



**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 Deploy  
Advanced Metering Infrastructure 2.0 and for  
Associated Cost Recovery.

A.26-03-030

**MOTION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) FOR  
AUTHORITY TO ESTABLISH MEMORANDUM ACCOUNT TO TRACK CERTAIN  
ADVANCED METERING INFRASTRUCTURE 2.0 COSTS BEGINNING IN 2026**

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**Motion of Southern California Edison Company (U 338-E) for Authority to Establish  
Memorandum Account to Track Certain Advanced Metering Infrastructure 2.0 Costs  
Beginning in 2026**

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**I.**

**INTRODUCTION**

Pursuant to Rule 11.1 of the Rules of Practice and Procedure (Rules) of the Public Utilities Commission of the State of California (Commission), Southern California Edison Company (SCE) submits this Motion requesting that the Assigned Commissioner or Assigned Administrative Law Judge (ALJ) in this proceeding (SCE's AMI 2.0 Application) issue a ruling or order authorizing SCE to establish a memorandum account, the Advanced Metering Infrastructure (AMI) 2.0 Memorandum Account (AMIMA), with an effective date of March 26, 2026 (the filing date of SCE's AMI 2.0 Application), to record the revenue requirements for Operations and Maintenance (O&M) expenses and capital expenditures associated with deployment activities to replace SCE's aging smart meter fleet and associated infrastructure (the AMI 2.0 project). As discussed herein, the costs SCE proposes to track will be incremental, substantial, and not speculative.

So that SCE has clear regulatory guidance before it begins incurring these costs, SCE respectfully requests expedited disposition of this Motion.

## II. BACKGROUND

As explained in SCE’s 2025 General Rate Case (GRC) application and SCE’s AMI 2.0 Application, SCE must replace its existing AMI meters (AMI 1.0 meters or SmartConnect meters) and associated infrastructure in light of increasing failures and the risk of obsolescence.<sup>1</sup> To prepare for such replacement, SCE in its GRC application forecast base-level planning costs needed to design, procure, and implement the necessary replacement of the AMI 1.0 system with an AMI 2.0 system.<sup>2</sup> The Commission approved SCE’s capital request for base-level planning.<sup>3</sup> SCE’s GRC application also indicated SCE’s intent to later file a standalone application containing SCE’s proposals for review and recovery of the forecast costs for full AMI 2.0 deployment.<sup>4</sup> SCE’s AMI 2.0 Application (filed March 26, 2026) is that standalone application.

SCE’s AMI 2.0 Application describes SCE’s base-level planning efforts and proposed AMI 2.0 solution. It also includes SCE’s ratemaking proposals for cost recovery of the full deployment costs of AMI 2.0, as supported by SCE testimony Exhibit SCE-06.<sup>5</sup> In its application, SCE proposes a proceeding schedule that would culminate in the Commission issuing a final decision in September 2027.<sup>6</sup>

For certain deployment costs, SCE already has begun incurring costs and will need to continue doing so before a final decision in this proceeding. The first phase of AMI 2.0 deployment (Deployment Readiness) must proceed with various activities, including initial deployment of preliminary technology components and program support activities. Given that

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<sup>1</sup> See A.23-05-010, Ex. SCE-02, Vol. 3, pp. 31-32; SCE’s AMI 2.0 Application, Ex. SCE-02, Vol. 1.

<sup>2</sup> See A.23-05-010, Ex. SCE-02, Vol. 3, pp. 36-50.

<sup>3</sup> See D.25-09-030, pp. 156, 843; *see also* Ex. SCE-06, p. 9. Separately, the Commission rejected SCE’s request to establish a memorandum account, with an effective date of May 12, 2023 (SCE’s GRC application filing date) to record the revenue requirements for the 2023-2024 O&M expenses associated with the pre-deployment base-level planning. *See* D.25-09-030, pp. 766-68.

<sup>4</sup> *See* D.25-09-030, p. 156.

<sup>5</sup> *See* SCE’s AMI 2.0 Application, pp. 7-8.

<sup>6</sup> *Id.* at p. 15.

the eventual scope of the AMI 2.0 project will include installation of approximately 5.7 million meters from 2029 to 2033, Deployment Readiness activities are foundational to laying the groundwork for a successful AMI 2.0 rollout.

SCE seeks authorization to establish the AMI 2.0 Memorandum Account (AMIMA), with an effective date of March 26, 2026, to record the revenue requirements associated with O&M expenses and capital expenditures for activities related to deployment of the AMI 2.0 project. This work was not included in SCE’s 2025 GRC request. For this proposal to establish the AMIMA, an earlier decision (and an earlier effective date) is needed so that SCE can continue necessary work in 2026 and onward, without precluding cost recovery at a future date due to the rule against retroactive ratemaking.

SCE’s AMI 2.0 Application proposes to seek recovery of the amounts recorded in the AMIMA by transferring the balance of the AMIMA to SCE’s proposed AMI 2.0 Balancing Account (AMIBA) upon a final decision in this proceeding.<sup>7</sup>

### III.

#### **STANDARD REGARDING MEMORANDUM ACCOUNTS**

##### **A. Purpose and Function of Memorandum Account**

“A memorandum account allows a utility to isolate and list costs related to a particular activity and later to seek to recover of [sic] those costs in rates.”<sup>8</sup> The Commission “require[s] such recovery from pre-approved memorandum accounts to avoid unlawful retroactive ratemaking,”<sup>9</sup> based on the “well established tenet . . . that ratemaking is done on a prospective basis.”<sup>10</sup> It is “[t]he Commission’s practice . . . not to authorize increased utility rates to account for previously incurred expenses, unless, before the utility incurs those expenses, the

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<sup>7</sup> See *id.* at p. 7; Ex. SCE-06, pp. 16-17.

<sup>8</sup> D.19-09-026, p. 5.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* (quoting D.92-03-094) (citation omitted).

Commission has authorized the utility to book those expenses into a memorandum or balancing account for possible future recovery in rates.”<sup>11</sup>

A request to establish a memorandum account “falls within the broad outline of the acceptable uses of memorandum accounts” where an applicant “seek[s] to track and record incremental costs that, for various reasons, could not be included in [its] [General Rate Case] or other ratemaking applications.”<sup>12</sup> The Commission grants requests to establish memorandum accounts “to preserve the [a]pplicant[']s ability to recover these costs in rates while not running afoul of the prohibition against retroactive ratemaking.”<sup>13</sup>

## **B. Relevant Factors**

The costs recorded in a memorandum account must be “incremental,” “substantial,” and “not speculative.”<sup>14</sup> Incremental costs are “not already recovered in rates.”<sup>15</sup> Costs that are “potentially significant” are “substantial” for purposes of establishing a memorandum account.<sup>16</sup> Costs that are “not speculative” include costs tied to a specific mandate, even if it is not certain those costs will in fact materialize or the utility is “unsure of the exact amount of costs [it] will incur to implement” the mandate.<sup>17</sup> In addition, “a memorandum account mechanism may be appropriate when expenses are caused by an event outside of the utility’s control, were not reasonably foreseen in the utility’s last GRC, are substantial in the amount of money involved, and where ratepayers will benefit from memorandum account treatment.”<sup>18</sup>

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<sup>11</sup> *Id.* (quoting D.92-03-094) (citation omitted).

<sup>12</sup> *Id.* at p. 6.

<sup>13</sup> *Id.*; *cf.* D.19-01-019; D.18-11-051; D.18-06-029.

<sup>14</sup> D.19-09-026, p. 8; *see also* D.18-11-051, p. 5 (citing D.18-06-029) (“[T]he Commission has recognized three reasons an application to establish a memorandum account will be denied: the costs are recoverable in a general rate case, are not substantial, or are speculative.”).

<sup>15</sup> D.19-09-026, p. 8.

<sup>16</sup> *See id.* at p. 10.

<sup>17</sup> *Id.* at p. 9.

<sup>18</sup> D.25-09-030, Finding of Fact 713 and pp. 765-66 (citing other sources); *see also* D.19-05-020, pp. 160-61.

**C. Recovery Based on Subsequent Showing of Reasonableness**

Recovery of the costs recorded in a memorandum account “is not automatic,” but rather turns on a subsequent showing that such costs are “reasonable.”<sup>19</sup> Thus, while the establishment of a memorandum account allows for tracking of incremental costs, recovery of such costs is subject to a “reasonableness review and recovery in the appropriate GRC or other ratemaking application,”<sup>20</sup> providing an additional layer of protection and review for customers.

**D. Effective Date**

The Commission has authority to “establish an effective date of a memorandum account prior to the date of the decision” authorizing that account.<sup>21</sup> Based on this authority, “the date of filing of the application may be used as an effective date for any memorandum accounts.”<sup>22</sup> Using the application filing date as the effective date for a memorandum account has been described by the Commission as “a longstanding practice.”<sup>23</sup> In addition, “there is precedent for authorizing a memorandum account with an effective date prior to the Commission decision authorizing it, where the account is established not as a part of general ratemaking, but rather to account for unanticipated costs.”<sup>24</sup>

**E. Relief Appropriate in ALJ Ruling**

The Commission has granted interim memorandum account treatment under comparable circumstances, via a ruling from the assigned ALJ in a proceeding. In A.17-04-027, San Diego

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<sup>19</sup> D.19-09-026, p. 7.

<sup>20</sup> *See id.*

<sup>21</sup> *Id.* at p. 10 (citing, inter alia, Cal. Pub. Util. Code § 1731(a) (“[T]he [C]ommission may set the effective date of an order or decision before the date of issuance of the order or decision.”)).

<sup>22</sup> D.21-12-005, p. 8 (citing D.19-09-026); *see also* D.19-09-026, p. 10 (“Based on Commission precedent and statutory authority, we find it appropriate to establish effective dates of the memorandum accounts as of the date the [a]pplications were filed.”); D.18-11-051, p. 8 (“The Commission finds that granting SCE’s [memorandum account] effective as of the application’s filing date does not constitute retroactive ratemaking.”).

<sup>23</sup> D.22-09-027, p. 4.

<sup>24</sup> D.18-06-029, p. 12.

Gas & Electric Company (SDG&E) filed an application requesting Commission authorization to implement its Customer Service Information (CIS) Replacement Program. Shortly after filing its application, SDG&E filed a motion to establish a CIS Memorandum Account (CISMA) to record costs for the program. SDG&E explained that this interim relief was necessary because, due to the urgency of the program, it expected to begin incurring program costs during the pendency of the proceeding.<sup>25</sup> The assigned ALJ granted SDG&E's request, reasoning that it would enable SDG&E to begin tracking program costs without prejudging whether or not those costs could ultimately be recovered in rates.<sup>26</sup>

#### IV. DISCUSSION

##### A. The Relevant Factors Support Permitting SCE to Establish the AMIMA

As discussed above, establishing a memorandum account is appropriate to avoid retroactive ratemaking concerns, where the costs to be tracked in that account are incremental, substantial, and not speculative. These factors weigh in favor of granting SCE's request to establish the AMIMA here.

First, the costs SCE intends to record and track in the proposed AMIMA are incremental costs not covered by prior ratemaking. The incremental costs that SCE proposes to track in the memorandum account were not included in SCE's 2025 GRC given uncertainty in the magnitude, scope, and timing for these costs at the time that application was filed. SCE did not—because it could not—include deployment costs in its 2025 GRC request, because it lacked

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<sup>25</sup> See A.17-04-027, Administrative Law Judge's Ruling Granting Motion to Establish Customer Service Information Memorandum Accounts (May 30, 2017), pp. 1-2.

<sup>26</sup> *Id.* at pp. 1-2 (“We have reviewed SDG&E's request and find that its motion to establish a CISMA to track costs relating to the CIS Replacement Program should be granted. Authority to create and establish the CISMA will allow SDG&E to timely track costs relating to the CIS Replacement Program instead of having to wait until the conclusion of this proceeding. It should be noted however that authority to establish the CISMA does not mean that cost recovery for the CIS Replacement Program is being authorized as well. Whether or not such cost recovery is appropriate shall be determined in this proceeding.”).

sufficient information to reasonably forecast them at that time. SCE developed its 2025 GRC request in late 2022 through early 2023, when planning efforts for AMI 2.0 were barely underway. Instead, SCE requested the AMI 2.0 project costs it could reasonably forecast, i.e., for base-level planning. SCE intended for such base-level planning to inform SCE's development of an AMI 2.0 solution.<sup>27</sup> With better information about the attendant costs, SCE would then subsequently request cost recovery for full AMI 2.0 deployment in a standalone application.<sup>28</sup>

As intended, SCE has taken the information learned from conducting base-level planning activities to take a thorough, fact-based approach to evaluating potential replacements for the AMI 1.0 system.<sup>29</sup> Further, now that SCE has developed a AMI 2.0 solution (unlike at the time of filing the 2025 GRC nearly three years ago), SCE understands what activities must be conducted next and is beginning the next phase for deployment of its AMI 2.0 project: Deployment Readiness.

Second, the costs SCE intends to record and track in the proposed AMIMA will be substantial. For the entire AMI 2.0 project deployment period from 2026 to 2033, SCE is forecasting \$366 million (constant \$) in O&M expenses and \$3,083 million (nominal \$) in capital expenditures from the application filing onward.<sup>30</sup> Of those forecasted costs, SCE intends to record and track in the proposed AMIMA the costs incurred from the filing of this application until a final decision is issued authorizing transfer to the AMIBA. Under SCE's proposed proceeding schedule, the Commission would issue a final decision in September 2027.<sup>31</sup> For 2026, SCE is forecasting \$4.694 million (constant \$) in O&M expenses and \$31.665 million

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<sup>27</sup> See A.23-05-010, Ex. SCE-02, Vol. 3, pp. 29-30.

<sup>28</sup> See *id.*

<sup>29</sup> See Ex. SCE-02, Vol. 2.

<sup>30</sup> Ex. SCE-01, pp. 6-7 (Tables III-3 and III-2). Refer also to these tables for SCE's forecasted costs by year.

<sup>31</sup> SCE's AMI 2.0 Application, p. 15.

(nominal \$) in capital expenditures.<sup>32</sup> For 2027, SCE is forecasting \$6.257 million (constant \$) in O&M expenses and \$142.789 million (nominal \$) in capital expenditures.<sup>33</sup>

Third, the costs SCE intends to record and track in the proposed AMIMA are not speculative. Deployment Readiness activities are already underway, and SCE knows what work must be completed next and has reasonably forecast their cost, as supported in SCE's testimony. As explained in Exhibits SCE-03 and SCE-04, SCE's Deployment Readiness cost forecast includes O&M and capital costs for activities such as (1) customer education and outreach about AMI 2.0; (2) vendor contracting and negotiation for the systems integrator vendor and the meter hardware vendor; (3) implementing a new network communications system; (4) designing, building, and integrating IT systems that are necessary for AMI 2.0 meters, such as the Universal Head End System (UMHES) and Meter Data Management System as well as cybersecurity protocols and cross-functional labor; and (5) initial small-scale deployment in 2028. This work is necessary to prepare for and support successful mass meter and network deployment. The forecast costs were informed by considerations such as requests for information, requests for proposals, and subject matter input.

In addition, customers will benefit from memorandum account treatment because absent authorization to establish this memorandum account to start tracking costs, SCE may need to delay some expenditures that would otherwise prevent rising meter failure rates, avoid the continued deployment of soon-to-be obsolete technology, and mitigate the resulting negative impacts on customer billing accuracy, service quality, and operational efficiency.

In light of these factors, the requested AMIMA is necessary and reasonable so that SCE can timely continue the actions necessary for AMI 2.0 deployment, without precluding subsequent cost recovery.

Finally, as discussed, recovery of costs tracked in a memorandum account involves a separate inquiry requiring a showing of reasonableness. As such, while the requested

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<sup>32</sup> Ex. SCE-01, pp. 6-7 (Tables III-3 and III-2).

<sup>33</sup> *Id.*

memorandum account will protect against retroactive ratemaking, the existence of the memorandum account will not guarantee recovery of the costs recorded therein absent subsequent Commission approval.

**B. The Effective Date of the Requested AMIMA Should Be the Date of SCE's AMI 2.0 Application**

As explained above, the Commission has discretion to establish an effective date of a memorandum account prior to the date of the decision authorizing that account, including as of the filing date of the application to establish the account. It is appropriate for the effective date of the requested AMIMA to be the filing date of SCE's AMI 2.0 Application, March 26, 2026, given that necessary Deployment Readiness work for AMI 2.0 must continue in 2026 to keep the project on track for mass deployment starting in 2029. Because recovery of the costs tracked in the requested AMIMA will depend on a separate determination of reasonableness, setting the effective date of the AMIMA as requested is in no way prejudicial to customers.

**V.**

**CONCLUSION**

For the foregoing reasons, SCE respectfully requests that the Assigned Commissioner or ALJ in this proceeding expeditiously issue a ruling or order approving a memorandum account

with the requested scope and effective date so that SCE has clear guidance before incurring these costs.

Respectfully submitted,

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