



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

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Application of Southern California Edison
Company (U 338-E) to Require a Customer-
Financed Added Facilities Agreement for
Replacement Added Facilities to Serve the
THUMS Islands Consistent with Decision No.
70659 and Tariff Rule 2

Application 24-12-XXX

**APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) TO
REQUIRE A CUSTOMER-FINANCED ADDED FACILITIES AGREEMENT FOR
REPLACEMENT ADDED FACILITIES TO SERVE THE THUMS ISLANDS
CONSISTENT WITH DECISION NO. 70659 AND TARIFF RULE 2**

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Dated: **December 4, 2024**

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I.

INTRODUCTION

Pursuant to Article 2 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC) and Public Utilities Code Sections 489, 532, 701, and 761, Southern California Edison Company (SCE) respectfully submits this application (Application) requesting that the Commission:

1. Order that the replacement of the added facilities that serve the THUMS Islands (the Added Facilities) be undertaken pursuant to a new customer-financed added facilities agreement (AFA) in accordance with Commission-approved Form 16-309, which requires the customer to provide the upfront funding for all replacement work.

2. Require that the counterparty to the customer-financed AFA be responsible for any removal costs associated with the replacement added facilities from the day construction begins until a customer-financed AFA is effective.
3. Confirm that THUMS Long Beach Company (THUMS) or any other customer requesting the replacement added facilities at issue here is responsible for all costs associated with the replacement added facilities.
4. Grant SCE abandoned plant protections if the Commission were to order SCE to finance replacement added facilities for THUMS and the facilities were abandoned prior to their in-service date and authorize SCE to recover fully the return of, return on, and cost of removal associated with any capital investments made to replace those added facilities through the filing of a Tier 2 Advice Letter.

SCE and THUMS are parties to an AFA, dated December 20, 1965 (the THUMS AFA). The Commission approved the THUMS AFA on May 10, 1966 in Decision (D.) 70659.¹ This Application requests that the Commission (1) order that the replacement of the aging Added Facilities that provide electric service to the THUMS Islands proceed pursuant to a new customer-financed AFA that would require the customer to advance the upfront capital needed to construct the new replacement added facilities, (2) require the added facilities customer be responsible for any removal costs prior to the executed AFA, (3) confirm that the added facilities customer is responsible for all costs associated with the new replacement added facilities; and (4) grant SCE abandoned plant protections as set forth above.²

SCE is filing this Application, consistent with D.70659 and Electric Rule 2 (Rule 2), to protect its customers given the risks associated with SCE's recovery of the costs for replacing the

¹ D.70659.

² As any other added facilities customer, for the new replacement added facilities, THUMS will need to satisfy all the requirements to be a counterparty to an AFA for the replacement added facilities, including having the requisite authority and property rights in accordance with Form 16-309. *See* Appendix G (Form 16-309). To the extent another entity becomes the appropriate counterparty, SCE requests that the same upfront funding and removal cost requirements requested in this application apply to that counterparty.

Added Facilities with new added facilities. Replacing the Added Facilities will involve hundreds of millions of dollars and years to complete. There also is substantial uncertainty surrounding how long oil drilling and production activities will continue at the THUMS Islands. California has adopted an aggressive policy regarding electrification. Oil resource constraints and legislative and political action also may significantly affect oil production at the THUMS Islands years before SCE's capital investment is recovered. Given these circumstances, it is prudent, reasonable, and necessary to require THUMS (or other appropriate counterparty) to advance the capital investment for any replacement added facilities and to be responsible for all removal costs. Indeed, D.70659 and Rule 2 compel it.

II.

SUMMARY OF APPLICATION

The Added Facilities currently in operation serve the artificial THUMS Islands off the coast of Long Beach, California and were built for oil drilling and production operations. These Added Facilities were first installed in 1966 and consist of two undersea cables and associated equipment. Unsurprisingly, after nearly sixty years of operation, the facilities are showing signs of aging. Aging infrastructure is more prone to failure and more likely to require disconnection because it is no longer safe to operate.

THUMS agrees that the planning, permitting, design, environmental, and engineering process for replacing at least a portion of the Added Facilities should begin now because of the length of time needed to complete this work. As explained below, the complexities of permitting, engineering, and constructing an undersea cable for oil pumping operations would require at least a decade of work and millions of dollars in expenditures. THUMS has requested that SCE partner with THUMS on the planning and permitting process for the replacement added facilities. However, THUMS has denied it is responsible for the costs to replace the currently installed Added Facilities with newly-built replacement added facilities. SCE believes THUMS's position is in direct contradiction of Rule 2, the THUMS AFA, and applicable Commission orders.

Rule 2, Section H, *Added Facilities*, provides that all added facilities customers, including THUMS, are responsible for the costs of added facilities, including replacement costs, because the added facilities are special facilities that serve and benefit only the added facilities customer. Indeed, in approving the current THUMS AFA, the Commission expressly stated that “if it should appear in a future proceeding that the revenue derived from this agreement is not compensatory, such revenue inadequacy is not to be imposed on [SCE’s] other electric customers.”³

The THUMS AFA is a 1965 SCE-financed AFA that does not include replacement coverage, which means that THUMS is required to pay the costs for replacing the Added Facilities. Given the complexity, timing, cost of the work, and the need for the various approval processes associated with new infrastructure, requiring the added facilities customer to provide the upfront funding for all the replacement work is prudent, reasonable, and necessary to conform with Rule 2, which requires that the added facilities customer bear all added facilities costs, and to avoid putting other customers under a significant, nine-figure financial risk with no corresponding benefit.⁴

SCE has preliminarily estimated that the cost to replace the undersea cables alone could be at least \$190 million given the nature of facilities at issue and the surrounding complexities of their replacement. It also could take approximately 10 years to put the replacement added facilities in service. SCE’s current SCE-financed added facilities portfolio of approximately \$240 million would likely nearly double if SCE were required to finance the replacement of the undersea facilities. If SCE were required to fund this cost, it would be able to collect payments from THUMS only once the new added facilities were in service—approximately 10 years (or possibly more) after the work begins. After that, it would take SCE decades to recover its capital

³ D.70659, 1966 WL 185074, at *2.

⁴ Rule 2 makes clear that added facilities in all cases are an “accommodation” that SCE makes for a specific customer. Appendix B (Rule 2), at Section Rule 2.H.1, Sheet 9. As such, it is particularly important that this “accommodation” not become an unreasonable risk or cost to SCE and its ratepayers.

investment associated with the replacement added facilities.⁵ And that is assuming the added facilities actually will be built after the permitting, design, and environmental work is completed.

As the Commission knows, California has adopted an aggressive policy regarding electrification. There are legislative and political action plans to phase out oil drilling off the coast of California. And in 2022, the Legislature enacted SB 1137, which affects the oil production capacity off the coast of Long Beach where the THUMS Islands are located. In addition, SCE believes there is a significant possibility that the permitting process for any replacement added facilities will draw substantial scrutiny and environmental protests, delaying the installation, at a minimum, and creating additional risks to continued operation. Consequently, there is a significant risk that even if the replacement added facilities eventually do go into service, they may not remain in operation for anywhere near the time required for SCE to recoup the costs of installation. As explained below, any default on the payments for the replacement of added facilities would require others to bear the unrecovered costs.

In approving the THUMS AFA in D.70659, the Commission emphasized that THUMS, as the added facilities customer, was responsible for the costs of the added facilities. Consistent with Rule 2, the Commission mandated that costs could not be borne by other customers. The Commission also specifically noted the agreement expressly provides it “shall at all times be subject to such changes or modifications by this Commission as it may from time to time direct in the exercise of its jurisdiction.”⁶

SCE respectfully requests that the Commission exercise its jurisdiction and (1) order that any replacement work be undertaken pursuant to a customer-financed AFA that would require the customer to advance the capital investment for any replacement added facilities; (2) require the added facilities customer to be responsible for any removal costs associated with the replacement added facilities from the day construction begins until the customer-financed AFA

⁵ For ratemaking principles associated with the recovery of costs for SCE-financed Added Facilities, *see* Exhibit SCE-03.

⁶ D.70659.

is effective; (3) confirm that THUMS or any other customer requesting the replacement added facilities at issue here is responsible for all costs associated with the replacement added facilities; and (4) grant SCE abandoned plant protections if SCE is required to finance the construction of the THUMS replacement added facilities and authorize SCE to file a Tier 2 Advice Letter to recover fully the return of, return on, and cost of removal associated with any capital investments made to replace these facilities.

III.

ORGANIZATION OF SUPPORTING TESTIMONY

Concurrent with the filing of this Application, SCE is serving supporting prepared testimony that shows why SCE's Application is reasonable and should be approved. The testimony is designated and organized as follows:

- Exhibit SCE-01: Overview of Application and THUMS AFA
 - Exhibit SCE-01 provides an overview of SCE's application, describes the history of the THUMS Islands and the THUMS AFA, discusses recent developments concerning the THUMS's Added Facilities and THUMS Islands, and explains the reasons for SCE's request that THUMS (or other appropriate counterparty) be required to advance the capital investment for any replacement added facilities under a customer-financed AFA, be responsible for removal costs from the date construction begins to the execution of a customer-financed AFA. It also sets forth SCE's request for abandoned plant protections in the event the Commission were to order that SCE is responsible for financing replacement added facilities for THUMS.

- Exhibit SCE-02: Rule 2 and the Application of Rule 2 to the THUMS AFA
 - Exhibit SCE-02 explains the history of Rule 2 and how Rule 2 applies to the THUMS AFA and the Added Facilities.
- Exhibit SCE-03: Added Facilities Rates
 - Exhibit SCE-03 discusses the ratemaking associated with added facilities and how customers would bear the unrecovered costs of the replacement added facilities if THUMS were to default on its monthly payments. Exhibit SCE-03 also sets forth SCE's reasons for abandoned plant protections.
- Exhibit SCE-04: Appendices with witness qualifications.

IV.

BACKGROUND

A. The THUMS Islands, the THUMS AFA, and Rule 2

The THUMS Islands are four artificial islands off the coast of Long Beach, California built for oil drilling and production operations. The THUMS Islands are part of the Wilmington Oil Field. The City of Long Beach operates the Wilmington Oil Field in trust for the State of California. The eastern portion of Wilmington Oil Field is known as the Long Beach Unit. The primary stakeholders of the Long Beach Unit are the State of California, the City of Long Beach, and the Long Beach Townlot owners. The State receives the majority of the revenue from the oil production activities.

The City of Long Beach oversees the day-to-day operations of the oil field. The State of California through the State Lands Commission approves the budget for the oil field and major projects. In 1965, the City of Long Beach selected THUMS to develop the oil reserves in the oil field and manage and operate the oil drilling and production operations on the THUMS Islands.

As Exhibit SCE-01 describes, on December 20, 1965, SCE and THUMS entered into an added facilities agreement—the THUMS AFA—to install special equipment to provide electric

service to the THUMS Islands. The special facilities that THUMS requested SCE to install includes substation facilities at the Pico Substation and on the four THUMS Islands and two 66 kV submarine power cables that link the THUMS Islands to the Pico Substation (together, the Added Facilities). THUMS agreed that SCE would own, operate, and maintain the Added Facilities, but THUMS would pay a monthly charge to reimburse SCE for the cost of the Added Facilities because they are in addition to standard facilities that SCE normally would install. The THUMS AFA signed in 1965 is an SCE-financed AFA with no replacement coverage. A copy of the THUMS AFA is attached as Appendix A.

As Exhibit SCE-02 explains, under SCE’s tariffs, when a customer requests and SCE agrees to install special facilities as an “accommodation” for the customer, the customer bears all of the costs of the added facilities, including replacement costs. Rule 2 governs the terms and conditions for SCE’s provision of added facilities. It states that “where an applicant requests and SCE agrees to install facilities which are in addition to, or in substitution for the standard facilities SCE would normally install, the costs thereof *shall be borne by the applicant.*”⁷ Rule 2 further provides that “these added facilities (special facilities) will be owned and maintained or allocated by SCE solely as an accommodation to the applicant.”⁸ Although certain provisions of Rule 2 have evolved over time—including the introduction of replacement coverage—Rule 2 always has required an added facilities customer, not other customers, to bear the cost of those facilities. The THUMS AFA is subject to SCE’s Rule 2 and has always been.

At the time the THUMS AFA was executed in 1965, an SCE-financed AFA was the only option available for customers that requested the installation of added facilities.⁹ Rule 2 did not include a provision for customer-financed AFAs. Under an SCE-financed AFA, SCE finances

⁷ See Appendix B, Rule 2.H.1 (emphasis added). A copy of SCE’s Tariff Rule 2 currently in effect is attached as Appendix B.

⁸ Appendix B (Rule 2), at Section Rule 2.H.1, Sheet 9.

⁹ A copy of Tariff Rule 2 at the time the THUMS AFA was executed is attached as Appendix C (Rule 2, eff. Jan. 1, 1964).

the cost of the added facilities and makes the upfront capital investment. SCE then recovers its capital investment through a monthly charge to the customer.

The monthly charge that THUMS pays to SCE—like all added facilities customers—is governed by Rule 2. The monthly charge has two components: (1) the added facilities base, which is specific to the added facilities customer and represents the cost to construct and install the specific added facilities; and (2) the added facilities rate, which applies uniformly to all added facilities customers (depending on agreement terms) and represents SCE’s ongoing costs of ownership, operation, maintenance, and where applicable, replacement costs of added facilities. The added facilities rate for SCE-financed AFAs also includes a rate of return on the capital advanced for construction and installation of the added facilities. A customer’s monthly charge is calculated by multiplying the added facilities base by the added facilities rate.

As discussed in Section B below and Exhibit SCE-02, at the time the THUMS AFA was executed, replacement coverage was not an option for AFAs. In other words, added facilities customers could not agree to pay a higher AFA rate to pre-pay the cost of replacing facilities once such replacement became necessary. Instead, if the added facilities needed to be replaced, the replacement would be at additional cost to be paid by the customer over time through an increased monthly charge. For this reason, the THUMS AFA provides that when changes are made to the Added Facilities, the monthly charge will be adjusted on the basis of the revised added investment.¹⁰ It further provides that Exhibit “A” to the AFA, which itemizes the Added Facilities, will be amended to reflect any changes in equipment, amount of added investment, and the change in the monthly charge resulting from the change in the Added Facilities.¹¹

The THUMS AFA is subject to changes or modifications by the Commission in the exercise of its jurisdiction, and it required Commission approval before it became effective.

¹⁰ See Appendix A (AFA) at Section 1 (“Whenever a change is made in the Added Facilities which results in changes in the added investment, the monthly charge will be adjusted on the basis of the revised added investment.”).

¹¹ See Appendix A (AFA) at Section 1.

The Commission approved the THUMS AFA on May 10, 1966 in D.70659. The THUMS AFA continues to govern the terms of service for the existing Added Facilities.

B. Replacement of the THUMS Added Facilities

Nearly 60 years after the THUMS AFA was executed, the Added Facilities are naturally aging. Aging facilities are more prone to fail, and the failure of this special equipment carries with it all the risks associated with the failure of one or both of the two undersea cables.

Because of the length of time needed to plan, design, engineer, construct, and replace the Added Facilities at issue here and to obtain permitting and regulatory approvals, SCE approached THUMS in 2017 about replacing the Added Facilities if THUMS intended to continue to require electric service from SCE for its operations on the THUMS Islands. At the time, THUMS disagreed that replacement added facilities were needed and did not request that SCE install replacement added facilities. THUMS also disputed that it was responsible for the costs of replacing the Added Facilities.

Now, several years later, THUMS agrees that the planning, design, engineering, and permitting process for replacing at least a portion of the Added Facilities—namely, one of the undersea cables—should begin. THUMS has requested several times that SCE partner on the planning and permitting process for the replacement added facilities, and it has proposed that SCE serve as the co-applicant with the City of Long Beach for the necessary state and federal permit applications to replace one of the undersea cables.

As Exhibit SCE-01 explains, SCE construes THUMS's repeated communications concerning permitting and planning efforts for replacement of the Added Facilities as a request for replacement added facilities under Rule 2, triggering the provisions of Rule 2. SCE has explained to THUMS that Rule 2 and the THUMS AFA require THUMS to pay for the replacement of the Added Facilities. THUMS has continued to deny that it is responsible for the costs of replacing the Added Facilities.

C. Upfront Financing of Added Facilities and Responsibility for Replacement Costs

Under Rule 2, when a customer requests added facilities and SCE agrees to install the added facilities as an accommodation to the customer, the costs associated with added facilities, including replacement costs, always are the responsibility of the added facilities customer. How customers pay for replacement costs and the monthly charge for those costs, however, depends on the terms in the customer's AFA and the applicable added facilities rates in Rule 2. As Exhibit SCE-02 discusses, Rule 2 sets out monthly charges for added facilities customers based on: (1) whether the AFA is SCE-financed or customer-financed; (2) whether the AFA includes replacement coverage; and (3) when the AFA was executed. Exhibit SCE-02 sets out the different types of AFAs and how customers pay for the costs of the added facilities, including replacement costs. Below is a brief summary. Additional details are set forth in Exhibit SCE-02:

1. SCE-Financed AFAs.

SCE-financed AFAs are AFAs for which SCE provides the upfront capital financing and is repaid by the customer as part of the monthly added facilities charge.

2. Customer-Financed AFAs.

Customer-financed AFAs are AFAs for which the added facilities customer advances to SCE the cost of the added facilities. SCE first added the option of a customer-financed AFA to Rule 2 in 1983.

3. Replacement Coverage.

Prior to January 20, 1996, SCE-financed AFAs, like the THUMS AFA, did not have an option to include replacement coverage as part of the AFA and monthly added facilities rate—such coverage simply did not exist. The only option for SCE-financed AFAs was replacement at additional cost—that is, if the added facilities were replaced, the customer would pay an increased monthly charge to cover the cost of the replacement added facilities. It was only in 1996—more than thirty years after the THUMS AFA was executed—that SCE revised Rule 2 to include options for replacement coverage for future SCE-financed AFAs.

Under Rule 2, as it exists today, if an added facilities customer has signed an AFA that provides for replacement coverage, the cost of replacing the added facilities is factored into the monthly added facilities rate that the added facilities customer pays from the outset of the AFA. In other words, the costs of the replacement added facilities are included in the monthly added facilities rate. Customers with replacement coverage—either for 20 years or in perpetuity—thus pay a higher monthly added facilities rate than similarly situated customers that do not have replacement coverage. Customers that do not have replacement coverage pay a lower monthly rate from the outset, but then must pay the costs of replacing the added facilities once replacement is requested—i.e., replacement is at additional cost.

The introduction of the replacement coverage options for SCE-financed AFAs in 1996, however, was not retroactive. They were available only for SCE-financed AFAs with an effective date on or after January 20, 1996. Customers with SCE-financed AFAs executed prior to January 20, 1996, such as THUMS, continued to be and are required to pay for replacement of added facilities when replacements take place.

4. THUMS AFA

The THUMS AFA was executed on December 20, 1965, and it remains in effect. As explained above, the THUMS AFA is an SCE-financed AFA without replacement coverage. THUMS's current monthly added facilities rate is 1.06%. That is the rate Rule 2 sets for SCE-financed AFAs effective prior to January 20, 1996, which do not have replacement coverage, meaning replacement is at additional cost.¹² THUMS always has paid the added facilities rate applicable to SCE-financed AFAs with no replacement coverage.

Although THUMS is responsible for paying for the replacement added facilities, THUMS does not have an upfront funding responsibility under the existing 1965 THUMS AFA. If SCE were to install new replacement facilities pursuant to the existing AFA, SCE may be

¹² Appendix B (Rule 2), at Section H.2.b(1), Sheet 10. The added facilities rate of 1.06% is the same rate for SCE-financed AFAs effective after January 20, 1996, with replacement at additional cost. *See id.* at Section H.2.c, Sheet 11.

responsible for financing the new added facilities. The replacement costs would be added to the added facilities base portion of THUMS's monthly charge after the replacement facilities go into service.

D. Need for a New Customer-Financed AFA with Additional Protections for Any THUMS Replacement Added Facilities

It would not be prudent, reasonable, or appropriate for SCE to undertake the construction of new replacement added facilities for the THUMS Islands under the existing THUMS AFA given the risks this would pose to its other customers. At its heart, the intent of Rule 2 is and has always been to ensure that the costs of added facilities are borne by the customers for whom those facilities are built and not by customers at large. The only way to ensure that outcome here is to require that the THUMS replacement added facilities be built under a new AFA that requires the customer to provide the upfront financing for the replacement costs. As explained above, it could take up to 10 years to complete the work associated with the permitting, design, and construction of the replacement added facilities and decades for SCE to recover its capital investment if SCE funded such work under the existing THUMS AFA.

Moreover, legislative and political action in California may significantly affect the oil production at the THUMS Islands years before SCE's capital investment is recovered. In fact, it is not clear that California will still permit undersea oil extraction by the time the new THUMS added facilities become operational. The City of Long Beach has stated an intent to phase out oil production by 2035. The State of California has a target of ending oil production by 2045. And in 2022, the Legislature passed Senate Bill (SB) 1137, which is in effect. SB 1137 affects a significant portion of the Long Beach Unit's oil production capacity. It prohibits new oil operations and significantly affects existing oil operations within a designated 3,200-foot buffer zone. Two of the THUMS Islands, in addition to other portions of the THUMS oil operations, fall within this buffer zone.

Oil resource constraints also may affect the oil production at the THUMS Islands before any capital investment is recovered. The THUMS Islands have suffered (and continue to suffer)

significant drops in oil production—they produced approximately 150,000 barrels of oil per day in 1969; 25,000 barrels of oil per day in 2011; and are projected to produce only 13,600 barrels of oil per day by fiscal year 2027-28.

Given the financial risks and the uncertainty surrounding how long oil drilling and production activities will continue in light of the remaining oil resources, legislative action, and political pressure to phase out oil drilling off the coast of California, there is a substantial possibility SCE would not be able to recover fully the capital investment required to replace the Added Facilities. In that case, as SCE-03 explains, SCE would bear the carrying costs associated with the unrecovered portion of the capital investment until SCE's next general rate case. Then, at the start of the next general rate case cycle, the undepreciated portion of the assets would become part of SCE's revenue requirement and be recovered from all SCE customers. In other words, other customers would bear the costs of the unrecovered portion of the replacement added facilities—an outcome that is inconsistent with Rule 2 and the Commission's express directives.

The Commission, however, expressly mandated that the costs associated with the THUMS Added Facilities could not be borne by other customers.¹³ If SCE were to advance the capital investment for the replacement added facilities, there is more than a substantial risk that SCE would not be able to recover fully its investment and other customers would bear the unrecovered costs. D.70659 and Rule 2 prohibit such an outcome. D.70659 and Rule 2 compel that the added facilities customer, whether THUMS or another appropriate counterparty, advance the capital investment for the replacement added facilities.

In addition, SCE requests that THUMS be responsible for any removal costs if construction were to begin on the replacement added facilities but then cease before the added facilities become operational. SCE's Commission-approved form for customer-financed AFAs, Form 16-309, includes provisions governing customer responsibility for removal costs *after* the added facilities become operational. Here, it could take up to 10 years to construct the

¹³ D.70659.

replacement added facilities. If during construction of the replacement added facilities, oil production operations on the THUMS Islands were to cease and the replacement added facilities were no longer needed, SCE could be at risk for the cost of removing the partially constructed replacement added facilities. As such, it is necessary for THUMS to be responsible for any removal costs associated with the replacement of added facilities from the day construction begins until an AFA is effective. Additionally, as explained in Exhibit SCE-03, if the Commission orders SCE to finance construction of replacement facilities, SCE requests that the Commission grant SCE abandoned plant protections and authorize SCE to recover fully the return of, return on, and cost of removal associated with any capital investments made to replace these facilities through the filing of a Tier 2 Advice Letter.

V.

SUMMARY OF REQUEST

To protect its customers, SCE requests that the Commission: (1) order that replacement of the Added Facilities that serve the THUMS Islands be undertaken pursuant to a new customer-financed AFA, which requires the customer to provide the upfront funding for all replacement work; (2) require that the added facilities customer be responsible for any removal costs associated with the replacement added facilities from the day construction begins until a customer-financed AFA is effective; (3) confirm that THUMS or any other customer requesting the replacement added facilities at issue here is responsible for all costs associated with the replacement added facilities; and (4) grant SCE abandoned plant protections if the Commission were to order SCE to finance construction of replacement facilities and authorize SCE to fully recover the return of, return on, and cost of removal associated with any capital investments made to replace these facilities through the filing of a Tier 2 Advice Letter.

SCE respectfully requests that the Commission act promptly in approving these requests. SCE and THUMS both agree that the age of the facilities and the length of time required to

replace those facilities means that the planning, design, permitting, and engineering process for replacing the Added Facilities should begin soon.

VI.

STATUTORY AND PROCEDURAL REQUIREMENT

SCE submits this application in compliance with all applicable provisions of the Commission's Rules. Information required by particular rules is provided below.

A. Rule 2.1¹⁴ (a) – (c)

1. Rule 2.1(a) – Legal Name

Rule 2.1(a) of the Commission's Rules of Practice and Procedure require all applications to state the exact legal name of each applicant and the location of principal place of business, and if an applicant is a corporation, trust, association, or other organized group, the State under the laws of which such applicant was created or organized.

The full legal name of the applicant herein 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 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.

¹⁴ See Appendix B, Rule 2.1 (Contents) (requiring (*inter alia*) that "[a]ll applications shall state clearly and concisely the authorization or relief sought; shall cite by appropriate reference the statutory provision or other authority under which Commission authorization or relief is sought; [and] shall be verified by at least one applicant (see Rule 1.11)").

SCE's principal place of business is 2244 Walnut Grove Avenue, Rosemead, California, and its post office address and telephone number are:

Southern California Edison Company
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-1212

2. Rule 2.1(b) – Correspondence

Rule 2.1(b) of the Commission's Rules of Practice and Procedure require all applications to state the name, title, address, telephone number, facsimile transmission number, and e-mail address of the person to whom correspondence or communications regarding the application are to be addressed.

SCE's attorneys in this matter are Anna Valdborg and Joshua Burk of SCE and Laurie Edelstein and Sophia Cai of Jenner & Block LLP. Correspondence or communications regarding this Application should be addressed to:

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3. Rule 2.1(c)

a) Proposed Category of Proceeding

SCE proposes that this Application be categorized as a ratesetting proceeding pursuant to Commission Rule of Practice and Procedure 1.3(e) and 7.1(e)(2).

b) Need for Hearings

SCE believes that evidentiary hearings are not necessary because there are no material facts in dispute and the issues may be decided as a matter of law.

c) Issues to be Considered

The issues to be considered in this Application are: (1) whether it is prudent, reasonable, and appropriate under the circumstances to require the replacement of the THUMS Added Facilities to be undertaken under a new customer-financed AFA in accordance with Commission approved Form 16-309, which requires the customer to provide the upfront funding for the capital investment needed for the replacement added facilities; (2) whether it is prudent, reasonable, and appropriate under the circumstances to require the added facilities customer to be responsible for all removal costs from the date of construction through the date the customer-financed AFA becomes effective; (3) whether THUMS or any other customer requesting the replacement added facilities here is responsible for all costs associated with the replacement added facilities; and (4) whether the Commission should grant abandoned plant protections to SCE if the Commission were to order SCE to finance construction of replacement facilities and authorize SCE to recover fully the return of, return on, and cost of removal associated with any capital investments made to replace these facilities through the filing of a Tier 2 Advice Letter.

d) Proposed Schedule

To allow the Commission to issue a timely final decision in this proceeding, SCE requests the Commission to process the present application according to the following schedule:

<u>Event</u>	<u>Date</u>
SCE Files Application	12/4/2024
Protests / Responses to Application	30 days from the date the notice of the filing of the Application appears in the Daily Calendar [approximately 1/3/2025]
Reply to Protests (SCE files replies to protests and responses within 10 days of the last day for filing protests and responses)	10 days from the deadline for filing Protests / Responses [approximately 1/13/2025]
Pre-Hearing Conference (PHC)	2/3/2025 [20 days after replies to protest]
Scoping Memo issued	2/24/2025
Intervenor Testimony due: (16 weeks after SCE's testimony is served, or 4 weeks after Scoping Memo)	3/26/2025
SCE Rebuttal Testimony due (4 weeks after intervenor testimony)	4/23/2025
Meet and Confer deadline (Rule 13.9) Parties inform the ALJ whether hearings are necessary and identify the specific disputed issues of material fact, witness lists and cross-examination estimates.	TBD
Evidentiary Hearing and Discovery Cutoff	To be determined if hearing deemed necessary
Concurrent Opening Briefs (4 weeks after rebuttal testimony)	TBD
Concurrent Reply Briefs (3 weeks after opening briefs)	TBD
Proposed Decision (90 days from Reply Briefs)	TBD
Comments on Proposed Decision (20 days from the date of issuance)	TBD
Replies to Comments (5 days later)	TBD
Final Commission Decision	TBD
* dates could change based on date of notice of the filing of the Application on the daily calendar	

B. Rule 2.2 – Articles of Incorporation

A copy of SCE's Certificate of Amended and Restated Articles of Incorporation, effective on August 28, 2023, and presently in effect, certified by the California Secretary of State, was filed with the Commission on December 15, 2023, in connection with Application

(A.) 23-12-011, 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 M Preference Stock filed with the California Secretary of State on November 17, 2023, and presently in effect, certified by the California Secretary of State, was filed with the Commission on December 15, 2023, in connection with A.23-12-011, and is incorporated herein by this reference.

A copy of SCE's Certificate of Determination of Preferences of the Series N Preference Stock filed with the California Secretary of State on May 8, 2024, and presently in effect, certified by the California Secretary of State, was filed with the Commission on May 15, 2024, in connection with A.24-05-007, and is incorporated herein by this reference.

Copies of SCE's latest Annual Report to Shareholders and Edison International's latest proxy statement was sent to its stockholders and has been sent to the Commission with an Energy Division Central Files Document Coversheet dated March 18, 2024, pursuant to General Order Nos. 65-A and 104-A of the Commission.

C. Authority to Increase Rates - Rule 3.2 and California Public Utilities Code Section 454

1. Rule 3.2 Required Disclosures

Rule 3.2 requires that applicants submit certain data in applications for authority to increase rates or to implement changes that would result in increased rates. This Application seeks changes that would not result in increased rates. Accordingly, Rule 3.2 is not applicable. Although Rule 3.2 does not apply to this Application, SCE is providing certain material covered by Rule 3.2 for informational purposes.

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

In compliance with Rule 3.2(a)(1), Attachment A to this Application contains copies of SCE's balance sheet as of September 30, 2024, and income statement for the period ended September 30, 2024, the most recent period available.

b) Present and Proposed Rates – Rule 3.2(a)(2) and Rule 3.2(a)(3)

Because SCE is not requesting to increase rates, SCE is not providing a rate impact table as part of this Application. SCE's current rates and charges for electric service are in its electric tariffs and schedules on file with the Commission. These tariffs and schedules are filed with and made effective by the Commission in its decisions, orders, resolutions, and approvals of advice letter filings pursuant to Commission General Order 96-B.

c) Summary of Earnings – Rule 3.2(a)(5)

In compliance with Rule 3.2(a)(5), Attachment B contains a copy of SCE's summary of earnings, updated on September 30, 2024, the most recent period available.

d) Statement Pursuant to Rule 3.2(a)(10)

Rule 3.2(a)(10) requires that the "application of electrical . . . corporations shall separately state whether or not the increase reflects and passes through to customers only increased costs to the corporation for the services or commodities furnished by it." This application does not seek to pass through to SCE's customers any costs.

2. Notice – California Public Utilities Code Section 454

Notice pursuant to California Public Utilities Code Section 454 was not provided because the Commission in Rule 3.2(d) implemented this requirement only for applications that increase rates.

D. Service

The official service list has not yet been established in this proceeding. SCE is serving this application and supporting testimony on Chief ALJ Michelle Cooke, the Commission's Public Advocates Office, as well as THUMS' attorney and representative Nora Sheriff and THUMS' agent for service of process.

VII.

CONCLUSION

SCE respectfully requests that the Commission expeditiously approve this Application as filed.

Respectfully submitted,

ANNA VALDBERG
JOSHUA BURK

/s/ Joshua D. Burk

By: Joshua D. Burk

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December 4, 2024

VERIFICATION

I, Heather Rivard, declare and state:

I am an officer of the applicant corporation, and 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 December 4, 2024, at Temecula, California.

/s/ Heather Rivard
Heather Rivard
Senior Vice President
Transmission & Distribution
Southern California Edison Company
2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770

Attachment A

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

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
NINE MONTHS ENDED SEPTEMBER 30, 2024

(In millions)

OPERATING REVENUE	<u>\$ 13,576</u>
OPERATING EXPENSES:	
Purchase power and fuel	4,140
Operation and maintenance	3,913
Wildfire-related claims, net of insurance recoveries	614
Wildfire insurance fund expense	109
Depreciation and amortization	2,136
Property and other taxes	<u>474</u>
Total operating expenses	<u>11,386</u>
OPERATING INCOME	2,190
Interest expense	(1,185)
Other income, net	<u>408</u>
INCOME BEFORE TAXES	<u>1,413</u>
	<u>94</u>
NET INCOME	<u>1,319</u>
Less: Preference stock dividend requirements	<u>129</u>
NET INCOME AVAILABLE FOR COMMON STOCK	<u><u>\$ 1,190</u></u>

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET
SEPTEMBER 30, 2024

ASSETS
(in millions)

UTILITY PLANT:

Utility plant, at original cost	\$ 66,279
Less- accumulated provision for depreciation and amortization	13,833
	<u>52,446</u>
Construction work in progress	5,521
Nuclear fuel - at amortized cost	125
	<u>58,092</u>

OTHER PROPERTY AND INVESTMENTS:

Nonutility property - less accumulated depreciation of \$107	199
Nuclear decommissioning trusts	4,424
Other investments	32
	<u>4,655</u>

CURRENT ASSETS:

Cash and equivalents	91
Receivables, less allowances of \$340 for uncollectible accounts	2,772
Accrued unbilled revenue	1,200
Inventory	533
Prepaid expenses	103
Regulatory assets	2,168
Wildfire insurance fund contributions	138
Other current assets	314
	<u>7,319</u>

DEFERRED CHARGES:

Regulatory assets (Includes \$1,524 related to VIEs)	8,660
Wildfire insurance fund contributions	1,913
Operating lease right-of-use assets	1,173
Long-term insurance receivables	118
Long-term insurance receivables due from affiliate	281
Other long-term assets	2,312
	<u>14,457</u>
	<u>\$ 84,523</u>

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET
SEPTEMBER 30, 2024
CAPITALIZATION AND LIABILITIES
(in millions)

CAPITALIZATION:

Common stock	2,168
Additional paid-in capital	8,436
Accumulated other comprehensive loss	(10)
Retained earnings	8,385
Common shareholder's equity	<u>18,979</u>
Long-term debt (Includes \$1,492 related to VIEs)	28,582
Preferred stock	<u>2,495</u>
Total capitalization	<u>50,056</u>

CURRENT LIABILITIES:

Short-term debt	548
Current portion of long-term debt	1,248
Accounts payable	2,191
Wildfire-related claims	39
Accrued interest	367
Regulatory liabilities	874
Current portion of operating lease liabilities	123
Other current liabilities	<u>2,104</u>
	<u>7,494</u>

DEFERRED CREDITS:

Deferred income taxes and credits	8,470
Pensions and benefits	105
Asset retirement obligations	2,531
Regulatory liabilities	10,310
Operating lease liabilities	1,050
Wildfire-related claims	1,055
Other deferred credits and other long-term liabilities	<u>3,452</u>
	<u>26,973</u>

\$ 84,523

Attachment B

Summary of Earnings – Rule 3.2(a)(5)

Southern California Edison
2021 GRC Summary of Earnings
PTYR 2022 (RO Model 6.2)

Thousands of Dollars

Southern California Edison Summary of Earnings 2022 GRC Adopted Revenue Requirement Thousands of Dollars		
Line No.	Item	Total
1.	Base Revenues	7,259,220
2.	Expenses:	
3.	Operation & Maintenance	2,448,763
4.	Depreciation	2,011,669
5.	Taxes	663,739
6.	Revenue Credits	(163,462)
7.	Total Expenses	4,960,710
8.	Net Operating Revenue	2,298,511
9.	Rate Base	29,949,906
10.	Rate of Return	7.67%

Southern California Edison
2021 GRC Summary of Earnings
PTYR 2023 (RO Model 6.3)

Thousands of Dollars

Southern California Edison Summary of Earnings 2023 GRC Adopted Revenue Requirement Thousands of Dollars		
Line No.	Item	Total
1.	Base Revenues	7,792,631
2.	Expenses:	
3.	Operation & Maintenance	2,603,404
4.	Depreciation	2,132,791
5.	Taxes	760,326
6.	Revenue Credits	(164,176)
7.	Total Expenses	5,332,345
8.	Net Operating Revenue	2,460,286
9.	Rate Base	32,052,516
10.	Rate of Return	7.68%

Southern California Edison
2021 GRC Summary of Earnings
2024 PTYR Application (RO Model 7.0)

Thousands of Dollars

Southern California Edison Summary of Earnings 2024 GRC Application Revenue Requirement Thousands of Dollars		
Line No.	Item	Total
1.	Base Revenues	8,638,835
2.	Expenses:	
3.	Operation & Maintenance	3,007,132
4.	Depreciation	2,304,660
5.	Taxes	848,780
6.	Revenue Credits	(165,996)
7.	Total Expenses	5,994,575
8.	Net Operating Revenue	2,644,260
9.	Rate Base	34,444,200
10.	Rate of Return	7.68%