatory basis, and only with prior affirmative customer written consent.*

IV.B. ***Non-Customer Specific Non-Public Information:***
A utility shall make non-customer specific non-public information, including but not limited to information about a utility's natural gas or electricity purchases, sales, or operations or about the utility's gas-related goods or services and, electricity-related goods or services, available to the utility's affiliates only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions, and keeps the information open to public inspection. Unless otherwise provided by these Rules, a utility continues to be bound by all Commission-adopted pricing and reporting guidelines for such transactions. A utilities is also permitted to exchange proprietary information on an exclusive basis with its affiliates, provided the utility follows all Commission-adopted pricing and reporting guidelines for such transactions, and it is necessary to exchange this information in the provision of the corporate support services permitted by Rule V E below. The affiliate's use of such proprietary information is limited to use in conjunction with the permitted corporate support services, and is not permitted for any other use. Nothing in this Rule precludes the exchange of information pursuant to D.97-10-031. Nothing in this Rule is intended to limit the Commission's right to information under Public Utilities Code Section 314 and 581.

IV.D. ***Supplier Information:*** *A utility may provide non-public information and data which has been received from unaffiliated suppliers to its affiliates or non-affiliated entities only ifthe utility first obtains written affirmative authorization to do so from the supplier. A utility shall not actively solicit the release of such information exclusively to its own affiliate in an effort to keep such information from other unaffiliated entities.*

IV.F. ***Record-Keeping:*** *A utility shall maintain contemporaneous records documenting all tariffed and non-tariffed transactions with its affiliates, including but not limited to, all waivers of tariff or contract provisions, all discounts, and all negotiations of any sort between the utility and its affiliate whether or not they are consummated. A utility shall maintain such records for a minimum of three years and longer if this Commission or another government agency so requires. For consummated transactions, the utility shall make final transaction documents available for third party review upon 72 hours' notice, or at a time mutually agreeable to the utility and third party.*

IV.G. ***Maintenance of Affiliate Contracts and Related Bids:*** *A utility shall maintain a record of all contracts and related bids for the provision of work, products or services between utility and affiliates for no less than a period of three years, and longer if this Commission or another government agency so requires.*

V. ***Separation***

V.E. ***Corporate Support:*** *As a general principle, a utility, its parent holding company, or a separate affiliate created solely to perform corporate support services may share with its affiliates joint corporate oversight, governance, support systems and personnel, as further specified below. Any shared support shall be priced, reported and conducted in accordance with the Separation and Information Standards set forth herein, as well as other applicable Commission pricing and reporting requirements.*

As a general principle, such joint utilization shall not allow or provide a means for the transfer of confidential information from the utility to the affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates. In the compliance plan, a corporate officer from the utility and holding company shall verify the adequacy of the specific mechanisms and procedures in place to ensure the utility follows the mandates of this paragraph, and to ensure the utility is not utilizing joint corporate support services as a conduit to circumvent these Rules.

Examples of services that may be shared include: payroll, taxes, shareholder services, insurance, financial reporting, financial planning and analysis, corporate accounting, corporate security, human resources (compensation, benefits, employment policies), employee records, regulatory affairs, lobbying, legal, and pension management. However, if a utility and its parent holding company share and any key officers after 180 days following the effective date of the decision adopting these Rule modifications, then the following service shall no longer be shared: regulatory affairs, lobbying, and all legal services exempt those necessary to the provision of shared services still authorized. For purposes of this Rule, key officers are the Chair of the entire corporate enterprise, the President at the utility and its holding company parent, the chief executive officer at each, the chief financial officer at each, and the chief regulatory officer at each, or in any case, any and all officers whose responsibilities are the functional equivalent of the foregoing.

Examples of services that may not be shared include: employee recruiting, engineering, hedging and financial derivatives and arbitrage services, gas and electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, system operations, and marketing. However, if a utility and its parent holding company share any key officers (as defined in the preceding paragraph) after 180 days following the effective date of the decision adopting these Rule modifications, then the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized.

V.F. ***Corporate Identification and Advertising:***

V.F.1. A utility shall not trade upon, promote, or advertise its affiliate's affiliation with the utility, nor allow the utility name or logo to be used by the affiliate or in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first point where the utility name or logo appears that:

V.F.1.a the affiliate "is not the same company as [Southern California Edison], the utility,";

V.F.1.b. the affiliate is not regulated by the California Public Utilities Commission; and

V.F.1.c. "you do not have to buy [the affiliate's] products in order to continue to receive quality regulated services from the utility."

The application of the name/logo disclaimer is limited to the use of the name or logo in California.

V.F.2. A utility, through action or words, shall not represent that, as a result of the affiliate's affiliation with the utility, its affiliates will receive any different treatment than other service providers.

V.F.3. A utility shall not offer or provide to its affiliates advertising space in utility billing envelopes or any other form of utility customer written communication unless it provides access to all other unaffiliated service providers on the same terms and conditions.

V.F.4. A utility shall not participate in joint advertising or joint marketing with its affiliates. This prohibition means that utilities may not engage in activities which include, but are not limited to the following:

V.F.4.a. A utility shall not participate with its affiliates in joint sales calls, through joint call centers or otherwise, or joint proposals (including responses to requests for proposals (RFPs)) to existing or potential customers. At a customer's unsolicited request, a utility may participate, on a nondiscriminatory basis, in non-sales meetings with its affiliates or any other market participant to discuss technical or operational subjects regarding the utility's provision of transportation service to the customer;

V.F.4.b. Except as otherwise provided for by these Rules, a utility shall not participate in any joint activity with its affiliates. The term "joint activities" includes, but is not limited to, advertising, sales, marketing, communications and correspondence with any existing or potential customer;

V.F.4.c. A utility shall not participate with its affiliates in trade shows, conferences, or other information or marketing events held in California.

V.F.5. A utility shall not share or subsidize costs, fees, or payments with its affiliates associated with research and development activities or investment in advanced technology research.

VI. Regulatory Oversight

VI.C. Affiliate Audit: The CPUC's Energy Division shall have audits performed biennially by independent auditor. The audits shall cover the last two calendar years, which ends on December 31, and shall verify that the utility is in compliance with the Rules set forth herein. The Energy Division shall post the audit reports on the CPUC's website. The audits shall be at shareholder expense.

Southern California Edison Company Corporate Shared Support Matrix Affiliate Transaction Rule V.E.

Function that May be Shared	Description of Shared Support Functions
Accounting and Finance	
Accounts Payable	Includes both direct and indirect support of Non-Purchase Order (NPO) documentation, reporting, and payment processing.
Property Tax	Filing property taxes for EIX only
SOX Compliance	Provide Sarbanes Oxley (SOX) coordination support for EIX only
Corporate Accounting	Includes all aspects in the preparation and presentation of invoices for all intercompany billing to affiliates. Monthly reconciliation of intercompany billing, as well as settlement of intercompany billing to the appropriate final cost centers. Provide financial reporting services, and expense accruals, on a monthly basis. Calculate rents, prepaid insurance, and flex benefits. Provide support to EIX disclosures on 10-Q and10-K filings. Provide support for the annual budgeting process for EIX. Monthly reconciliation of affiliate transactions, including: - check for reasonableness and accuracy by comparing activities in current month against previous month; and- correcting identified errors. Provide support for the following reports: - Annual Affiliates Transactions Report; and- Annual GO 77M. Compile all back up expenses for officers/employees with base salary of $250K+ for inclusion in Independent Auditors' letters. Calculate Shared Officers Allocation Rate. Track and monitor Officers' time spent on Affiliate matters.
Benefits Accounting	Provide support for the recording of pension expenses and liabilities for EIX. Review/validate recorded pension related activities. Prepare affiliate bills for the Company match and profit sharing contributions program. Calculate stock/share based compensation expenses. Support of the share based compensation expenses and inter-affiliate transfers of officers/directors/employees who have an outstanding share based award. Calculate community property vested benefitsthat SCE holds for an alternate payee (e.g., divorce). Prepare footnote disclosures required under FAS87, 106, 123R and 158.Shared officers: Prepare work related stock options accounting for shared officers. Record the amortization of prior servicecost and net actuarial gain/loss for EIX. Support EMG and EIX with deferred compensation information. Provide reporting serviceson all benefit plans, as mandated by law.
Financial Reporting & Technical Accounting Research	Includes the preparation and consolidation of financial statements, 10Q and 10K SEC filings, and earnings per share (EPS) calculations. Periodically provide technical accounting research for EIX only.
Payroll	Includes payroll services and payroll related services.
Tax	Includes the preparation of annual federal and state corporate tax returns, quarterly estimated federal and state tax payments, tax return true-up calculations, quarterly tax forecast (1 year, 5 year, 10 year), quarterly 10Q/10K disclosures, monthly tax provisions/tax accounting, monthly intercompany tax account analysis, annual low income housing partnerships and annual renewable projects (federal and state partnership returns). Also includes preparation for periodic state income tax audits, state research and planning, preparing quarterly federal and state Fin48 quarterly and annual review and update, preparing periodic state apportionment forecast and calculations. Manage and represent ongoing IRS examinations of corporate income taxes, employment taxes, pension and profit-sharing, and excise taxes. Analyzing the impact of tax-related matters in proposed federal and state legislation. Researching tax-related implications of transactions, and preparing §199 calculations.

Function that May be Shared	Description of Shared Support Functions
Retirement Plan Management	Includes the monitoring of investment manager activity, facilitating benefit payments and contributions for the pension plan, and data management for financial reporting (10Q/10K).
Stock Savings Plus Plan 401 (k) Management	Review/monitor plan options.
Executive Compensation	Prepare stock option valuation calculation - FAS 123R.
Cash Management	Includes the management, administration, and selection of bank accounts, credit facility, short-term investments, short-term borrowing, credit cards, electronic fund transfers, cash accounting, account reconciliation, and escheatment.
Financial Planning and Analysis	Develop SCE's five and ten year financial forecasts and submit to EIX financial planning.
Facility Management	Includes the maintenance of facility assets, support in the negotiation leases of non-SCE properties, and the planning of facility resources.
Mail Services	Includes the distribution of corporate-wide mail, letters from senior officers, internal newsletters, inter-company communications relating to shared corporate governance, oversight, and support.
Meeting & Event Services	Includes logistical support for corporate meetings, events, and educational workshops.
Transportation Services	Includes the fueling, maintenance, and repair of passenger cars, trucks, and utility equipment, as well as helicopter services to corporate-level officers.
Travel Services	Includes managing third party vendor contracts for travel services such as rental cars, air, and hotel reservations.
Bid Processing Contract Mgmt Purchasing Vendor Identification	Includes the collaboration and reviewing of joint procurements, request for proposals, and request for information.
Corporate Records	Includes the maintenance and storage of corporate records.
Publication / Documentation Services (Graphics)	Includes producing corporate-wide printed communications (such as the All-Employee Affiliate Implementation (AEAI) package, and benefits information) and corporate-level documents.

Function that May be Shared	Description of Shared Support Functions
Internal Audits	Includes administering internal audit functions, conducting financial and contract audits, operational and consulting audits, information technology audits, and environmental, health and safety audits.
External Relations	
Internal Communications	Provide information and updates on annual corporate goals and success measures. Provide information on the vision, values and operating priorities. Produce semi-annual Chairman's Award program. Manage the content and distribution of corporate-wide email notes using Distribution Automation. Draft notes and speeches on behalf of senior leadership for corporate-wide distribution. Provide general information regarding corporate-wide events, services, benefits, and changes affecting current business operations. Draft communications plans, scripts, and Q&As for use across the enterprise. Provide staffing assignments and management support to various enterprise organizations, as expressly authorized in D.98-08-035.
Client Services Communications	Provide corporate safety initiatives information to employees and information on environmental sustainability programs. Provide change management information on major initiatives such as Enterprise Resource Planning, technology upgrades, business resiliency, and cyber security.
HR Communications	Includes health and welfare and Edison 401(k) savings plan enrollment communications for new hires. Investment education for all retirement plan participants. Provide 401(k) savings plan fund performance information. Provide annual summary plan descriptions (SPDs) for 401(k) and welfare benefit plans. Provide annual funding notices for defined benefit plans. Prepare and distribute benefits-related information. Provide wellness-related communications (e.g., health risk assessment, preventive health account). Manage the distribution of the Your Benefits Handbook SPDs. Provide communications related to Edison's Total Compensation Statements.
Ethics and Compliance	Prepare and provide communications on corporate ethics and compliance program and training, governance policies, and best practices
Media Relations	Coordinate, support and manage media relations related to company-wide issues, including financial issues. Support EIX executives with media activities.
Creative Services	Includes producing EIX's annual report. Producing corporate videos, and providing audio-visual support and photography services for corporate sponsored events.
Legislative and Regulatory Analysis	Includes tracking and analyzing legislation at the federal and state levels (CA, AZ, NV, NM, UT, etc.).
Insurance	Purchase and administration of insurance.

Function that May be Shared	Description of Shared Support Functions
Investor Relations	Provide investor relations support.
Strategic Planning	Development of long-term strategies, providing direction and support for the decision making processes for the allocation of capital and labor resources.
Philanthropic Programs & Service	Includes managing corporate contributions, employee contributions, volunteer programs, educational programs, and special projects (Shareholder funded program that targets non-profit organizations and educational institutions).
Corporate Environmental Policy	Includes the development of corporate wide environmental policies, such global climate change policies. Developing and analyzing environmental policies for both proposed and pending legislation (state and federal). Participation in state and federal forums, as such forums pertain to environmental issues. Consistent implementation of legislation affecting environmental footprints.
Regulatory Compliance	Ensures utility compliance with regulations imposed upon the utility. Informs affiliates of prevailing requirements and of the impacts that affiliate non-compliance may have on utility operations. This is a governance and oversight function. Regulatory Compliance ensures that the utility and all affiliates are aware of corporate-wide standards regarding compliance with regulations. This function does not include work for affiliates regarding regulations not affecting the utility, or issued by a body that does not regulate or govern the utility.
Ethics and Compliance	Prepare and provide communications on corporate ethics and compliance program and training, governance policies, and best practices.
Customer Service	
Web Communications	Includes coordinating, consulting, developing, and managing web strategies and media content. Budget and manage web projects. Prepare and distribute daily enterprise news items for homepage of Portal. Authorize and manage DNS accounts. Prepare, manage, and update corporate-level internal messaging tied to corporate-level goals, corporate-level HR information, and corporate-level messaging for ethics and vision.
Legal	
Corporate Secretary	Includes performing legal and corporate services for corporate governance compliance with federal and state securities laws, state corporate and escheatment laws, stock exchange rules, and certain company policies. Also includes legal and related support for financings and director and officer insurance.

Function that May be Shared	Description of Shared Support Functions
Legal	Includes legal support and administrative support for EIX and its subsidiaries. Retaining and supervising outside counsel. Providing support in the development and coordination of policy positions, and the processing of workers' compensation claims.
Human Resources	
Compensation	Includes the design and administration of EIX results sharing, management incentive programs, and annual non-executive compensation reviews. Evaluate and classify non-executive jobs.
Learning & Development	Includes the design, implementation, and evaluation of employee and leadership development. Provide corporate wide compliance training.
Performance Assessment & Testing	Includes developing and validating pre-employment, promotional, and training selection tests and assessments. Also includes the administration of assessment surveys and tools used for the development of employees.
Workforce & Succession Planning	Includes the assessment and development planning for executive-level positions. Also includes the development of workforce plans and forecasts.
Organizational Development & Effectiveness	Includes consultation to executives on business initiatives pertaining to organizational alignment, and the development of strategies relating to organizational design, culture, and talent.
Equal Opportunity Operations	Includes the development of affirmative action plans, responding to the department of Labor/OFCCP (Office of Federal Compliance and Contracts Programs) on issues pertaining to compliance reviews. Also includes conducting investigations into allegations of discrimination.
Executive Compensation	Includes payroll location support for executives and board of directors (timesheet assistance, SAP records, biweekly and monthly executive and Board of Directors payroll, ad hoc payment requests). Employment verification and annual W2 reconciliation for executives. Benefits administration for executives (deferred compensation, retirement, survivor benefits, severance, disability, and perquisites). Short-term and long-term incentive program administration for executives. Job pricing and compensation review of executives. Regulatory reporting (proxy, 10-K, GRC, GO77-M, etc.), quarterly financial reporting, responses to IRS, SOX, other audit requests and ad hoc data requests. Board of directors benefits administration (deferred compensation, director retirement plan) and board compensation committee support (scheduling of preparation meetings, preparation of materials, etc.)
Benefits Strategy & Operations	Includes the administration and management of recordkeeping for health & welfare benefit programs, pension plans, and 401(k). Vendor management for health and welfare plans. Support for union health & welfare benefit negotiations. Assist in benefits design, bench-marking and consulting.
Employee Information Center	HR contact center for employment events, rehires, reinstatements, new hires, candidates, severance, life events, terminal illness, death notifications, HR programs, educational reimbursement, rideshare service awards, disability benefits, payroll, verification of employment, and other compensation inquires.

Function that May be Shared	Description of Shared Support Functions
Employee Data Integrity	Includes the administration of vacation and holiday benefits, correcting employee data, calculating affiliate transfer fees (vacation and benefits), and bridging/adjusting in-service dates.
Information Technology	
Corporate Program Management & Application Governance	Includes data modeling support, data structure design and deployment, testing and production of database objects, data security, and performance monitoring, analysis, and tuning. Also includes managing lotus notes applications and performing lotus notes troubleshooting.
Electronic-mail Services	Includes break/fix of lotus notes, and the integration of systems (e.g., blackberry, malware, etc.). Also includes maintaining EIX directory catalog, EIX servers, and domino directories.
Risk Management	Includes eDiscovery and digital forensics, defining policies and standards designed to protect information assets and business operations, and mitigate risks, information security awareness and training, establishing common "baseline" information security tools and standards for all EIX companies, and monitor adherence to those standards. Also includes developing and maintaining disaster recovery strategies pertaining to computer systems, and ensuring separation of utility and affiliate computer and information systems.
Infrastructure Management and Support (desktop and distributed services)	Includes support for the coordination of databases, procuring IDs and approving systems access, and database support for EIX. Also includes procuring laptops, flash drives, printers, and other technology related devices for EIX. Providing technology, maintenance, and on-call support for EIX executives (technology related hardware), and dedicated support for EIX sponsored off-sites.
IT Vendor Management	Includes support for external vendor audits, and support for joint procurements.
IT Service Center Support (not including Desktop Support)	Includes the development of policies, processes, and tools to identify, resolve, and manage device end user issues (e.g., computers, phones, wireless devices, mainframe computers, servers, routers, IT switches, etc.). Audio and visual support for conference rooms, secondary desktop support (no on-site activity), remote troubleshooting of minor issues and answering frequently-asked questions, develop and implement a standard IT environment.
Mainframe/Distributed Services (for permissible shared functions only)	Facilitating the pass through of demographic information, organizational information, and financial data, and payroll processing data. Providing support for portal to portal access, and integration support for SAP releases with affiliates. Mid-range services (SAP) for human resources (HCM), financial reporting, and affiliate billing. Provide EIX identity through Identity Management (IDM) system.

Function that May be Shared	Description of Shared Support Functions
Network	Includes the management, operation, and maintenance of the network. Also includes developing and implementing corporate-wide systems strategies, best practices, facilities management, network, standardization of network and system management. Support network functions for phones (non-cell), circuits, wireless LAN, firewall, and internet.
Server Management	Includes providing server infrastructure standardization, architecture, and management.
Computer Services	Include providing computer services support for the entire network.
Telecomm. Services	Includes the transferring of incoming calls to employees' homes or work, sending numeric pages, organizing conference calls for executives, answering after-hours calls for executives, coordinating conference calls for EIX, and supporting phone operators.
Center for Continuous Improvement (CCI) / Enterprise Resource Planning (ERP)	Includes providing custom software and report development related to ERP/SAP systems. Also includes SAP security administration, and portal federation support.
Safety, Security & Compliance	
Business Resiliency	Includes the planning, creating, and execution of response systems, policies, tools and standard practices to respond to natural or man-made business interruptions, in order to facilitate the return to a normal operating mode.
Employee Health & Safety	Includes the review of health and safety best practices, the development of ergonomics training, assist BU in development of education training, the administration of enterprise-wide cultural perception assessment, and communicating the requirements of new or revised OSHA and other state or federal health and safety regulations. Administer EH&S Leadership Council meetings, to address safety and environmental issues and share best practices.
Ethics & Compliance	Includes performing governance functions in the area of ethics and compliance. These functions encompass compliance oversight, assessment and assurance, ethics & compliance helpline, investigations, compliance training & communications, compliance planning, oversight, and reporting.

Services That May Not Be Shared
Hedging
Financial Derivatives
Arbitrage Services
Employee Recruiting
Arrangement of meetings between governmental agencies and Class A affiliates for affiliate marketing purposes
Customer Information Data Services
Mainframe Services (for services that may not be shared)
Joint Advertising related to products and services
Marketing
Gas and electricity purchasing for resale
Gas transportation and storage capacity purchasing
Electric transmission purchasing
System Operations purchasing
Marketing purchasing
Account Management Services
Credit and Payment Processing
Electric Distribution
Engineering
Field Services
Generation
Grid Operations & Maintenance
Grid Planning & Strategy
Meter Reading
Research and Development