



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

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Application of Southern California Edison
Company (U 338-E) for Authorization to
Recover 2021 Incremental Costs Related
to Wildfire Mitigation and Vegetation
Management.

Application 22-06-____

APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)
FOR AUTHORIZATION TO RECOVER 2021 INCREMENTAL COSTS RELATED TO
WILDFIRE MITIGATION AND VEGETATION MANAGEMENT

CLAIRE E. TORCHIA
RUSSELL A. ARCHER
JULIA A. MOSEL

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2865
E-mail: Russell.Archer@sce.com

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I.

INTRODUCTION AND PROCEDURAL BACKGROUND

In this Application, SCE respectfully requests that the California Public Utilities Commission (CPUC or Commission) find just and reasonable SCE’s incremental 2021 incurred capital expenditures and operations and maintenance (O&M) expenses in SCE’s Wildfire Mitigation Plan Memorandum Account (WMPMA) and Fire Risk Mitigation Memorandum Account (FRMMA) (collectively, Wildfire Mitigation Accounts) associated with wildfire mitigation activities. SCE further requests that the Commission find just and reasonable SCE’s incremental 2021 O&M expenses for vegetation management activities recorded in SCE’s Vegetation Management Balancing Account (VMBA). The Final Decision (D.21-08-036) approving Track 1 of SCE’s 2021 GRC specifically authorized SCE to seek reasonableness review of, and cost recovery for, incurred costs above the authorized amounts for both 2021 wildfire mitigation costs recorded in the Wildfire Mitigation Accounts,¹ as well as 2021

¹ Note that the Track 1 Final Decision (D.21-08-036) separately authorized a scope of work and associated capital costs for SCE’s Wildfire Covered Conductor Program (WCCP), with SCE having
Continued on the next page

vegetation management costs recorded in the VMBA.² SCE requests authority to recover the revenue requirements associated with the incremental capital expenditures and O&M expenses recorded in the Wildfire Mitigation Accounts and the VMBA in distribution rates, currently estimated at \$327.34 million.

With respect to the Wildfire Mitigation Accounts, SCE requests that the Commission find just and reasonable SCE's total incremental spending that reflect costs incurred in 2021 to undertake necessary wildfire mitigation work. This work includes, but is not limited to:

- Non-WCCP Grid Hardening
- Enhanced Operational Practices – Inspections, Remediations, and Technology Solutions
- Fire Science and Advanced Modeling
- Enhanced Situational Awareness
- Organizational Support
- Public Safety Power Shutoff (PSPS)
- Aerial Suppression

Continued from the previous page

the ability to seek reasonableness review of, and cost recovery for, costs above the authorized scope as recorded in the Wildfire Risk Mitigation Balancing Account (WRMBA). Because the Commission's authorization for the WCCP was for the 2019-2023 time period cumulatively, SCE is not seeking reasonableness review of costs associated with the scope of work approved for that time period for its WCCP in this Application. *See* D.21-08-036, p. 205.

² For 2021 VMBA costs, SCE is only required to demonstrate the reasonableness of recorded costs above 115 percent of the authorized amount in an Application. *See* D.21-08-036, p. 186. Recorded costs between 101 and 115 percent can be sought for recovery through a Tier 2 Advice Filing. *Id.* Concurrent with the filing of this Application, SCE has submitted a Tier 2 Advice Filing requesting recovery of the 2021 recorded VMBA amounts between 101-115% of the authorized amount, consistent with the Track 1 Final Decision.

- Wildfire Mitigation Training and Development
- Environmental Remediation Programs
- Vegetation Management Technology Solutions(a Wildfire Mitigation Plan Activity)

With respect to the VMBA, SCE specifically requests that the Commission find just and reasonable SCE's total incremental spending in O&M expenses that reflect costs incurred in 2021 to complete necessary vegetation management work. This work includes, but is not limited to:

- Routine Vegetation Management work, including:
 - Line clearance (pre-inspection and tree trimming and removal)
 - Area of Concern inspections and vegetation clearance
 - Pole brushing
 - LiDAR inspections
 - Quality Control
- Dead and Dying Tree Removal
- Hazard Tree Management Plan
- Environmental Support and Review

SCE further requests that the Commission authorize recovery of the revenue requirements associated with the incremental 2021 capital expenditures and O&M expenses recorded in the Wildfire Mitigation Accounts and the VMBA, and authorize SCE to transfer the

recorded balance, including interest plus franchise fees and uncollectibles (FF&U), currently estimated to be \$327.34 million, to the distribution subaccount of the Base Revenue Requirement Balancing Account (BRRBA) for recovery in distribution rates upon a final decision in this proceeding. SCE proposes to recover the revenue requirement over a twelve-month period, commencing with the next regularly scheduled consolidated revenue requirement and rate change following the issuance of a final decision.

II.

SUMMARY OF SCE'S REQUEST

In the supporting direct testimony served concurrently herewith, SCE seeks review and approval of the incremental 2021 incurred amounts in the Wildfire Mitigation Accounts and the VMBA. The direct testimony is organized as follows: Chapter I provides a general overview and background of SCE's request in this Application. Chapter II describes SCE's Wildfire Mitigation efforts and activities in 2021, including separate sub-chapters focusing on: grid hardening work; enhanced operational practices; fire science and advanced modeling; enhanced situational awareness; organizational support; PSPS; aerial suppression; wildfire mitigation training and development; and environmental remediation programs. Chapter III describes all of the 2021 work and costs associated therewith for Vegetation Management activities, including separate sub-chapters for: routine vegetation management; the Dead and Dying Tree Removal Program; the Hazard Tree Management Plan (HTMP); the impact of increased wages and benefits for vegetation management contractors across all programs; environmental support; and technology solutions. Chapter IV discusses the methodology SCE employed to determine incrementality for the costs at issue in this Application, including by using a "portfolio approach" for the Wildfire Mitigation Accounts, and a simple determination of total recorded costs vs. the total authorized amount for the VMBA. Chapter V sets forth SCE's cost recovery-related ratemaking proposals.

A. Wildfire Mitigation Activities

There is nothing more fundamental to SCE's mission than the safety of the public, SCE's customers, and our workers. As such, SCE has undertaken, and is continuing, significant efforts to mitigate the risk of wildfires associated with its equipment. This foundational commitment to protect public safety continued in 2021 as set forth in this current Application.

In SCE's approved 2020 and 2021 Wildfire Mitigation Plans (WMPs) and 2021 GRC, SCE outlined the measures it would implement to reduce the risk of fire ignition to protect customers and communities in the High Fire Risk Areas (HFRA). During 2021, SCE made significant progress in key focus areas, refining its risk-informed inspections strategy to include inspections in targeted areas based on factors such as dry fuel buildup. In addition, SCE expanded its system hardening activities to include long-span remediations by installing line spacers on power lines that are prone to conductor-to-conductor contact during windy conditions. Further, SCE collaborated with fire agencies to help improve their ability to detect and respond to emerging fires using satellite imagery, and provided funding to the agencies for aerial fire suppression resources to help protect communities in SCE's service area as well as SCE infrastructure. SCE also established central data platforms for next-generation data analytics and governance.

These mitigation programs undertaken in 2021 are consistent with Legislative directives and the express public policy of the Commission and the Office of Energy Infrastructure Safety (OEIS). In the 2021 GRC Track 1 Final Decision, the Commission authorized \$101.65 million in wildfire mitigation O&M expenses and \$76.34 million in non-WCCP wildfire mitigation capital expenditures, and permitted SCE to seek after-the-fact reasonableness review of incurred costs over those authorized amounts.³ In 2021, on a wildfire-mitigation-activity portfolio basis, SCE expended \$101.58 million in O&M and \$97.52 million in capital expenditures above 2021 GRC-

³ See D.21-08-036 at p. 251.

authorized levels for this work.⁴⁵ Overall, and as further described in Chapter II of the supporting testimony for each wildfire mitigation activity and program, this level of spending was necessary and prudent to execute the critical activities needed to protect public safety, adhere to regulatory requirements and statutes, and comply with SCE's approved WMP commitments.

B. Vegetation Management Activities

In 2021, SCE necessarily and prudently incurred substantially higher vegetation management costs in the VMBA than authorized in the 2021 GRC Final Decision. In 2019, the Legislature passed Senate Bill (SB) 247, with an effective date of January 1, 2020. This legislation requires SCE to pay its vegetation management contractors wages far in excess of those originally forecast in Track 1 of the 2021 GRC. In response to this Legislative mandate, on July 1, 2020, SCE submitted Update Testimony in Track 1. SCE's Update Testimony described the anticipated effects of this new law and other increased contract labor costs on SCE's 2021 costs. The forecasted effects of the new law necessarily post-dated SCE's GRC Track 1 direct testimony, but *could* reasonably be forecast by the time of Update Testimony.⁶ Nevertheless, the Track 1 Decision declined to include these known, increased pass-through labor costs in the authorized funding for 2021.⁷ Accordingly, as expected, SCE necessarily incurred costs in 2021

⁴ The Track 1 Final Decision authorized the creation of the WRMBA but only for WCCP; in 2021 SCE undertook substantial other grid hardening work and other wildfire mitigation capital projects that are tracked in the WMPMA and FRRMA.

⁵ Approximately \$21.09 million of the \$97.52 million of capital expenditures requested for recovery in this Application relate to work that has not yet been completed but is now underway. Specifically, SCE is seeking reasonableness review of \$21.09 million of capital expenditures that are currently categorized as construction-work-in-progress (CWIP) and that are not currently included in the \$327.34 million revenue requirement request. Because the \$21.09 million capital expenditures are incremental to the amounts authorized in SCE's 2021 GRC for 2021, as assets become ready for service SCE will transfer the corresponding amounts from CWIP to plant-in-service as Capital Additions and record the corresponding capital-related revenue requirement in the WMPMA. On an annual basis, SCE will transfer the revenue requirement associated with the \$21.09 million capital expenditures (and any ongoing revenue requirement associated with these capital expenditures) from the WMPMA to the distribution subaccount of the BRRBA for recovery in rates until the ongoing revenue requirement is included in GRC-authorized base rates.

⁶ See, e.g., GRC Track 1 (A.19-08-013), August 12, 2020 Ev. Hr. Tr., Vol. 12 at p. 1299:2-15.

⁷ See D.21-08-036 at p. 183.

well above the GRC-authorized level to complete its regulatory-required and risk-informed vegetation management work, and to pay its contractors statutorily mandated wages to complete that critical work.

Other factors that contributed to SCE's 2021 above-authorized recorded costs for vegetation management activities included:

- In D.17-12-024, the Commission adopted new fire-safety regulations, including increasing the recommended minimum clearance from vegetation to electric facilities, and specifying that certain recommended clearances be obtained at the time vegetation is trimmed to mitigate the risk of breaching minimum required clearances during the period between trims.⁸
- In A.18-09-002, SCE's Grid Safety and Resiliency Program (GSRP) Application, SCE introduced the HTMP as an additional vegetation management program to mitigate fire risk created by trees outside the minimum clearance zone.
- SCE committed to further comprehensive vegetation management activities as part of its three-year WMP filed in 2020 and the subsequent 2021 update thereto.⁹ This included expanded pole brushing of distribution poles in HFRA's, LiDAR inspections for vegetation encroachments along transmission and distribution circuits, supplemental patrols in Areas of Concern (AOCs) during the Summer and Fall months, and other measures. These actions, approved by the Wildfire Safety Division and its successor agency the OEIS, went beyond the scope of historical vegetation

⁸ The HFTD Decision required compliance with the new clearance requirements in Tier 3 areas by September 30, 2018, and in Zone 1 and Tier 2 areas by June 30, 2019.

⁹ Many of these commitments were also part of SCE's 2019 WMP, but generally grew in scope with the 2020-2022 Plan.

management operations and were necessary and appropriate to meet the ongoing threats of catastrophic wildfires and climate change.

- Additionally, in 2021, SCE continued its Dead and Dying Tree Removal Program to mitigate the risk of dead and dying trees falling into or contacting energized lines. This work has continued for many years to mitigate the effects of massive tree mortality caused by epic drought conditions and devastating insect infestations.

The 2021 GRC Track 1 Final Decision authorized \$174.34 million for the VMBA, and provided that costs exceeding 115% of the authorized amount (\$200.49 million) shall be subject to reasonableness review by way of an Application. SCE's actual recorded expenses in the VMBA for 2021 were \$432.57 million. Accordingly, SCE seeks reasonableness review in this Application of \$212.79 million (*i.e.*, the recorded costs above 115% of the Track 1 Final Decision-authorized amount for 2021, minus FERC-jurisdictional costs and certain non-incremental costs).

Finally, the recorded costs related to environmental support of the vegetation management routine line clearing activity are recorded in FRMMA, and not the VMBA. In the 2021 GRC Application, SCE forecast approximately \$2.05 million for the environmental review and support activities necessary to support vegetation management's routine line clearing program (inspections and trims/removals to maintain clearance distances) in the Environmental Programs activity, and not the activities that record to the VMBA.¹⁰ The Commission adopted SCE's forecast in its Track 1 Final Decision.¹¹ SCE recorded the incremental costs above the

¹⁰ GRC Track 1, Exhibit SCE-06 Vol. 04 Testimony, page 12, includes SCE's Environmental Services Department's 2021 GRC total O&M request of \$27.683 million. The approximately \$2 million for environmental support of Vegetation Management resides within the \$27.683 million in Figure II-5 Environmental Services Recorded 2014-2018/Forecast 2019-2021.

¹¹ *Id.*; see D.21-08-036, p. 438.

authorized amount for environmental support of vegetation management routine line clearing, totaling \$13.76 million, in FRMMA.

C. Incrementality Test

This Application seeks cost recovery for the revenue requirement only for incremental costs above the 2021 GRC Track 1-authorized amounts for calendar year 2021. SCE measured incrementality as follows:

Regarding wildfire mitigation, SCE took a “portfolio approach” for all eligible WMPMA and FRMMA costs. Thus, with respect to the wildfire mitigation activities, instead of calculating incrementality based on each individual activity or sub-activity compared to the 2021 GRC-authorized amounts, SCE examined how the collective recorded costs of those activities compared to the 2021 GRC-authorized amount for all the activities combined. In other words, SCE compared the total incurred costs for these activities against the total authorized costs for these activities, and considers only the delta between those two totals as incremental. This is reasonable, appropriate, and consistent with Public Utilities Code §8386.3(d)(1), which provides that an electric utility “shall not divert revenues authorized by the commission to implement the wildfire mitigation plan to any activities or investments outside of the plan.”

Regarding vegetation management, SCE employed a similar approach, as required by the Commission-approved tariff implementing the VMBA. To determine incrementality, SCE examined the costs of the portfolio of activities recorded in the VMBA, which are related to Routine Vegetation Management, Dead and Dying Tree Removal Program, and the Hazard Tree Management Plan. SCE determined the incremental costs for this portfolio of vegetation management activities by comparing the combined total recorded spend for all vegetation management activities to 115% of the authorized amount for 2021 in Track 1 of the 2021 GRC. This is consistent with how balancing accounts typically operate, as well as the Commission’s specific direction in the 2021 GRC Final Decision, which provided: “We should authorize a two-

way VMBA to track the difference between the authorized O&M expenses *for all vegetation management activities in this proceeding and SCE's recorded expenses for these activities*, along with a requirement that recovery of costs in excess of 115 percent of the authorized amount for VMP activities be made by application.”¹²

III.

PROCEDURAL REQUIREMENTS

A. Statutory and Other Authority – Rule 2.1

Rule 2.1 requires that all applications: (1) clearly and concisely state the authorization or relief sought; (2) cite the statutory provision or other authority under which that relief is sought; and (3) be verified by the applicant. Rules 2.1(a), 2.1(b), and 2.1(c) set forth further requirements that are addressed separately below. The relief being sought is summarized in this Application, and is further described in the testimony preliminarily identified as follows:

- Exhibit SCE-01, entitled *Direct Testimony in Support of Southern California Edison Company's Application for Authorization to Recover 2021 Incremental Costs Related to Wildfire Mitigation and Vegetation Management*

The statutory and other authority under which this relief is being sought include California Public Utilities Code Sections 451, 454, 491, 701, 850, 8386, 8386.3, 8386.4, 8386.6 *et al.*, the Commission's Rules of Practice and Procedure, and prior decisions, orders, and resolutions of this Commission, including but not limited to D.21-08-036 and D.17-12-024. This Application has been verified by an SCE Officer, consistent with Rule 1.11 of the Commission's Rules of Practice and Procedure.

¹² See D.21-08-036, p. 656 (Conclusion of Law 70) (emphasis added).

B. Legal Name and Principal Place of Business – Rule 2.1(a)

SCE’s full legal name is Southern California Edison Company. SCE is a corporation organized and existing under the laws of the State of California, and is primarily engaged in the business of generating, purchasing, transmitting, distributing, and selling electric energy for light, heat, and power in portions of central and southern California as a public utility subject to the jurisdiction of the California Public Utilities Commission. SCE’s properties, which are located primarily within the State of California, consist mainly of hydroelectric and thermal electric generating plants, together with transmission and distribution lines and other property necessary in connection with its business. The location of SCE’s principal place of business is 2244 Walnut Grove Avenue, Rosemead, California, 91770.

C. Correspondence – Rule 2.1(b)

Correspondence or communication regarding this Application should be addressed to:

| | |
|------------------------------------|------------------------------------|
| Russell A. Archer | Case Administration |
| Senior Attorney | Southern California Edison Company |
| Southern California Edison Company | Post Office Box 800 |
| P.O. Box 800 | 8631 Rush Street |
| 2244 Walnut Grove Avenue | Rosemead, California 91770 |
| Rosemead, California 91770 | Telephone: (626) 302-0449 |
| Telephone: (626) 302-2865 | E-mail: Case.Admin@sce.com |
| E-mail: Russell.Archer@sce.com | |

D. Proposed Categorization, Need for Hearings, Issues to Be Considered, Procedural Schedule – Rule 2.1(c)

1. Proposed Categorization

SCE proposes that this Application be categorized as a rate-setting proceeding pursuant to Commission Rules of Practice and Procedure 1.3(g) and 7.1(e)(2).

2. Need for Hearings

At this point, it is unclear if evidentiary hearings will be necessary. The need for hearings and the issues to be considered in such hearings will depend in large part on the degree to which other parties contest SCE's request, and the need for hearings will ultimately be determined by the assigned Administrative Law Judge(s). SCE's proposed procedural schedule includes time allotted for evidentiary hearings, should they be required.

3. Issues to Be Considered

The issues presented in this Application are:

- Are the 2021 costs incurred and/or recorded in SCE's Wildfire Mitigation Plan Memorandum Account (WMPMA) incremental, reasonable, and properly recoverable?
- Are the 2021 costs incurred and/or recorded in SCE's Fire Risk Mitigation Memorandum Account (FRRMA) incremental, reasonable, and properly recoverable?
- Should the Commission authorize SCE to recover approximately \$112.15 million for the revenue requirements associated with SCE's 2021 incurred incremental O&M expenses and capital expenditures for wildfire mitigation recorded in the WMPMA and FRRMA (\$95.87 million and \$16.28 million, respectively)?
- Are the 2021 costs recorded in SCE's Vegetation Management Balancing Account (VMBA) incremental, reasonable, and properly recoverable?
- Should the Commission authorize SCE to recover approximately \$215.20 million for the revenue requirements associated with SCE's 2021 incurred

incremental O&M expenses for vegetation management recorded in the VMBA?

- Is SCE’s proposed method to recover the WMPMA, FRRMA, and VMBA revenue requirements totaling approximately \$327.34 million over a 12-month amortization period reasonable?

4. Procedural Schedule Rule 2.1(c)

SCE proposes the following procedural schedule, which provides for a proposed decision within 12 months of the filing date of the application, in accordance with California Public Utilities Code Section 8386.4(b)(2):

| | |
|--|----------------------|
| Application Filed: | June 3, 2022 |
| Protests and Responses: | ~July 5, 2022 |
| Reply to Protests and Responses: | ~July 11, 2022 |
| Prehearing Conference: | July 22, 2022 |
| Public Advocates and Intervenor Testimony: | October 3, 2022 |
| Rebuttal Testimony: | November 1, 2022 |
| Evidentiary Hearings (if necessary): | November 21-22, 2023 |
| Opening Briefs: | December 16, 2022 |
| Reply Briefs: | December 30, 2022 |
| ALJ Proposed Decision: | January 31, 2023 |
| Opening Comments on Proposed Decision: | February 20, 2023 |
| Reply Comments on Proposed Decision: | February 27, 2023 |
| Commission Decision: | March 24, 2023 |

E. Safety – Rule 2.1(c)

Pursuant to Rule 2.1(c), this Application must address “relevant safety considerations.” SCE does not view this Application as presenting any safety considerations, as it requests only cost recovery associated with Wildfire Mitigation and Vegetation Management efforts. SCE notes that the Wildfire Mitigation and Vegetation Management efforts for which SCE seeks

cost recovery are meant to address some of California's foremost public safety issues – namely, wildfires – and utility efforts to respond to and address these public safety concerns are in the best interest of customers.

F. Organization and Qualification to Transact Business – Rule 2.2

In compliance with Rule 2.2,¹³ a copy of SCE's Certificate of Restated Articles of Incorporation, effective on March 2, 2006, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 14, 2006, in connection with Application No. 06-03-020, and is incorporated herein by this reference pursuant to Rule 2.2 of the Commission's Rules of Practice and Procedure.

A copy of SCE's Certificate of Determination of Preferences of the Series D Preference Stock filed with the California Secretary of State on March 7, 2011, and presently in effect, certified by the California Secretary of State, was filed with the Commission on April 1, 2011, in connection with Application No. 11-04-001, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series E Preference Stock filed with the California Secretary of State on January 12, 2012, and a copy of SCE's Certificate of Increase in Authorized Shares of the Series E Preference Stock filed with the California Secretary of State on January 31, 2012, and presently in effect, certified by the California Secretary of State, were filed with the Commission on March 5, 2012, in connection with Application No. 12-03-004, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series F Preference Stock filed with the California Secretary of State on May 14, 2012, and presently in effect,

¹³ Rule 2.2 requires the applicant to submit a copy of its organizing documents and evidence of its qualification to transact business in California, or to refer to that documentation if previously filed with the Commission.

certified by the California Secretary of State, was filed with the Commission on June 29, 2012, in connection with Application No. 12-06-017, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series G Preference Stock filed with the California Secretary of State on January 24, 2013, and presently in effect, certified by the California Secretary of State, was filed with the Commission on January 31, 2013, in connection with Application No. 13-01-016, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series H Preference Stock filed with the California Secretary of State on February 28, 2014, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 24, 2014, in connection with Application No. 14-03-013, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series J Preference Stock filed with the California Secretary of State on August 19, 2015, and presently in effect, certified by the California Secretary of State was filed with the Commission on October 2, 2015, in connection with Application No. 15-10-001, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series K Preference Stock filed with the California Secretary of State on March 2, 2016, and presently in effect, certified by the California Secretary of State, was filed with the Commission on April 1, 2016, in connection with Application No. 16-04-001, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series L Preference Stock filed with the California Secretary of State on June 20, 2017, and presently in effect, certified by the California Secretary of State, was filed with the Commission on June 30, 2017, in connection with Application No. 17-06-030, and is incorporated herein by this reference.

Copies of SCE's latest Annual Report to Shareholders and Edison International's latest proxy statement sent to its stockholders has been filed with the Commission with a letter of transmittal dated March 18, 2022, pursuant to General Order Nos. 65-A and 104-A of the Commission.

G. Balance Sheet and Income Statement – Rule 3.2(a)(1)

Appendix A to this Application contains copies of SCE's Balance Sheet and Income Statement for the period ending March 31, 2022, the most recent period available.

H. Statement of Presently Effective and Proposed Rates – Rules 3.2(a)(2) and 3.2(a)(3)

A statement of SCE's proposed ratemaking is included here and is found in the testimony served in support of this Application. That testimony has been preliminarily marked for identification as Exhibit SCE-01.

1. Summary of Proposed Ratemaking – Wildfire Mitigation and Vegetation Management

This section presents SCE's proposed ratemaking treatment for recovering the revenue requirements associated with SCE's reasonably incurred incremental O&M expenses, capital expenditures, and capital-related expenses associated with Wildfire Mitigation and Vegetation Management. SCE's incremental O&M expenses and the revenue requirements associated with the incremental capital expenditures and capital-related expenses related to the 2021 Wildfire Mitigation and Vegetation Management activities described in the accompanying testimony are recorded in the WMPMA, FRMMA, and VMBA.

Table III-1 below, summarizes the incremental 2021 costs and associated revenue requirement balances that have been tracked in the WMPMA, FRRMA and VMBA as of December 31, 2021. SCE proposes to recover the full \$327.34 million revenue requirement through customer distribution rates. SCE is also seeking authorization to continue to record and transfer the annual ongoing revenue requirement, as of each December 31, for the approved

capital expenditures in this Application from the WMPMA to the distribution subaccount of the BRRBA for recovery in distribution rates via the year-end consolidated revenue requirement and rate change advice letter process until the ongoing revenue requirement is included in GRC-authorized base rates. Effective upon a Commission decision in this application, SCE proposes to transfer the authorized revenue requirement (including any additional interest that will accrue to the WMPMA, FRMMA, and VMBA), to the distribution subaccount of the BRRBA for recovery from customers over a standard 12-month recovery period.

Table III-1
Summary of Total Revenue Requirement Request for 2021
(\$ in millions)

| Recovery Account | Incremental O&M | Capital Related Revenue Requirement for 2021 | Interest | FF&U | Total Revenue Requirement |
|------------------|-----------------|--|---------------|---------------|---------------------------|
| WMPMA | \$99.27 | (\$4.84) | \$0.38 | \$1.06 | \$95.87 |
| FRMMA | 16.08 | - | 0.02 | 0.18 | 16.28 |
| VMBA | 212.79 | - | 0.03 | 2.38 | 215.20 |
| Total | \$328.13 | (\$4.84) | \$0.44 | \$3.62 | \$327.34 |

2. Estimated Impact of the Request on Customer Rates

Table III-2 below represents the estimated impact of the request on distribution customer rates.

Table III-2¹⁴

Illustrative Bundled Customer Rate and Bill Impacts

| Bundled Average Rates(¢/kWh) | | | | |
|--|----------------------|--------------------------|-----------------------|------------------|
| Customer Group | Current Rates | Proposed Increase | Proposed Rates | %Increase |
| Residential | 28.23 | 0.59 | 28.83 | 2.1% |
| Lighting-Small and Medium Power | 26.04 | 0.48 | 26.52 | 1.8% |
| Large Power | 17.70 | 0.26 | 17.96 | 1.4% |
| Agricultural and Pumping | 21.04 | 0.37 | 21.42 | 1.8% |
| Street and Area Lighting | 27.18 | 0.30 | 27.47 | 1.1% |
| Standby | 14.34 | 0.14 | 14.48 | 0.9% |
| Total | 24.31 | 0.45 | 24.77 | 1.9% |
| Residential Bill Impact(\$/Month) | | | | |
| Description | Current | Proposed Increase | Proposed | %Increase |
| Non-CARE residential bill | \$149.02 | \$3.11 | \$152.13 | 2.1% |
| CARE residential bill | \$100.83 | \$2.10 | \$102.93 | 2.1% |

I. Description of SCE’s Service Territory and Utility System – Rule 3.2(a)(4)

Because this Application is not a GRC application, this requirement is not applicable.

J. Summary of Earnings – Rule 3.2(a)(5)

In compliance with Rule 3.2(a)(5), Appendix B hereto contains a copy of SCE’s summary of earnings for the periods upon which SCE basis its justification for an increase in rates.

K. Depreciation – Rule 3.2(a)(7)

Because this Application is not a GRC application, this requirement is not applicable.

L. Capital Stock and Proxy Statement – Rule 3.2(a)(8)

Because this Application is not a GRC application, this requirement is not applicable.

¹⁴ The illustrative rate and bill impacts are based on SCE’s rates in effect as of June 1, 2022. Residential bill impacts assume an average residential customer in baseline region 9 with 500 kWh of monthly usage.

M. Statement Regarding Type of Increase – 3.2(a)(10)

SCE's application requests authorization to recover certain O&M expenses and to add certain capital expenditures to rate base. With respect to the capital expenditures, the requested rate base additions would earn a return on, as well as a return of, capital. In that sense, SCE's request in this proceeding is not limited to passing through to customers "only increased costs to the corporation for the services or commodities furnished by it."

N. Service of Notice – Rule 3.2(b), (c), (d), and (e)

As required by Rule 3.2(b), a notice stating in general terms the proposed rate change will be mailed to the designated officials of the State of California, and the cities and counties affected by the rate increase proposed in this Application, as listed in Appendix C hereto.

Pursuant to Rule 3.2(c), notice will be published in a newspaper of general circulation in each county in SCE's service territory within which the rate changes would be effective.

A listing of the cities and counties affected by the rate increase proposed in this Application is shown in Appendix C hereto.

Finally, pursuant to Rule 3.2(d), notice will be furnished to customers affected by the potential rate changes proposed in this Application by including such notice with the regular bills mailed to those customers who receive paper bills and by electronically linking to such notice for customers that receive their bills electronically. SCE has reviewed a draft of its proposed customer notice with the Commission's Public Advisor's Office.

O. Index of Exhibits and Appendices to This Application

SCE's submissions in support of this Application include the following, which are incorporated herein by reference:

Appendices to Application

- Appendix A: Balance Sheet and Income Statement
- Appendix B: Summary of Earnings
- Appendix C: List of Cities and Counties

Exhibits to Application

- Exhibit SCE-01: Direct Testimony in Support of Southern California Edison Company's Application for Authorization to Recover 2021 Incremental Costs Related to Wildfire Mitigation and Vegetation Management

P. Service List

The official service list has not yet been established in this new proceeding. SCE is serving this Application and supporting testimony on the service list established by the Commission for SCE's 2021 Test Year GRC, A.19-08-013.

IV.

CONCLUSION AND REQUEST FOR RELIEF

SCE respectfully requests an expeditious review of this Application. SCE asks that the Commission approve SCE's requests as outlined in the Application and supporting testimony, and that the Commission render findings of fact and conclusions of law and issue orders consistent with the materials that accompany the Application. SCE respectfully asks the Commission to authorize the revenue requirements and other requests included herein to become effective June 1, 2023 (or as soon thereafter as reasonably practicable), and to issue its decision:

- Finding that the 2021 costs incurred and/or recorded in SCE's Wildfire Mitigation Plan Memorandum Account (WMPMA) are incremental, reasonable, and properly recoverable;
- Finding that the 2021 costs incurred and/or recorded in SCE's Fire Risk Mitigation Memorandum Account (FRRMA) are incremental, reasonable, and properly recoverable;
- Authorizing SCE to recover approximately \$112.15 million for the revenue requirements associated with SCE's 2021 incurred incremental O&M expenses and capital expenditures for wildfire mitigation recorded in the WMPMA and FRRMA (\$95.87 million and \$16.28 million, respectively);
- Finding that the 2021 costs recorded in SCE's Vegetation Management Balancing Account (VMBA) are incremental, reasonable, and properly recoverable;
- Authorizing SCE to recover approximately \$215.2 million for the revenue requirements associated with SCE's 2021 incurred incremental O&M expenses for vegetation management recorded in the VMBA;
- Authorizing SCE to continue to record and transfer the annual ongoing revenue requirement, as of each December 31, for the approved capital expenditures in this Application from the WMPMA to the distribution subaccount of the BRRBA for recovery in distribution rates via the year-end consolidated revenue requirement and rate change advice letter process until the ongoing revenue requirement is included in GRC-authorized base rates;
- Finding SCE's proposed method to recover the WMPMA, FRRMA, and VMBA revenue requirements totaling approximately \$327.34 million in distribution rates over a 12-month amortization period is reasonable;

- Rendering Findings of Fact and Conclusions of Law, and issuing Orders consistent with the materials accompanying this filing;
- Granting such other relief as the Commission finds to be just and reasonable.

Respectfully submitted,

CLAIRE E. TORCHIA
RUSSELL A. ARCHER
JULIA A. MOSEL

/s/ Russell A. Archer

By: Russell A. Archer

Attorney for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2865
E-mail: Russell.Archer@sce.com

June 3, 2022

VERIFICATION

I, Michael Backstrom, declare and state:

I am an Officer and the Vice President of Regulatory Affairs for Southern California Edison Company. Pursuant to Rule 2.1 and Rule 1.11 of the Rules of Practice and Procedure of the CPUC, I am authorized to make this Verification on its behalf. I am informed and believe that the matters stated in the foregoing pleading are true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on June 3, 2022 at Sierra Madre, California.

/s/ Michael Backstrom

Michael Backstrom
Vice President, Regulatory Affairs
Southern California Edison Company

Appendix A

Balance Sheet and Income Statement

SOUTHERN CALIFORNIA EDISON COMPANY

(h) A balance sheet as of the latest available date, together with an income statement covering the period from close of last year for which an annual report has been filed with the Commission to the date of the balance sheet attached to the application.

STATEMENT OF INCOME
THREE MONTHS ENDED MARCH 31, 2022

(In millions)

| | |
|--|----------------------|
| OPERATING REVENUE | <u>\$ 3,961</u> |
| OPERATING EXPENSES: | |
| Purchase power and fuel | 1,037 |
| Operation and maintenance | 1,466 |
| Wildfire-related claims, net of insurance recoveries | 425 |
| Wildfire insurance fund expense | 53 |
| Depreciation and amortization | 583 |
| Property and other taxes | 124 |
| Other operating income | <u>(2)</u> |
| Total operating expenses | <u>3,686</u> |
| OPERATING INCOME | 275 |
| Interest expense | (213) |
| Other income | <u>71</u> |
| INCOME BEFORE TAXES | 133 |
| Income tax benefit | <u>(40)</u> |
| NET INCOME | 173 |
| Less: Preference stock dividend requirements | <u>26</u> |
| NET INCOME AVAILABLE FOR COMMON STOCK | <u><u>\$ 147</u></u> |

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET
MARCH 31, 2022
ASSETS
(in millions)

UTILITY PLANT:

| | |
|---|---------------|
| Utility plant, at original cost | \$ 58,116 |
| Less- accumulated provision for depreciation and amortization | 11,650 |
| | <u>46,466</u> |
| Construction work in progress | 4,200 |
| Nuclear fuel - at amortized cost | 127 |
| | <u>50,793</u> |

OTHER PROPERTY AND INVESTMENTS:

| | |
|---|--------------|
| Nonutility property - less accumulated depreciation of \$92 | 201 |
| Nuclear decommissioning trusts | 4,527 |
| Other investments | 39 |
| | <u>4,767</u> |

CURRENT ASSETS:

| | |
|--|--------------|
| Cash and equivalents | 119 |
| Receivables, less allowances of \$253 for uncollectible accounts | 1,305 |
| Accrued unbilled revenue | 743 |
| Inventory | 434 |
| Prepaid expenses | 256 |
| Regulatory assets | 1,961 |
| Wildfire insurance fund contributions | 204 |
| Other current assets | 123 |
| | <u>5,145</u> |

DEFERRED CHARGES:

| | |
|--|------------------|
| Receivables, less allowance of \$99 for uncollectible accounts | 66 |
| Regulatory assets (Includes \$849 related to VIEs) | 8,008 |
| Wildfire insurance fund contributions | 2,309 |
| Operating lease right-of-use assets | 1,842 |
| Long-term insurance receivable | 95 |
| Long-term insurance receivable due from affiliate | 76 |
| Other long-term assets | 1,432 |
| | <u>13,828</u> |
| | <u>\$ 74,533</u> |

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET
MARCH 31, 2022
CAPITALIZATION AND LIABILITIES
(in millions)

CAPITALIZATION:

| | |
|---|---------------|
| Common stock | 2,168 |
| Additional paid-in capital | 7,028 |
| Accumulated other comprehensive loss | (31) |
| Retained earnings | 8,542 |
| Common shareholder's equity | <u>17,707</u> |
| Long-term debt (Includes \$837 related to VIEs) | 22,928 |
| Preferred stock | 1,945 |
| Total capitalization | <u>42,580</u> |

CURRENT LIABILITIES:

| | |
|--|--------------|
| Short-term debt | 2,049 |
| Current portion of long-term debt | 17 |
| Accounts payable | 1,974 |
| Wildfire-related claims | 137 |
| Customer deposits | 190 |
| Regulatory liabilities | 701 |
| Current portion of operating lease liabilities | 592 |
| Other current liabilities | 1,571 |
| | <u>7,231</u> |

DEFERRED CREDITS:

| | |
|--|---------------|
| Deferred income taxes and credits | 7,239 |
| Pensions and benefits | 110 |
| Asset retirement obligations | 2,839 |
| Regulatory liabilities | 8,867 |
| Operating lease liabilities | 1,250 |
| Wildfire-related claims | 1,531 |
| Other deferred credits and other long-term liabilities | 2,886 |
| | <u>24,722</u> |

\$ 74,533

Appendix B

Summary of Earnings 2019 through 2022

Southern California Edison
 2021 GRC Summary of Earnings
 Final Decision (RO Model 6.1)

Thousands of Dollars

| Southern California Edison Summary of Earnings 2021 GRC Adopted Revenue Requirement Thousands of Dollars | | |
|---|------------------------------|------------|
| Line No. | Item | Total |
| 1. | Base Revenues | 6,874,110 |
| 2. | Expenses: | |
| 3. | Operation & Maintenance | 2,391,587 |
| 4. | Depreciation | 1,902,940 |
| 5. | Taxes | 595,277 |
| 6. | Revenue Credits | (162,794) |
| 7. | Total Expenses | 4,727,010 |
| 8. | Net Operating Revenue | 2,147,100 |
| 9. | Rate Base | 27,982,268 |
| 10. | Rate of Return | 7.67% |

| Southern California Edison Summary of Earnings 2022 GRC Adopted Revenue Requirement Thousands of Dollars | | |
|---|------------------------------|------------|
| Line No. | Item | Total |
| 1. | Base Revenues | 7,257,059 |
| 2. | Expenses: | |
| 3. | Operation & Maintenance | 2,445,365 |
| 4. | Depreciation | 2,011,977 |
| 5. | Taxes | 664,156 |
| 6. | Revenue Credits | (163,463) |
| 7. | Total Expenses | 4,958,036 |
| 8. | Net Operating Revenue | 2,299,023 |
| 9. | Rate Base | 29,956,578 |
| 10. | Rate of Return | 7.67% |

| Southern California Edison Summary of Earnings 2023 GRC Adopted Revenue Requirement Thousands of Dollars | | |
|---|------------------------------|------------|
| Line No. | Item | Total |
| 1. | Base Revenues | 7,694,731 |
| 2. | Expenses: | |
| 3. | Operation & Maintenance | 2,503,319 |
| 4. | Depreciation | 2,133,629 |
| 5. | Taxes | 760,267 |
| 6. | Revenue Credits | (164,174) |
| 7. | Total Expenses | 5,233,040 |
| 8. | Net Operating Revenue | 2,461,691 |
| 9. | Rate Base | 32,070,817 |
| 10. | Rate of Return | 7.68% |

Appendix C

List of Cities and Counties

INCORPORATED CITIES AND COUNTIES SERVED BY SCE

COUNTIES

| | | | | |
|----------|-------------|--------|----------------|----------|
| Fresno | Kern | Madera | Riverside | Tuolumne |
| Imperial | Kings | Mono | San Bernardino | Tulare |
| Inyo | Los Angeles | Orange | Santa Barbara | Ventura |

CITIES

| | | | | | |
|-----------------|--------------------|----------------------|----------------------|------------------------|----------------------------|
| Adelanto | Commerce | Hesperia | Lynwood | Porterville | Tehachapi |
| Agoura Hills | Compton | Hidden Hills | Malibu | Rancho Cucamonga | Temecula |
| Alhambra | Corona | Highland | Mammoth Lakes | Rancho Mirage | Temple City |
| Aliso Viejo | Costa Mesa | Huntington Beach | Manhattan Beach | Rancho Palos Verdes | Thousand Oaks |
| Apple Valley | Covina | Huntington Park | Maywood | Rancho Santa Margarita | Torrance |
| Arcadia | Cudahy | Indian Wells | McFarland | Redlands | Tulare |
| Artesia | Culver City | Industry | Menifee | Redondo Beach | Tustin |
| Avalon | Cypress | Inglewood | Mission Viejo | Rialto | Twentynine Palms |
| Baldwin Park | Delano | Irvine | Monrovia | Ridgecrest | Upland |
| Barstow | Desert Hot Springs | Irwindale | Montclair | Rolling Hills | Ventura |
| Beaumont | Diamond Bar | Jurupa Valley | Montebello | Rolling Hills Estates | Victorville |
| Bell | Downey | La Canada Flintridge | Monterey Park | Rosemead | Villa Park |
| Bell Gardens | Duarte | La Habra | Moorpark | San Bernardino | Visalia |
| Bellflower | Eastvale | La Habra Heights | Moreno Valley | San Dimas | Walnut |
| Beverly Hills | El Monte | La Mirada | Murrieta | San Fernando | West Covina |
| Bishop | El Segundo | La Palma | Newport Beach | San Gabriel | West Hollywood |
| Blythe | Exeter | La Puente | Norco | San Jacinto | Westlake Village |
| Bradbury | Farmersville | La Verne | Norwalk | San Marino | Westminster |
| Brea | Fillmore | Laguna Beach | Ojai | Santa Ana | Whittier |
| Buena Park | Fontana | Laguna Hills | Ontario | Santa Barbara | Wildomar |
| Calabasas | Fountain Valley | Laguna Niguel | Orange | Santa Clarita | Woodlake (Three Rivers) |
| California City | Fullerton | Laguna Woods | Oxnard | Santa Fe Springs | Ventura |
| Calimesa | Garden Grove | Lake Elsinore | Palm Desert | Santa Monica | Yorba Linda |
| Camarillo | Gardena | Lake Forest | Palm Springs | Santa Paula | Yucaipa |
| Canyon Lake | Glendora | Lakewood | Palmdale | Seal Beach | Yucca Valley |
| Carpinteria | Goleta | Lancaster | Palos Verdes Estates | Sierra Madre | |
| Carson | Grand Terrace | Lawndale | Paramount | Signal Hill | |
| Cathedral City | Hanford | Lindsay | Perris | Simi Valley | |
| Cerritos | Hawaiian Gardens | Loma Linda | Pico Rivera | South El Monte | |
| Chino | Hawthorne | Lomita | Placentia | South Gate | |
| Chino Hills | Hemet | Long Beach | Pomona | South Pasadena | |
| Claremont | Hermosa Beach | Los Alamitos | Port Hueneme | Stanton | |