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Decision 24-03-008 March 7, 2024

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California
Edison Company (U338E) for
Authorization to Recover 2021
Incremental Costs Related to Wildfire
Mitigation and Vegetation Management.

Application 22-06-003

**DECISION ADDRESSING SOUTHERN CALIFORNIA EDISON COMPANY'S
REQUEST FOR RECOVERY OF 2021 WILDFIRE MITIGATION
AND VEGETATION MANAGEMENT MEMORANDUM
AND BALANCING ACCOUNT BALANCES**

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**DECISION ADDRESSING SOUTHERN CALIFORNIA EDISON COMPANY'S
REQUEST FOR RECOVERY OF 2021 WILDFIRE MITIGATION
AND VEGETATION MANAGEMENT MEMORANDUM
AND BALANCING ACCOUNT BALANCES**

Summary

This decision finds Southern California Edison Company's (SCE) capital expenditures and operations and maintenance expenses recorded in 2021 in SCE's Wildfire Mitigation Plan Memorandum Account (WMPMA), Fire Risk Mitigation Memorandum Account (FRMMA), and Vegetation Management Balancing Account (VMBA) to be incremental and reasonable as modified herein. SCE is authorized to recover through distribution rates the revenue requirement associated with: (a) approved WMPMA incremental capital expenditures for 2021 of \$76.43 million; (b) approved 2021 WMPMA incremental operations and maintenance (O&M) expenses of \$99.27 million; (c) approved 2021 FRMMA incremental O&M expenses of \$15.96 million; and (d) approved 2021 VMBA incremental O&M expenses of \$212.79 million. Interest costs and franchise fees and uncollectibles will be added to these amounts, and recovery will be carried out over a 12-month period starting with the next regularly scheduled consolidated revenue requirement and rate change following issuance of this decision or as soon as practicable.

This decision defers consideration of SCE's requested reasonableness review and authorization for recovery of \$21.09 million in 2021 construction work-in-progress capital expenditures to a later proceeding.

This decision adopts the following information requirements for future SCE WMPMA or FRMMA applications. SCE shall include in such applications or accompanying opening testimony:

- a. One or more tables summarizing program and activity costs authorized in the relevant general rate case (GRC) (or other relevant application) decision, with page numbers, compared to actual expenditures and expenses, at the program and activity level, including, for WMPMA applications, references with page numbers to the inclusion of the program and activity in the relevant Wildfire Mitigation Plan;
- b. A Risk-Spend Efficiency¹ ratio or Cost-Benefit Ratio² reflecting the total costs and benefits of a given program and activity, to the extent feasible, with total costs reflecting the costs authorized in the relevant GRC decision and costs requested for recovery in the application; and
- c. A detailed explanation for each program and activity of why the relevant GRC forecast did not foresee the incremental costs for which reasonableness review and authorization for recovery is requested.

While these requirements are appropriate for future SCE WMPMA and FRMMA applications, we intend also that Rulemaking 20-07-013 may consider the applicability of these or similar approaches to all electric investor-owned utilities.

1. Background

Southern California Edison Company (SCE) filed Application (A.) 22-06-003 on June 3, 2022, requesting that the California Public Utilities Commission (Commission or CPUC) find incremental, just and reasonable certain 2021 incurred capital expenditures and operations and maintenance (O&M) expenses recorded in SCE's Wildfire Mitigation Plan Memorandum Account (WMPMA) and Fire Risk Mitigation Memorandum Account (FRMMA)

¹ See D.18-12-015.

² See D.22-12-027.

(jointly, Wildfire Mitigation Accounts) and recorded in SCE's Vegetation Management Balancing Account (VMBA). SCE requests Commission authority to recover the revenue requirements associated with these capital expenditures and O&M expenses recorded in the Wildfire Mitigation Accounts and the VMBA, estimated at \$327.34 million at the time of SCE's application and later updated to \$327.19 million.³ SCE additionally requests a reasonableness review and authorization for recovery of \$21.09 million in capital expenditures associated with Wildfire Mitigation Account capital expenditures categorized as construction work-in-progress (CWIP) at the time of SCE's application. The Commission authorized SCE 2021 wildfire and vegetation management expenses and capital expenditures in Decision (D.) 21-08-036, *Decision on Test Year 2021 General Rate Case for Southern California Edison Company* (A.19-08-013).

A summary of SCE's cost recovery request in this application for 2021 is as follows:

Table 1: Summary of Cost Recovery Request for 2021 (\$ in millions)⁴

Recovery Account	Incremental O&M Expenses	Capital Related Revenue Requirement for 2021	Interest	FF&U⁵	Total Revenue Requirement
WMPMA	\$ 99.27	\$ (4.84)	\$ 0.38	\$ 1.05	\$ 95.86
FRMMA	\$ 15.96		\$ 0.02	\$ 0.18	\$ 16.16
VMBA	\$ 212.79		\$ 0.03	\$ 2.35	\$ 215.17
Total	\$ 328.02	\$ (4.84)	\$ 0.44	\$ 3.58	\$ 327.19

³ Exhibit (Ex.) SCE-01, Table I-1 at 2.

⁴ Ex. SCE-01-E, Table V-37 at 140E. Excludes the CWIP amount, discussed below.

⁵ Franchise fees and uncollectibles.

SCE seeks authority to recover the recorded incremental capital expenditures and O&M expenses in distribution rates in the Base Revenue Requirement Balancing Account (BRRBA) for recovery over a 12-month period.

1.1. Procedural Background

On June 3, 2022, SCE submitted Direct Testimony concurrent with filing its application.⁶ On July 11, 2022, Small Business Utility Advocates (SBUA) filed a response to SCE's application. On July 20, 2022, SCE filed a reply to SBUA's response. On August 4, 2022, SCE filed its proof of compliance with Rules 3.2(B)-(D) of the Commission's Rules of Practice and Procedure (Rules).

On August 11, 2022, the assigned Administrative Law Judge (ALJ) held a prehearing conference to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. On August 18, 2022, the assigned Commissioner issued a Scoping Memo and Ruling. On October 3, 2022, SBUA submitted its opening Direct Testimony.

On October 14, 2022, the assigned ALJ issued a ruling suspending the procedural schedule. The ruling stated that the assigned Commissioner and ALJ had become concerned that there was insufficient record regarding whether the costs recorded in the Wildfire Mitigation Accounts and VMBA were incremental, reasonable, and properly recoverable. On October 28, 2022, the assigned ALJ issued a ruling announcing that the Commission's Utility Audits Branch (Audits Branch) would conduct an audit of SCE's 2021 Wildfire Mitigation Accounts and VMBA.

⁶ Ex. SCE-01.

On February 2, 2023, the Commission adopted an Order Extending Statutory Deadline, extending the statutory deadline in this proceeding to February 2, 2024.

On July 12, 2023, the assigned ALJ issued a Ruling Entering Audit into Record, Authorizing Supplemental Testimony and Updating the Procedural Schedule. The ruling appended the completed Audits Branch audit and authorized submittal of supplemental testimony on the audit.

On July 18, 2023, SCE submitted an Errata to its earlier Direct Testimony in response to the Audits Branch audit⁷ in which SCE reduced its requested revenue recovery amount from \$327.34 million to \$327.19 million, in alignment with the findings of the Audits Branch audit. On July 24, 2023, SBUA submitted Supplemental Testimony.⁸ On August 4, 2023, SCE submitted Rebuttal Testimony.⁹

On August 10, 2023, SBUA requested evidentiary hearings. On August 11, 2023, the assigned ALJ issued a ruling directing SBUA to file additional information regarding its request for evidentiary hearings. On August 14, 2023, the assigned ALJ issued a ruling suspending the procedural schedule. On August 16, 2023, the assigned ALJ issued a ruling setting a status conference for August 24, 2023. At the status conference, parties agreed to attempt a “paper hearing” method to avoid the need for evidentiary hearings. On August 28, 2023, the assigned ALJ issued an additional ruling updating the procedural schedule authorizing parties to undertake a “paper hearing” in which SBUA

⁷ Ex. SCE-01E.

⁸ Ex. SBUA-02.

⁹ Ex. SCE-02.

would formally submit written questions to SCE and SCE would reply, with the results and any objections recorded in a single document.

On September 19, 2023, SCE filed a “Response to SBUA’s Paper Hearing Questions.” Also on September 19, 2023, SCE and SBUA filed Joint Motion to Admit Exhibits into Evidence. On October 13, 2023, the assigned ALJ issued a ruling approving the Joint Motion and admitting documents into evidence.

On October 5, 2023, parties filed Opening Briefs. On October 19, 2023, parties filed reply briefs.

On November 28, 2023, the assigned ALJ sent a procedural email requesting SCE resubmit Ex. SCE-03 showing incremental costs by activity level. On December 6, 2023, SCE submitted Ex. SCE-03R, a revised version of Ex. SCE-03, in both PDF and Excel formats as well an additional errata, Ex. SCE-01E-2, and concurrently filed a motion to admit these exhibits into evidence. On December 18, 2023, SBUA filed a response to SCE’s motion to admit exhibits. On December 27, 2023, SCE filed a reply to SBUA’s response. On December 29, 2023, the assigned ALJ approved SCE’s motion to admit exhibits. On January 2, 2024, SBUA filed a motion to admit an errata, Ex. SBUA-06E, into the record. On January 24, 2024, the assigned ALJ approved SBUA’s motion.

1.2. Submission Date

This matter was submitted on January 24, 2024, with approval of SBUA’s motion to admit Ex. SBUA-06E into the record.

2. Wildfire Mitigation Accounts and the Vegetation Management Balancing Account

Former Governor Jerry Brown signed Senate Bill (SB) 901 into law on September 21, 2018. SB 901 requires electric utilities to prepare and submit Wildfire Mitigation Plans (WMP) that describe utilities’ plans to prevent and

respond to wildfires. On June 4, 2019, the Commission issued D.19-05-038, approving SCE's 2019 WMP.

Public Utilities (Pub. Util.) Code Section 8386.4(a) requires the Commission to authorize electric utilities to establish memorandum accounts to track expenses incurred to implement approved WMPs at the time of approval of the plans.¹⁰ Section 8386.4(b)(1) requires the Commission to consider whether the cost of implementing each electrical corporation's plan is just and reasonable in its general rate case (GRC) application.

Pursuant to these statutes, the Commission in 2019 in D.19-05-038 authorized SCE to establish a WMPMA.¹¹ D.19-05-038 specifies, pursuant to statute, that SCE shall not seek or obtain double recovery of the costs tracked in this account in any other account.¹² D.19-05-038 does not indicate any minimum information requirements for applications requesting recovery of expenses tracked in the WMPMA nor does it establish an end-date for the memorandum account. On June 19, 2019, SCE submitted Advice Letter (AL) 4022-E to establish its WMPMA. D.21-08-036 subsequently affirmed that SCE could seek a reasonableness review for costs incurred to implement SCE's approved WMP.¹³

Section 8386.4(b)(1) authorizes electric utilities to establish an additional memorandum account to track costs incurred for fire risk mitigation that are not

¹⁰ Hereafter all section references are to the Public Utilities Code unless otherwise indicated.

¹¹ D.19-05-038 at Ordering Paragraph (OP) 18. Additionally, the Commission in Resolution (Res.) WSD-020, *Resolution Ratifying Action of the Office of Energy Infrastructure Safety on Southern California Edison Company's 2021 Wildfire Mitigation Plan Update Pursuant to Public Utilities Code Section 8386*, authorized SCE to "track the costs associated with its Wildfire Mitigation Plan in a memorandum account by category of costs and shall be prepared for Commission review and audit of the accounts at any time." (Res. WSD-020 at OP 9.)

¹² D.19-05-038 at OP 19.

¹³ D.21-08-036 at 251.

otherwise covered in the electrical corporation's revenue requirements, requiring that the Commission disallow recovery of those costs deemed unreasonable.

In a disposition letter dated March 12, 2019, the Commission's Deputy Executive Director for Energy and Climate Policy/Director, Energy Division approved SCE AL 3936-E-A authorizing SCE to establish a FRMMA to track wildfire costs incurred for fire risk mitigation not otherwise covered in the electrical corporation's revenue requirements, pursuant to Section 8386.4(b)(1).¹⁴ The disposition letter states that SCE shall only record in the FRMMA those incremental costs not recorded elsewhere. It further states that all costs will be reviewed for reasonableness before recovery is granted. The disposition letter does not establish any further filing requirements or an end date to the FRMMA.

The Commission in D.21-08-036 authorized SCE to recover \$174.34 million for Test Year 2021 routine vegetation management activities.¹⁵ D.21-08-036 further authorized SCE to establish a VMBA to record the difference between authorized O&M expenses for all vegetation management activities considered in A.19-08-013 (*i.e.*, SCE's routine transmission and distribution vegetation management; dead, dying, and diseased tree removal; and wildfire vegetation management through SCE's hazardous tree management program) and SCE's recorded expenses for these activities.¹⁶ D.21-08-036 directed SCE to seek recovery of costs up to 115 percent of this amount via advice letter, which SCE filed concurrent with its application.¹⁷

¹⁴ See also D.19-05-038 at OP 19.

¹⁵ Ex. SCE-01 at 5.

¹⁶ D.21-08-036 at 186.

¹⁷ AL 4807-E.

3. Issues before the Commission

The issues addressed in this decision are the following:

- a. Are the 2021 costs incurred and recorded in SCE's Wildfire Mitigation Accounts incremental, reasonable, and properly recoverable? In particular, are the costs incurred and recorded associated with Public Safety Power Shutoffs (PSPS) and the undergrounding of electricity lines incremental, reasonable, and recoverable?
- b. Should the Commission authorize SCE to recover the revenue requirements associated with SCE's 2021 incremental O&M expenses and capital expenditures recorded in the Wildfire Mitigation Accounts?
- c. Are the 2021 costs recorded in SCE's VMBA incremental, reasonable, and recoverable?
- d. Should the Commission authorize SCE to recover the revenue requirements associated with SCE's 2021 incremental O&M expenses for vegetation management recorded in the VMBA?
- e. Is SCE's proposed method to recover the WMPMA, FRMMA and VMBA revenue requirements over a 12-month amortization period reasonable?

4. Standard of Review

Section 451 provides that "all charges demanded or received by any public utility . . . shall be just and reasonable." Pursuant to Section 454(a):

[A] public utility shall not change any rate or so alter any classification, contract, practice, or rule as to result in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified.

In ratemaking applications, the burden of proof is on the applicant utility,¹⁸ thus SCE has the burden of affirmatively establishing the reasonableness

¹⁸ D.00-02-046 at 36, citing D.87-12-067. (See also *Re Energy Cost Adjustment Clauses* (1980) 4 CPUC 2d 693, 701; D.83-05-036 ("Of course the burden of proof is on the utility applicant to

of all aspects of its application.¹⁹ The Commission has held that the standard of proof the applicant must meet in rate cases is that of a preponderance of the evidence.²⁰ Preponderance of the evidence usually is defined “in terms of probability of truth, *e.g.*, ‘such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.’”²¹

Although the utility bears the ultimate burden to prove the reasonableness of the relief it seeks and the costs it seeks to recover, the Commission has held that when other parties propose a different result, they too have a “burden of going forward” to produce evidence to support their position and raise a reasonable doubt as to the utility’s request.²²

The Commission has longstanding requirements for a showing that the utility meets a prudent manager standard.²³ Under that standard, a utility has the burden to affirmatively prove that it reasonably and prudently operated and managed its system.²⁴ This means a utility must show that its actions, practices, methods, and decisions show reasonable judgment in light of what it knew or should have known at the time, and in the interest of achieving safety, reliability and reasonable cost.²⁵

establish the reasonableness . . . We expect a substantial affirmative showing by each utility with percipient witnesses in support of all elements of its application.”.)

¹⁹ D.09-03-025 at 8; D.06-05-016 at 7.

²⁰ D.19-05-020 at 7; D.15-11-021 at 8-9; D.14-08-032 at 17.

²¹ D.08-12-058 at 19, citing Witkin, *Calif. Evidence*, 4th Edition, Vol. 1 at 184.

²² D.20-07-038 at 3-4; D.87-12-067 at 25-26, 1987 Cal. PUC LEXIS 424, *37.

²³ *See* D.18-07-025.

²⁴ *See, e.g.*, D.87-06-021, 24 Cal. PUC 2d at 486.

²⁵ *See, e.g.*, D.87-06-021, 24 Cal. PUC 2d at 486.

5. Incrementality

5.1. Southern California Edison Company's Approach to Determining Incrementality

SCE's application states that SCE used a "portfolio approach" to determine the incrementality of costs recorded in the Wildfire Mitigation Accounts. According to SCE, a portfolio approach examines the collective total of recorded costs across the wildfire mitigation activities SCE was permitted to record in the applicable memorandum and balancing accounts compared to the total amount authorized for these activities in D.21-08-036. SCE states that the portfolio approach contrasts with an approach that would calculate incrementality based on each individual activity or sub-activity. SCE states that its use of a portfolio approach to determine incremental costs recorded in the Wildfire Mitigation Accounts is consistent with Section 8386.3(d)(1), which provides that an electric utility shall not divert revenues authorized to implement a WMP to any activities or investments outside of the plan.²⁶

SCE argues that, "if SCE spent less than authorized in a specific wildfire activity, SCE believes it is appropriate to use that difference to offset overspending on other wildfire mitigation-related activities prior to calculating incremental amounts."²⁷ SCE previously applied a portfolio approach in AL 5049-E and AL 4807-E, which both pertained to recovery of costs recorded in

²⁶ Ex. SCE-01 at 6.

²⁷ Ex. SCE-01 at 133.

SCE's VMBA.²⁸ D.21-08-036 authorized SCE to seek recovery of up to 115 percent of the amount authorized in D.21-08-036 via advice letter.²⁹

Tables 3-5 in Section 6.1 summarize SCE's approach to determining the incrementality of the 2021 O&M expenses and capital expenditures for which it requests a reasonableness review and authorization for recovery.

5.2. Audits Branch Audit

On July 12, 2023, the assigned ALJ entered an audit performed by the Audits Branch into the proceeding record.³⁰ The objectives of the audit were to determine whether:

- a. SCE's A.22-06-003 . . . contained O&M [expenses] and capital expenditures that are reasonable, *sufficiently supported, incremental in nature, directly attributable to the designated accounts*, and in compliance with applicable Public Utilities Code sections, CPUC Decisions, SCE's policies and procedures, and other relevant criteria; and
- b. SCE addressed prior audit findings associated with wildfire related expenditures for the period of January 1, 2018, through December 31, 2021.³¹

²⁸ Paper Hearing Response at 6. SCE submitted AL 4807-E requesting recovery of the 2021 recorded VMBA amounts between 101 to 115 percent of the authorized amount consistent with D.21-08-036; Energy Division approved AL 4807-E on June 27, 2022. SCE AL 5049-E pertains to recovery of costs recorded in SCE's 2022 VMBA and was approved by Energy Division on July 3, 2022.

²⁹ D.21-08-036 at 186.

³⁰ Audits Branch, "Cost Recovery Application 22-06-003: Wildfire Mitigation and Vegetation Management Expenditures Performance Audit, Southern California Edison Company January 1, 2018, through December 31, 2021" (A.22-06-003 Audit), Attachment 2 to *Ruling Entering Audit Into Record, Authorizing Supplementary Testimony, and Updating the Procedural Schedule*, July 22, 2023. Audit available as of September 11, 2023, at: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M513/K343/513343699.PDF>.

³¹ A.22-06-003 Audit at 1, emphasis added.

The Audits Branch explains that its audit scope undertook procedures “necessary to obtain reasonable assurance that SCE reported, incurred, and supported its incremental costs in accordance with the applicable criteria.”³² To accomplish this, Commission auditors judgmentally selected a non-statistical sample of significant O&M expenses and capital expenditure transactions for in-depth review.³³ The auditors then verified SCE’s methodology for determining incremental costs, evaluated SCE’s internal controls, conducted interviews, observed transactions, performed walkthroughs and tested transactions. The auditors also assessed the reliability of data from SCE’s accounting system including examining extracted reports, tracing data between differing report formats to verify completeness and tracing report data to source documents.³⁴ For selected samples, the auditors traced expenditures recorded in SCE’s accounting records to supporting documentation and determined whether costs were “accurate, attributable to [SCE’s] respective balancing or memorandum account, supported by appropriate source documents, and incurred in compliance with applicable [Commission] directives, orders, rules, regulations.”³⁵ The auditors verified that the activity occurred for a subset of samples by reviewing daily tree logs, using Google maps and conducting onsite inspections to confirm trees were trimmed, confirming images of work performed for pole brushing and verifying aerial inspection images.³⁶

³² A.22-06-003 Audit at 8 and 10.

³³ A.22-06-003 Audit at 8.

³⁴ A.22-06-003 Audit at 6-7.

³⁵ A.22-06-003 Audit at 8.

³⁶ A.22-06-003 Audit at 9.

Regarding Objective 1, the audit determined that SCE's request for cost recovery included instances of overstated costs limited to the following:³⁷

- a. Finding 1: SCE did not substantiate requested FRMMA expenditures of \$120,036, thereby overstating the cost recovery request;
- b. Finding 2: SCE utilized an incorrect FF&U factor to compute the requested total revenue requirement. SCE used the FF&U factor of 1.1254 percent from D.19-05-020 instead of utilizing the FF&U factor of 1.1061 percent from D.21-08-036, thereby overstating its total revenue requirement by \$63,807; and
- c. Finding 3: SCE requested to recover capital expenditures of \$21,091,955 classified as CWIP and the associated capital related revenue requirement. However, the associated capital related revenue requirement is unsubstantiated because this amount will be determined once CWIP is transferred to Plant-in-Service as Capital Additions.

Related to Findings 1-2, the Audits Branch recommended that the Commission reduce SCE's revenue requirement claimed in the application from \$327.37 million to \$327.19 million as follows:

Table 2: Audits Branch Recommended Disallowances

Program Year 2021	WMPMA	FRMMA	VMBA	Total
Requested	\$ 95,877,370	\$ 16,284,412	\$ 215,209,899	\$ 327,371,681
Finding 1 – Adjustments		\$ (120,036)		\$ (120,036)
Finding 2 – Adjustments	\$ (18,298)	\$ (4,435)	\$ (41,074)	\$ (63,807)
Updated Total	\$ 95,859,072	\$ 16,159,941	\$ 215,168,825	\$ 327,187,838

³⁷ A.22-06-003 Audit at 1.

Related to Finding 3, the Audits Branch recommended the Commission disallow for recovery \$21,091,955 of CWIP capital expenditures, thereby reducing the amount of recoverable capital expenditures booked to the WMPMA from January 1, 2021, through December 31, 2021, from \$97,521,252 to \$76,429,297.

Regarding the second objective, the Audits Branch found that SCE adhered to Commission decisions and directives for cost recovery of wildfire related expenditures.

The audit states that the Audits Branch conducted the audit in accordance with generally accepted government auditing standards (GAGAS), except for obtaining an external peer review, which the Audits Branch states they were unable to timely obtain due to delays caused by the COVID-19 pandemic. The Audits Branch reported that they tested an average of 3.32 percent of SCE's O&M expenses in the WMPMA, the FRMMA and the VMBA and tested an average of 3.20 percent of WMPMA capital expenditures.³⁸

5.3. Small Business Utility Advocates' Response

SBUA's testimony and briefs challenge the evidentiary sufficiency, reasonableness, and incrementality of elements of SCE's application. SBUA requests that the Commission disallow as much as \$304.345 million of SCE's requested \$327.19 million for recovery from ratepayers.³⁹

Regarding SCE's incrementality approach, SBUA asserts that the Audits Branch audit was "empty" and has "no bearing" as to whether SCE's expenditures were incremental,⁴⁰ because the audit did not scrutinize whether

³⁸ A.22-06-003 Audit at 8.

³⁹ Ex. SBUA-02 at iv.

⁴⁰ SBUA Reply Brief at 3.

expenditures had been disallowed in D.21-08-036. SBUA argues that SCE failed to provide information regarding incrementality claims to enable a “meaningful comparison between what was previously approved and what is sought for approval.”⁴¹ SBUA observes that SCE only provided five pages of discussion on the topic of incrementality.

SBUA asserts that its objective is to “dispel SCE’s contention that incrementality can be shown without comparison to prior approvals.”⁴² SBUA additionally stated that it wants to ensure that applicants carry their legal burden, encourage the submittal of more complete future applications for incremental cost recovery, and promote thorough and accurate cost forecasts in GRC proceedings so that the full impact of activities can be considered holistically, efficiently and in a high-visibility proceeding where all interested parties are actively engaged.⁴³

5.4. Adequacy of Southern California Edison Company’s Incrementality Showing

Based on our review of the evidentiary record, as supported by the Audits Branch’s findings that SCE’s costs are incremental, we find that SCE has met its burden to establish that the costs for which it seeks recovery are incremental.

As explained above and in the audit, the Audits Branch audit judgmentally selected a non-statistical sample of significant transactions for in-depth testing and review and found only limited aberrations. The Audits Branch in-depth review adhered to GAGAS and included verifying SCE’s methodology for determining incremental costs, evaluating SCE’s internal

⁴¹ Ex. SBUA-02 at 4.

⁴² SBUA Opening Brief at 1.

⁴³ SBUA Opening Brief at 1.

controls, conducting interviews, observing transactions, performing walkthroughs, examining extracted reports, tracing data between differing report formats to verify completeness, tracing recorded expenditures to supporting documentation, and verifying for a subset of samples that the claimed activity occurred by reviewing daily tree logs, using Google maps, and conducting onsite inspections to confirm trees were trimmed, confirming images of work performed for pole brushing and verifying aerial inspection images. The audit reviewed internal controls and verified SCE's methodology for determining incremental costs.⁴⁴

Based on these procedures, the audit did not find duplicative or inappropriate cost claims, except in the minor instances identified. Thus, we do not find that SBUA has met its evidentiary burden for its claim that the audit had no bearing on whether the costs were incremental. Contrary to SBUA's claim, we carefully scrutinized SCE's application to identify recovery requests for activities and costs disallowed in D.21-08-036 and did not find any. Our review aligns with the audit approach, which assessed "applicable activities for each account."⁴⁵ We also found no evidence of double-counting of costs.

With reference to Section 8386.3, which states that "[a]n electrical corporation shall not divert revenues authorized by the Commission to implement the wildfire mitigation plan to any activities or investments outside of the plan," SCE bundled and estimated incremental spending for wildfire mitigation activities as a whole, rather than doing so on a program-by-program or activity level. We find this approach acceptable in this instance. However, to

⁴⁴ A.22-06-003 Audit at 7.

⁴⁵ A.22-06-003 Audit at 4.

assist in the efficient review of future WMPMA or FRMMA applications, we require SCE to provide more detailed information regarding program or activity level approved costs (imputed if necessary) and recorded costs at the activity or program level. We discuss this requirement in Section 8 below.

We have previously found that an incrementality analysis can compare costs incurred to those previously authorized for “similar expenditures,” and it is not necessary to compare costs recorded in memorandum accounts against companywide authorized costs due to the typical application of prospective ratemaking principles.⁴⁶ Additionally, review of SCE’s underspend during 2021 on a total-company basis is not within the scope of this case and a record was not developed regarding it.

6. Wildfire Mitigation Plan Memorandum Account Request

This section reviews SCE’s recovery request in detail. With respect to individual uncontested issues in this proceeding, we find that SCE has made a prima facie just and reasonable showing, and approve SCE’s uncontested requested costs, unless otherwise stated.

Section 6.2.1 defers consideration of SCE’s request for reasonableness review and authorization for recovery of \$21.09 million for 2021 CWIP capital expenditures to a later proceeding.

6.1. Summary of Southern California Edison Company’s Request

SCE’s application requests reasonableness review and recovery of \$101.58 million in 2021 O&M expenses and \$97.52 million in 2021 wildfire-related capital expenditures recorded in its WMPMA and its FRMMA. This amount

⁴⁶ D.23-02-017 at 26, citing D.21-08-024 at 19-20. (See also D.22-06-032 at 12-14.)

approximately equals the amount approved for these activities in D.21-08-036, where the Commission authorized SCE revenue recovery of \$101.65 million in 2021 wildfire mitigation expenses and \$76.34 million in 2021 non-Wildfire Covered Conductor Program (WCCP) wildfire mitigation capital expenditures.⁴⁷

Table 3: Summary of SCE’s WMPMA and FRMMA Requests Relative to Levels Authorized in D.21-08-036 (\$ in millions)⁴⁸

	GRC-Authorized (D.21-08-036)	Expenditures for Which SCE Seeks Reasonableness Review and Recovery	Total 2021 WMPMA and FRMMA Recorded Costs
2021 wildfire mitigation O&M expenses	\$ 101.65	\$ 101.58	\$ 203.23
2021 wildfire mitigation capital expenditures	\$ 76.34	\$ 97.52	\$ 173.86
			\$ 377.09

SCE states that it incurred the additional 2021 wildfire mitigation costs in the following activity areas:

- a. Non-WCCP Grid Hardening⁴⁹
- b. Enhanced Operational Practices
- c. Fire Science and Advanced Modeling
- d. Enhanced Situational Awareness
- e. Organizational Support

⁴⁷ Ex. SCE-01 at 3.

⁴⁸ Application at 5.

⁴⁹ SCE does not seek reasonableness review or recovery authorization for its WCCP in A.22-06-022 in this application. D.21-08-036 at 205 separately authorized a scope of work and associated capital costs for SCE’s WCCP. SCE states that, because the Commission’s authorization for the WCCP was for the 2019-2023 time period cumulatively, it has excluded such costs associated with the approved WCCP scope of work from A.22-06-003. (Application at 1-2, footnote (fn.) 1.)

- f. PSPS
- g. Aerial Suppression
- h. Wildfire Mitigation Training and Development
- i. Environmental Remediation

Table 4 summarizes SCE's 2021 O&M expenses recorded in the Wildfire Mitigation Accounts. SCE records as non-incremental those costs falling under the jurisdiction of the Federal Energy Regulatory Commission (FERC) and costs authorized in D.21-08-036, amongst others.

Table 4: Summary of SCE's Reported Recorded and Incremental 2021 Wildfire Mitigation O&M Expenses (\$ in millions)⁵⁰

	Recorded Costs	Non-Incremental Costs			Incremental Costs	Relevant Account
	O&M Recorded (a)	FERC Jurisdictional (b)	GRC Authorized (c)	Other Non-Incremental Costs (d)	Incremental Costs (a-b-c-d)	Memo Account
Grid Hardening ⁵¹	\$ 1.13					WMPMA
Enhanced Operational Practices	\$ 118.34					WMPMA/ FRMMA
Fire Science & Advanced Modeling	\$ 5.77					WMPMA
Enhanced Situational Awareness	\$ 5.41	\$ 13.41	\$ 102.94	\$ (0.71)	\$ 102.44	WMPMA
Organizational Support	\$ 10.65					WMPMA/ FRMMA
PSPS	\$ 58.12					WMPMA/ FRMMA
Aerial Suppression	\$ 17.55					WMPMA

⁵⁰ Ex. SCE-01, Table IV-35 at 132.

⁵¹ Hereafter "Non-WCCP Grid Hardening" will be referred to simply as Grid Hardening.

	Recorded Costs	Non-Incremental Costs			Incremental Costs	Relevant Account
	O&M Recorded (a)	FERC Jurisdictional (b)	GRC Authorized (c)	Other Non-Incremental Costs (d)	Incremental Costs (a-b-c-d)	Memo Account
Wildfire Training & Development	\$ 0.38					WMPMA
Environmental Remediation Programs	\$ 0.73					WMPMA
Total	\$ 218.07	\$ 13.41	\$ 102.94	\$ (0.71)	\$ 102.44	
A&G ⁵² Capitalization	\$ 4.20		\$ 3.34		\$ 0.86	
Total Net of A&G Capitalization	\$ 213.87	\$ 13.41	\$ 99.60	\$ (0.71)	\$ 101.58	

SCE states that \$97.52 million in incremental 2021 capital expenditures attributable to the WMPMA were distributed across five program areas as indicated in Table 5.⁵³

Table 5: Summary of SCE Recorded and Incremental 2021 Wildfire Mitigation Capital Expenditures Recorded in WMPMA (\$ in millions)⁵⁴

	Recorded Costs	Non-Incremental Costs				Incremental Costs
	Capital Costs (a)	FERC Jurisdictional (b)	GRC Authorized (c)	AB 1054 Removal (d)	Total Non-Incremental Costs (b+c+d)	Incremental Costs (a)-(b)-(c)-(d)

⁵² Administrative and general expenses.

⁵³ SCE removed costs subject to Assembly Bill (AB) 1054 from this estimate. AB 1054 (Holden, Stats. 2019) established a Wildfire Fund. SCE indicates these costs as securitization requirements beyond those provided for in AB 1054.

⁵⁴ Ex. SCE-01, Table IV-35 at 132.

	Recorded Costs	Non-Incremental Costs				Incremental Costs
	Capital Costs (a)	FERC Jurisdictional (b)	GRC Authorized (c)	AB 1054 Removal (d)	Total Non-Incremental Costs (b+c+d)	Incremental Costs (a)-(b)-(c)-(d)
Grid Hardening	\$ 28.18					
Enhanced Operational Practices	\$ 135.54					
Fire Science and Advanced Modeling	\$ 3.50	\$ 0.59	\$ 76.34	\$ 12.88	\$ 89.81	\$ 97.52
Enhanced Situational Awareness	\$ 5.60					
Public Safety Power Shutoff	\$ 14.51					
Total	\$ 187.33	\$ 0.59	\$ 76.34	\$ 12.88	\$ 89.81	\$ 97.52

As discussed below, this \$97.52 million of claimed incremental capital expenditures includes \$21.09 million of 2021 CWIP capital expenditures.

6.2. Construction Work-in-Progress

SCE's application states that approximately \$21.09 million of the \$97.52 million of 2021 capital expenditures relate to work underway but not yet completed, known as CWIP. This implies that \$76.43 million of SCE's capital expenditures are now in service. SCE states that it includes the \$21.09 million in CWIP in its \$97.52 million summary of 2021 WMPMA capital expenditures, summarized above.⁵⁵ SCE's application seeks a reasonableness review of and

⁵⁵ The statements by SCE that the CWIP amount of \$21.09 million is not included in its revised \$327.19 million in revenue requirement request, appearing at Ex. SCE-01 at 2, fn. 3 and at SCE-01 at 144, appear to refer only to the incremental capital related revenue requirement associated with the CWIP (*see* Ex. SCE-01 at 146). SCE requested authority to update the amount of CWIP that has closed to Plant-in-Service but did not request authority to substantiate this updated amount.

authorization to recover the revenue requirement associated with \$21.09 million of 2021 CWIP capital expenditures. SCE's application also seeks Commission authorization to enter approved CWIP capital expenditures into the WMPMA when the CWIP transfers to Plant-in-Service.

SCE revised its request in Ex. SCE-02 and again in its Opening Brief where it reported that as of August 2023, \$16.88 million of the original \$21.09 million of expenditures in CWIP status as of the time of SCE's application had since been placed into service.⁵⁶ At that time, SCE additionally requested authorization for recovery of the \$16.88 million and requested that the Commission authorize SCE to further update the amount of CWIP that has closed to Plant-in-Service by an advice letter that would allow any additional amounts that record as a revenue requirement during Q4 2023 to be recovered in customer rates.⁵⁷ However, SCE also states in its Opening Brief that A.23-10-001 includes a request for authorization to recover the revenue requirement associated with the \$16.88 million.⁵⁸ In A.23-10-001, SCE states that it is substantiating the capital-related revenue requirement associated with the \$16.88 million and further requests authorization to be allowed to substantiate the revenue requirement associated with the \$4.206 million remaining in CWIP status as of August 2023 in rebuttal testimony or advice letter.⁵⁹

SBUA objects to SCE's request for reasonableness review and authorization to recover the revenue requirement associated with \$21.09 million in 2021 CWIP capital expenditures. SBUA argues that SCE has not demonstrated

⁵⁶ SCE Opening Brief at 22; Ex. SCE-02 at 30.

⁵⁷ SCE Opening Brief at 22.

⁵⁸ SCE Opening Brief at 23, fn. 84.

⁵⁹ A.23-10-001 at 9-10.

that the CWIP has been completed. This differs from the proceeding record in A.19-08-013, SBUA contends, where SCE documented transfer of CWIP to Plant-in-Service via a detailed exhibit.⁶⁰ SBUA further argues that SCE had the opportunity to provide such detailed information to the Audits Branch in response to the audit but failed to do so.

6.2.1. Discussion

As discussed in Section 6.2 above, the Audits Branch found \$21.09 million in CWIP to be unsubstantiated and accordingly recommended the Commission reduce the amount of recoverable capital expenditures booked to the WMPMA in 2021 from \$97.5 million to \$76.4 million.⁶¹

In reviewing this SCE request, we concur with SBUA that SCE has not demonstrated that the CWIP has been completed and transferred into service. The record does not permit us to identify the specific nature of the claimed expenditures or infrastructure. Additionally, SCE has not provided evidence, *i.e.*, it has not substantiated, that the capital assets embodying these costs have been moved into service.

We therefore defer any determination of the reasonableness of the \$21.09 million in 2021 CWIP capital expenditures and any associated authorization for recovery of the related revenue requirement to a later proceeding. SCE states that it has included and substantiated these costs in A.23-10-001 and made related requests.

⁶⁰ SBUA Reply brief at 3, citing D.22-06-032 at 27, fn. 83.

⁶¹ A.22-06-003 Audit at 2.

Our approach here is consistent with that taken in D.23-06-032 because SCE did not in this proceeding provide evidence of specific or final CWIP capital expenditures to enable us to make the requested determinations.⁶²

6.3. Targeted Undergrounding

SCE recorded 2021 capital expenditures of \$6.61 million for targeted undergrounding work where SCE replaced approximately four miles of overhead lines with six miles of undergrounded lines. Undergrounding places powerlines 36 inches to 62 inches below ground, with vaults and manholes at regular intervals. The time to complete undergrounding projects varies depending on ownership structure of land and other structures along the planned route. SCE states that it selected relatively straight and flat terrain for its 2021 undergrounding work.⁶³ SCE also states that 47 percent of its recorded 2021 capital expenditures for targeted undergrounding pertain to assets that will be completed and brought into plant-in-service in 2022 and beyond.⁶⁴

SBUA contends that SCE underinvested in undergrounding in 2021, foregoing possible cost savings. SBUA states that SCE should have undertaken more undergrounding activities in 2021 in order to have reduced other operational, vegetation management, and overhead remediation costs. SBUA estimates that having done so could have saved ratepayers up to \$40 million, from 2024-2028.⁶⁵ As a result, SBUA recommends that the Commission find unreasonable what it calls SCE “underspending” on undergrounding in 2021 and disallow a portion of these costs.

⁶² D.23-06-032 at 21-27.

⁶³ Ex. SCE-01 at 13-15.

⁶⁴ Ex. SCE-01 at 15, fn. 16.

⁶⁵ Ex. SCE-01 at 9.

SCE states that SBUA's objections to SCE's 2021 targeted undergrounding costs are non-sensical. SCE states that it selected its undergrounding locations in 2021 based on areas that presented the greatest risk of wildfire, according to SCE's risk modeling at the time. Geographic continuity was a consideration, SCE states, but a secondary one to risk reduction.

SCE contends that SBUA provides no evidence that SCE's marginal costs for undergrounding would have been lower had SCE selected more contiguous locations. SCE observes that the Commission approved SCE's 2021 forecast for six miles of targeted undergrounding in 2021, which was uncontested.

We agree with SCE that there is no evidence that SCE should have undertaken more than six miles of undergrounding in 2021 in excess of SCE's forecast approved for this activity in D.21-08-036. However, we note that some 47 percent of SCE's 2021 capital expenditures for targeted undergrounding appear to pertain to CWIP, *i.e.*, the assets were not brought into service in 2021. We therefore find reasonable SCE's 2021 undergrounding activities for undergrounding assets brought into service in 2021, *i.e.*, undergrounding assets not included in the \$21.09 million in CWIP discussed elsewhere in this decision. We authorize SCE to recover capital expenditures for undergrounding assets incremental to those approved in D.21-08-036 that are not included in the \$21.09 million in CWIP, which this decision defers for consideration at a later date.

6.4. Enhanced Operational Practices

SCE recorded \$118.34 million in O&M expenses and \$135.54 million in capital expenditures for Enhanced Operational Practices in 2021. Enhanced

Operational Practices consists of inspections, remediations and high fire risk-informed (HFRI) technology solutions.⁶⁶

SCE states that Inspection Programs include High Fire Risk Areas (HFRA) ground, HFRA aerial, infrared corona scans and ground-based and aerial inspections. SCE states that in 2021 it exceeded its minimum WMP distribution ground inspections goal of 163,000 by recording 179,645 inspections⁶⁷ and similarly met its transmission ground inspection goals. SCE states that it performs aerial inspections using helicopters or drones and recording high-definition photographs. SCE recorded 180,252 distribution and 20,790 aerial inspections in 2021.⁶⁸ Infrared inspection technology identifies heat signatures of components that may indicate deterioration not visible to the naked eye, including failing switch and fuse contacts, poor connections, loose bushings, overloaded or failing transformers and other issues. SCE also conducted transmission infrared and ultraviolet scans in 2021 from helicopters to identify anomalies in and around HFRAAs.⁶⁹

In 2019, after it had filed A.19-08-013, SCE launched a new “Inspection Redesign” initiative.⁷⁰ In 2021, SCE states that it initiated an additional new inspection methodology called “Areas of Concern.” Areas of Concern are geographic areas marked by environmental and asset conditions that significantly increase wildfire risk, such as an abundance of dry fuel and

⁶⁶ Ex. SCE-01 at 22.

⁶⁷ Ex. SCE-01 at 28.

⁶⁸ Ex. SCE-01 at 32.

⁶⁹ Ex. SCE-01 at 36.

⁷⁰ SCE Reply Brief at 8.

exposure to high winds. Year 2021 saw SCE initiate 12 summer and 11 fall Areas of Concern inspection and associated remediation regimes.⁷¹

Overall, SCE addressed some 25,592 distribution remediation notifications identified through all of its various inspection programs.⁷² SCE incurred \$40.14 million in O&M expenses and \$83.24 million in capital expenditures for distribution remediations in 2021, for crossarm replacements, vegetation trims/removals, conductor repairs and replacements and pole hardware replacements (\$123.38 million, or approximately \$4,821 per remediation notification). SCE incurred \$13.44 million in capital expenditures and \$6.24 million in O&M expenses for 3,135 remediations resulting from transmission inspections in 2021 (\$19.68 million or approximately \$6,278 per remediation notification).⁷³

HFRI technology solutions such as software, hardware and other services provide the foundation for supporting and digitizing SCE's HFRA wildfire risk initiatives. SCE reports incurring \$12.22 million in capital expenditures and \$2.91 million in O&M expenses for application software capabilities to support and integrate ground and aerial inspections data, primarily for the InspectForce digital platform.⁷⁴ SCE also incurred \$9.29 million in capital expenditures and \$0.39 million in O&M expenses for a central cloud-based data platform, Ezy Data and WiSDM.⁷⁵

⁷¹ Ex. SCE-01 at 39.

⁷² Ex. SCE-01 at 41.

⁷³ Ex. SCE-01 at 44-46.

⁷⁴ Ex. SCE-01 at 52.

⁷⁵ Ex. SCE-01 at 54.

SCE also includes costs for the Arbora Integrated Vegetation Management software solution in the Enhanced Operational Practices costs category.⁷⁶ SCE estimates 2021 Arbora development costs as \$10.99 million in capital expenditures and \$0.63 million in O&M expenses. Because SCE includes Arbora in the VMBA portion of its application and testimony, we discuss this item in Section 9.6 below.

6.4.1. Small Business Utility Advocates' Position

SBUA contends that SCE's description of its Enhanced Operational Practices lacks adequate evidence of incrementality. SBUA contends that it is impossible to determine how the \$45.211 million that SCE claims as incremental Enhanced Operational Practices costs compares to what was approved in the 2021 GRC. SBUA recommends that the Commission deny SCE recovery for the majority of the \$45.211 million requested by SCE.

SBUA contends that the Commission has "no means to ensure that requested activities are not duplicative, that previously disallowed costs are not sought again, that activities should not have been submitted for approval in the previous proceeding or that new activities bear any connection to the previously approved activities."⁷⁷ SBUA recommends that this request be substantially denied.

6.4.2. Southern California Edison Company's Position

SCE contends that SBUA failed to meet its evidentiary burden to justify its recommendation that the Commission disallow SCE's requests regarding

⁷⁶ Ex. SCE-01 at 130, fn. 187.

⁷⁷ SBUA Opening Brief at 5.

Enhanced Operational Practices.⁷⁸ SCE correctly observes that its 2021 WMP discusses its Areas of Concern approach. SCE explains that in mid to late 2020, it enhanced its risk-prioritization methodology to increase consideration given to dry fuels, based in significant part on the occurrence of widespread wildfires in California in 2020. SCE also observes that the Commission previously approved SCE's Enhanced Operational Practices undertaken in 2020.⁷⁹

6.4.3. Discussion

Various parties objected to SCE's funding request for Enhanced Operational Practices in A.19-08-013 but D.21-08-036 found reasonable and approved in full SCE's Test Year O&M expenses forecast for Enhanced Operational Practices activities.⁸⁰ Similarly, the Commission in D.22-06-032 found reasonable and approved SCE's Areas of Concern activities in 2020. We disagree with SBUA's contentions regarding SCE's Enhanced Operational Practices activities in this application.

As discussed above, the Commission's Audits Branch conducted a targeted audit of WMPMA cost entries and found only limited aberrations (*see* Section 5.2). Thus, although we do not have visibility into the full range of costs recorded for Enhanced Operational Practices activities, we reasonably conclude from the Audits Branch audit that SCE has not recorded costs for the same activity twice. Thus, we agree with SCE's contention that Enhanced Operational Practices costs recorded in 2021 in SCE's WMPMA beyond those approved in D.21-08-036 are incremental.

⁷⁸ SCE Opening Brief at 9 and 21.

⁷⁹ SCE Reply Brief at 10, citing D.22-06-032 at 36-37.

⁸⁰ D.21-08-036.

We find SCE's 2021 Enhanced Operational Practices recorded costs to be generally reasonable. The Commission in D.21-08-036 did not disallow any specific Enhanced Operational Practices cost categories.⁸¹ We find SCE's description of its Enhanced Operational Practices work to be sufficiently detailed to understand what Enhanced Operational Practices activities were undertaken, why, on what scale, and with what accomplishments. We therefore approve SCE's recovery of the incremental Enhanced Operational Practices costs recorded in SCE's WMPMA in 2021 beyond those approved in D.21-08-036.

6.5. Public Safety Power Shutoff

SCE incurred \$14.51 million in capital expenditures and \$58.12 million in O&M expenses for PSPS-related activities in 2021 (\$72.63 million). Cost centers include PSPS customer support, PSPS execution activities including an incident management team, and PSPS technology solutions.⁸² SCE states that it undertook nine PSPS activations during the 2021 fire season and approximately 85,000 customer de-energizations, with no major wildfires in HFRAs associated with SCE infrastructure.⁸³

Regarding PSPS customer support activities, SCE states that it incurred \$27.81 million in O&M expenses for such activities in 2021.⁸⁴ Activities in this area aimed to prepare customers for potential PSPS events in compliance with Commission requirements.⁸⁵ SCE activities in 2021 in this area included a customer contract center, customer research and engagement, mobile electric

⁸¹ D.21-08-036 at 227.

⁸² Ex. SCE-01 at 69.

⁸³ Ex. SCE-01 at 80.

⁸⁴ Ex. SCE-01 at 71.

⁸⁵ Ex. SCE-01 at 71.

vehicle chargers for areas impacted by PSPS events, a 24x7 program to support customers with access and functional needs during PSPS events, a pilot to test a method of connecting personal portable generator device to a customer's panel for use during PSPS events, a PSPS newsletter, a \$75 battery rebate program, a program to support generator costs for essential services in remote zones, a \$200-\$500 rebate program for customers living in HFRA with electric-pump water wells, as well as survey deployments and community-based organization partnerships.⁸⁶

SCE states that a large part of the cost (\$19.72 million) was incurred by SCE's Critical Care Backup Battery program, which provides free battery-powered portable backup solutions to operate medical equipment to income-qualified medical baseline customers and customers enrolled in either the California Alternate Rates for Energy (CARE) or the Families Electric Rate Assistance programs that reside in HFRA. SCE states that it deployed 6,000 free batteries through this program in 2021. A second larger cost area was \$5.12 million in O&M expenses incurred for a PSPS advertising campaign and \$2.22 million for in-language advertising and translation.⁸⁷

Regarding PSPS execution activities, SCE recorded \$24.14 million in O&M expenses in 2021. SCE's PSPS execution activities consisted of an incident management team, PSPS response and compliance, line patrols, customer side generators, community resource centers and crew vehicles, advanced unmanned aerial systems, and PSPS operations and town hall meetings. As part of this work, SCE states that it retained 40 mobile generator units for 2021 and deployed

⁸⁶ Ex. SCE-01 at 72-78.

⁸⁷ Ex. SCE-01 at 78.

them to assist maintaining electric services for critical facilities. SCE states that it maintained contracts with 62 community resource centers to provide services in 2021, including services like access to device charging, restrooms and resiliency kits. SCE also deployed community crew vehicles for similar mobile support in nine counties.⁸⁸

SCE incurred \$3.75 million for costs related to its incident management team's oversight and execution of PSPS protocols in 2021.⁸⁹ SCE incurred \$5.91 million in O&M expenses for activities related to its PSPS operations department, whose duties include reviewing and updating switch plans and procedures for 1,100 HRFA circuits and developing reconfiguration options to minimize customer impacts during pre-emptive PSPS events.⁹⁰ The 2021 O&M expenses for line patrol work during and after potential PSPS events totaled \$3.53 million.⁹¹

SCE's 2021 PSPS technology solutions costs include those for SCE's emergency outage notification system (\$3.65 million in O&M expenses in 2021); SCE's incident management team customer process automation and customer notification (\$4.69 million in capital expenditures and \$0.39 million in O&M expenses in 2021); and a centralized data platform (\$6.52 million in capital expenditures in 2021).⁹² The vendor Palantir provided the latter, which aims to improve data accuracy, establish PSPS event operational workflow, undertake analytics and reporting and enhance customer notification. SCE also incurred

⁸⁸ Ex. SCE-01 at 80-82.

⁸⁹ Ex. SCE-01 at 84.

⁹⁰ Ex. SCE-01 at 85.

⁹¹ Ex. SCE-01 at 86.

⁹² Ex. SCE-01 at 87-89.

\$3.28 million in capital expenditures and \$2.14 million in O&M expenses in 2021 for improvements to SCE.com’s PSPS events pages, including a Public Safety Partner Portable which provides information to assist in planning for events.⁹³

6.5.1. Discussion

SBUA states that SCE has repeatedly failed to provide an adequate weighing of risks to customers of its PSPS events. SBUA states that SCE’s PSPS event post-incident reporting is generally inadequate. SBUA recommends the Commission deny recovery of \$3.71 million in requests for SCE’s incident management team.⁹⁴

SCE responds that it did not seek recovery for its PSPS post-event costs in A.22-06-003. SCE further explains that the Commission reviews SCE’s post-event reporting in other venues, which also review SCE’s execution of the Commission’s PSPS guidelines. SCE further asserts that its PSPS Incident Management Team plays a “minor after-the-fact role” in SCE’s PSPS post-event reporting.⁹⁵

We concur with SCE that A.22-06-003 is a cost recovery proceeding and not the appropriate venue to litigate the quality of SCE’s PSPS post-event reports. Further, we are unable with the record before us to identify the extent of the incident management team’s involvement with PSPS post-event reporting.

We find SCE’s 2021 incremental PSPS costs reasonable and approve their recovery.

⁹³ Ex. SCE-01 at 89-90.

⁹⁴ Ex. SBUA-01 at 6-7.

⁹⁵ Ex. SCE-02 at 17-18.

6.6. Aerial Suppression

SCE reports \$17.55 million in O&M expenses for its Aerial Suppression program in 2021.⁹⁶ SCE states that the many concurrent wildfires in California since 2017 have resulted in firefighting agencies' assets located within SCE's service territory being "routinely" deployed outside of it. To address this, SCE in 2019 began partnering with local county firefighting agencies to create a Quick Reaction Force that prioritizes fire suppression activities in SCE's service area. SCE established a Memorandum of Understanding (MOU) funding agreement with each of several fire agencies.⁹⁷ Pursuant to the MOUs, SCE entered into a lease agreement to fund the "cost of standby time for the helicopters and each fire agency pays for flight time when the helicopters were used to fight fires."⁹⁸ SCE states that it initially paid \$15.68 million for a 150-day lease period and extended the lease for 30 more days for an additional \$1.87 million, and that it also was credited \$0.94 million for 10 days where the aerial resources were deployed outside of SCE's service territory.⁹⁹ SCE states that the MOUs' Aerial Suppression elements require the fire agencies to support the "initial, incipient stage" of a fire and "extended attack missions."¹⁰⁰

SCE states that it funded four aircraft and support resources (a fuel truck, maintenance staff, and equipment) for Aerial Suppression work in 2021. These resources completed 1,369 drops on 56 different fire incidents in 2021, according

⁹⁶ Ex. SCE-01 at 91.

⁹⁷ Fire departments of Orange County, Los Angeles County, Ventura County, Kern County, and Santa Barbara County.

⁹⁸ Ex. SCE-01 at 92.

⁹⁹ Ex. SCE-01 at 92.

¹⁰⁰ Ex. SCE-01 at 92.

to SCE.¹⁰¹ SCE states that 55 of the 56 fire incidents were located within SCE territory.¹⁰² SCE describes four of these incidents.¹⁰³ SCE states that it provided aerial suppression resources to “reduce wildfire risk to the customers and communities we serve, as well as our own infrastructure . . .”¹⁰⁴

SCE states that:

SCE has specifically limited potential liability/risk exposure through contractual provisions that provide, in part, that: ‘SCE shall have no role in the operation or use of the helicopters and shall not be a party to the lease agreements The local fire agencies are solely responsible for the safe and lawful operation and use of the Fire Suppression Assets, including all decisions regarding deployment, maintenance, basing and positioning, pilot readiness, and ground support’¹⁰⁵

6.6.1. Small Business Utility Advocates’ Position

SBUA asserts that authorizing ratepayer funds for SCE’s 2021 Aerial Suppression expenses is not just and reasonable. As such, SBUA recommends that the Commission disallow all of the \$17.55 million requested by SCE for 2021 Aerial Suppression activities.

SBUA states that, in hearing testimony, SCE explained that SCE funding for Aerial Suppression was not limited to protecting SCE assets nor limited to responding to fires sparked by SCE equipment. SBUA states that it is unaware of the Commission permitting ratepayer funds to be diverted to provide the

¹⁰¹ Ex. SCE-01 at 93.

¹⁰² Ex. SCE-01 at 94. (*See also* SCE Opening Comments on Proposed Decision at 4.)

¹⁰³ Ex. SCE-01 at 95-96. (*See also* SCE Opening Brief at 19.) The fires named are the Route Fire, the French Fire, the Chaparral Fire, and the Alisal Fire.

¹⁰⁴ Ex. SCE-01 at 94.

¹⁰⁵ Paper Hearing Responses at 10-11.

“purely public resource” that this category of spending therefore represents, “given that the funds are not expended on SCE-provided services or SCE assets.”¹⁰⁶ SBUA likens SCE’s Aerial Suppression activities to a “charitable contribution,” a “donation,” and a “gift” to firefighting agencies.¹⁰⁷

SBUA notes that the legal sources cited by SCE to approve these costs are not strong: one is that SCE included \$2.1 million in forecast costs for Aerial Suppression resources within its \$476 million O&M request in A.19-08-013, which the Commission approved. However, SBUA correctly observes that D.21-08-036 did not discuss these costs and no party commented on them. SBUA observes that SCE’s costs for Aerial Suppression resources increased eight-fold between 2020 and 2021. SBUA argues that the limited treatment of this cost center in D.21-08-036 does not provide strong precedent.¹⁰⁸

SBUA notes that SCE’s other justification for these costs is that SCE’s 2021 WMP included discussion of Aerial Suppression. However, SBUA observes that the Office of Energy Infrastructure Safety (Energy Safety) approves WMPs, and the Commission ratifies but does not substantively approve the WMPs, which therefore does not necessarily imply that costs for activities discussed therein are reasonable or recoverable.

SBUA distinguishes SCE’s Aerial Suppression program from similar Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E) programs. SBUA argues that the Commission funded PG&E’s purchase of four helicopters in D.19-09-051 in part because PG&E would own them, which allowed for their “exclusive availability” within PG&E service

¹⁰⁶ SBUA Opening Brief at 9.

¹⁰⁷ SBUA Reply Briefs at 13 and 15.

¹⁰⁸ SBUA Opening Brief at 9.

territory for PG&E use,¹⁰⁹ while SDG&E's request for funds for a helitanker pertained to "wildfires caused by SDG&E equipment."¹¹⁰

6.6.2. Southern California Edison Company's Position

SCE states that its Aerial Resources program helped "significantly reduce the consequences of wildfires for customers, including the potential for loss of life and significant property damage, as well as threats to the grid."¹¹¹

SCE argues that its Aerial Suppression resources provide crucial protection for SCE assets and customers, making customer funding for this program necessary at this time. SCE states that the aerial resources played a critical role in protecting SCE's electric distribution and transmission assets from wildfires, irrespective of whether those ignitions were associated with SCE's equipment. Thus, SCE contends that SBUA's characterization of the aircraft as "purely public" resources is inaccurate. Further, SCE argues that although "it is true that a shortage of publicly-funded resources was an important impetus for the aerial suppression program, that is not a bar to rate recovery from customers."¹¹²

SCE observes that in 2019 the Commission approved similar funding for a leased helicopter to combat wildfires in SDG&E's service territory despite the fact that SDG&E equipment has not caused any material wildfires since 2007.¹¹³ SCE also notes that the Commission did not restrict SDG&E's deployment of the

¹⁰⁹ SBUA Reply Brief at 15, citing D.20-12-005 at 217.

¹¹⁰ SBUA Reply Brief at 15, citing D.19-09-051 at 249.

¹¹¹ SCE Opening Brief at 18.

¹¹² SCE Reply Brief at 13. SCE then discusses several Public Purpose Programs including energy efficiency programs and the Electric Program Investment Charge (EPIC).

¹¹³ SCE Reply Brief at 16, citing D.19-09-051 at 249 and 274. SCE further asserts that SDG&E's pending Test Year 2024 GRC application, A.22-05-016, seeks to continue the program and was not contested by any intervenor.

leased helicopter to wildfires caused by SDG&E equipment.¹¹⁴ SCE also notes that the Commission in D.20-12-005 approved PG&E expenses of \$15 million annually for acquisition of firefighting helicopters in 2018-2019.¹¹⁵ SCE notes that the Commission approved the entirety of SCE's 2020 Aerial Suppression O&M expenses of \$2.16 million.¹¹⁶

6.6.3. Discussion

The Commission's Safety and Enforcement Division (SED) has investigated a number of wildfires in SCE territory between 2017 and the present. The most destructive of those wildfires were the 2018 Woolsey Fire and the 2017 Thomas Fire, which together resulted in five fatalities.¹¹⁷ Concern for wildfires must be paramount.

As noted by SCE, "there have been several occasions since 2017 during which wildfires significantly damaged and/or destroyed in-service SCE distribution and generation assets, necessitating repair costs. *See, e.g.,* A.19-07-021, A.21-09-019 and A.22-03-018"¹¹⁸ Taken together, the 2017-2020 wildfires identified in these applications resulted in hundreds of millions of dollars of costs to repair or replace SCE equipment, costs for which SCE subsequently requested ratepayer recovery.

We therefore find that SCE has sufficiently justified the \$17.55 million it incurred for Aerial Suppression costs in 2021. Although SCE left some questions

¹¹⁴ SCE Opening Comments on Proposed Decision, citing to D.19-09-051 at 249.

¹¹⁵ SCE Opening Brief at 20, citing D.20-12-005 at 217.

¹¹⁶ SCE Opening Brief at 20, citing D.22-06-032 at 217.

¹¹⁷ *See* SED Staff Wildfire Investigations for a partial list of wildfires investigated by SED, available as of November 30, 2023 at: <https://www.cpuc.ca.gov/industries-and-topics/wildfires/wildfires-staff-investigations>.

¹¹⁸ SCE Paper Hearing Response at 8.

regarding the Aerial Suppression program unanswered, on balance, SCE adequately justifies the program costs.

SCE states, for instance, that in 2021 it funded four aircraft and support resources, “based on the counties’ proposal,”¹¹⁹ and provides no further information regarding the analysis SCE undertook to determine the appropriate amount of ratepayer funds to devote to this expense. However, SCE does present information that its leasing approach limits its liability while leaving all deployment, operations and use of the assets to local county fire agencies.¹²⁰ Therefore, while SCE’s application does not include an analysis of the costs and benefits of purchasing outright versus leasing the helicopters, developing a leasing approach in collaboration with county fire-fighting agencies in a manner that limits SCE’s liability exposure is reasonable.¹²¹

It is unreasonable for ratepayers to fund deployment costs for helicopters to fight fires in SCE territory that do not threaten and were not started by SCE infrastructure, but SCE’s leasing approach does not do this. Instead, SCE’s lease approach funded the 2021 helicopter standby costs only; deployment costs, as well as operation and use of the helicopters, were solely the responsibility of the local fire agencies.¹²²

It is acceptable that the helicopters for which SCE funded standby costs were used one time in 2021 outside of SCE service territory for a fire in Northern

¹¹⁹ Ex. SCE-01 at 93.

¹²⁰ Paper Hearing Response at 10-11.

¹²¹ Paper Hearing Response at 10-11.

¹²² Paper Hearing Response at 10-11.

California. SCE's lease agreement meant that SCE did not fund the aircraft's standby costs during this period.¹²³

SCE discusses four incidents as examples of the services provided by the lease agreement and provides a rough map of the 55 fires within SCE's service territory that the Aerial Suppression resources responded to. Although SCE provides limited specific details on these incidents and no other examples, SCE states that the Aerial Suppression resources have "proven extremely effective at reducing the area and assets burned and enabling faster response times." We find that the program generally contributed to avoiding or quickly suppressing wildfires that threatened SCE infrastructure in 2021, potentially avoiding significant infrastructure repair and replacement costs.

We note that SCE's application does not discuss an end-date to its MOU with the counties, after which time the local government agencies or California Department of Forestry and Fire Protection will assume appropriate costs to fund fire-fighting resources in SCE service territory for general use. Going forward, SCE should thoroughly explain and justify its proposed use of ratepayer funds to fund standby leasing of helicopters.

We find SCE's request for recovery of \$17.55 million for 2021 Aerial Resources program to be reasonable and approve this request in full.

7. Vegetation Management Balancing Account

This section finds SCE's incremental 2021 vegetation management costs recorded in its VMBA to be reasonable. This includes recorded costs for routine vegetation management activities, SCE's Dead and Dying Tree Removal Program and SCE's Hazardous Tree Management Program.

¹²³ Ex. SCE-01 at 92.

This section also finds reasonable and authorizes recovery of SCE's 2021 incremental Vegetation Management Environmental Support costs recorded in the FRMMA (Section 7.5).

7.1. Summary of Southern California Edison Company's Request

In D.21-08-036, the Commission authorized \$178.98 million for SCE 2021 vegetation management expenses. D.21-08-036 authorized SCE to seek recovery up to 115 percent of authorized 2021 vegetation management costs via Tier 2 advice letter and required an application for recovery authorization of any additional costs.¹²⁴

SCE's recorded VMBA expenses for 2021 were \$432.57 million.¹²⁵ After removing FERC-jurisdictional and other non-incremental costs, SCE's application seeks a reasonableness review of \$212.79 million in 2021 vegetation management costs recorded in its VMBA.¹²⁶

In A.19-08-013, SCE forecast \$2.05 million in environmental review costs to support vegetation management activities as part of its Environmental Programs, which the Commission approved in D.21-08-036.¹²⁷ SCE's application seeks reasonableness review and recovery of an additional \$13.76 million in incremental environmental review costs included in SCE's Environmental Programs. SCE recorded these costs in its FRMMA.¹²⁸

¹²⁴ D.21-08-036 at Conclusion of Law 70.

¹²⁵ Ex. SCE-01, Table IV-36 at 135.

¹²⁶ Ex. SCE-01, Table IV-36 at 135.

¹²⁷ Ex. SCE-01 at 136. (*See also* D.21-08-036 at 438.)

¹²⁸ Ex. SCE-01 at 136.

A summary of SCE's request for recovery of vegetation management-related expenses is contained in Table 6.

Table 6: Summary of SCE 2021 Vegetation Management O&M Expense Request (\$ in millions)¹²⁹

Balancing/ Memorandum Account	Recorded Costs	Non-Incremental Costs			Incremental Costs
	O&M Recorded (a)	FERC Jurisdictional (b)	GRC Authorized with Threshold (c)	Other Non- Incremental Costs (d)	Claimed Incremental Costs (a-b-c-d)
VMBA	\$ 432.57	\$ 19.14	\$ 200.49	\$ 0.16	\$ 212.79
FRMMA	\$ 16.67	\$ 0.86	\$ 2.05	-	\$ 13.76
	\$ 449.24	\$ 20.00	\$ 202.54	\$ 0.16	\$ 226.55

SCE states that it incurred \$157.67 million in 2021 O&M expenses for incremental contractor work and \$62.94 million in 2021 O&M expenses for incremental material and equipment costs associated with vegetation management activities.¹³⁰ The largest SCE vegetation management cost category was distribution routine vegetation management costs, for which SCE recorded a total of \$342.7 million in 2021 O&M expenses. SCE recorded \$195.8 million in 2021 O&M expenses for routine vegetation trims.¹³¹

7.2. Routine Vegetation Management Activities

SCE's routine vegetation management activities include pre-inspections, trimming and removal of trees, achieving expanded clearance distances through trims or removals, quality assurance, supplemental patrols, pole brushing, and substation-associated vegetation management work.

¹²⁹ Ex. SCE-01, Table IV-36 at 135.

¹³⁰ Ex. SCE-01 at 137-138.

¹³¹ Ex. SCE-03 at 15.

SCE states that the following factors resulted in additional 2021 recorded routine vegetation management costs:¹³²

- a. Higher contract labor rates, including but not limited to the impact of SB 247 on contract negotiations;
- b. Full deployment in 2021 of SCE's Areas of Concern supplemental patrols program;
- c. New and expanded activities including customer notifications, increased traffic control, and obtaining environmental approval for more work points;
- d. Expanded pole-brushing activities;
- e. Expanded use of Light Detection and Ranging (LiDAR) activities beyond that contemplated in SCE's 2021 GRC application, including performing LiDAR inspections on transmission circuits and increasing testing and use on distribution circuits;
- f. Expanded quality control for line clearing work to validate more work points; and
- g. An improved environmental support program to address increased permitting requirements and changing interpretations of environmental laws.

SCE observes that, historically, routine vegetation management has been executed as a compliance activity pursuant to General Order (GO) 95, Rule 35, and Public Resources (Pub. Res.) Code Sections 4292-4293, but since 2019 SCE has expanded this program to proactively mitigate wildfire risks. SCE states that its work to implement the enhanced vegetation clear requirements adopted in D.17-12-024 led to more than 50 percent fewer tree-caused circuit interruptions in High Fire Threat Districts (HFTD) in 2020-2021 as compared to 2015-2019.¹³³

¹³² Ex. SCE-01 at 105-106.

¹³³ Ex. SCE-01 at 105.

7.2.1. Senate Bill 247

On October 2, 2019, Governor Gavin Newsom signed SB 247 (Stats. 2019), with an effective date of January 1, 2020. SB 247 specifies qualifications for electric line clearance tree trimmers performing work to comply with the vegetation management requirements in a utility's WMP. SB 247 added Section 8386.6(a)(b), which requires that all qualified line clearance tree trimmers or trainees under the direct supervision and instruction of qualified line clearance tree trimmers be paid not less than a first period apprentice electrical utility lineman.

SCE filed A.19-08-013 on August 30, 2019, prior to SB 247's enactment. A.19-08-013 did not reflect the requirements of SB 247. On July 1, 2020, SCE submitted Supplemental Testimony on Vegetation Management in A.19-08-013 and proposed to revise its 2021 Test Year forecast for vegetation management activities associated with Phase 1. SCE requested an increase of \$124 million for vegetation management programs in the Supplemental Testimony.¹³⁴ However, D.21-08-035 did not adopt SCE's updated vegetation management forecast based on the view that SCE's updated request did not fall within the appropriate categories for updated testimony.¹³⁵

7.2.2. Decision 17-12-024

D.17-12-024 adopted new fire-safety regulations, including increasing the minimum clearance from 18 inches to a minimum of four feet between vegetation and electric distribution facilities and increasing the recommended clearance at the time of trim to 12 feet in high fire areas. D.17-12-024 required

¹³⁴ Ex. SCE-01 at 25.

¹³⁵ D.21-08-036 at Conclusion of Law 68.

utilities to comply with the new clearance requirements in Tier 3 HFTD by September 30, 2018 and in Zone 1 and Tier 2 HFTD by June 30, 2019.

D.17-12-024 did not consider or adopt any new regulations with respect to non-HFTD areas.

7.2.3. Cost Per Trim

SCE states that its per-trim average costs increased to \$510 per trim in 2021 from \$361 per trim in 2020. Additionally, SCE's trim count declined to 714,000 trees in 2021 as compared to 980,000 trees in 2020 (Table 7).¹³⁶

SCE attributes these increased costs and reduced trim counts primarily to SB 247, which SCE states not only increased labor rates for tree trimmers but had an indirect effect on other wages levels as contractors were forced to increase these to recruit and retain labor for related job classifications.¹³⁷

Table 7: 2020 to 2021 SCE Reported Cost Per Trim¹³⁸

Item	2020	2021
Total cost	\$ 354,935,000	\$ 363,720,000
Cost per trim	\$ 361	\$ 510
Trim count	980,000	714,000

SCE's testimony discusses two significant safety events that caused SCE to pause its operations while SCE allowed the contractors to conduct root cause analyses. One of these "safety stand-downs" reduced the work production of SCE's largest trim-trimming contractor for six months, SCE states.¹³⁹ To meet its compliance requirements on time, SCE states that it engaged a different

¹³⁶ Ex. SCE-01 at 109.

¹³⁷ Ex. SCE-01 at 106.

¹³⁸ Ex. SCE-01 at 109.

¹³⁹ Ex. SCE-01 at 107.

contractor for “roving activities” outside of its normal work scope and geographic area, resulting in higher rates for the replacement work.¹⁴⁰

SCE states it also incurred additional costs from altering vegetation management schedules to allow for increased scrutiny as part of environmental reviews related to the enhanced clearance requirements adopted in D.17-12-024. SCE attributes its lower level of trees trimmed in 2021 as compared to 2020 to the combination of the contractor safety stand-downs and areas on hold for the increased environmental review.

In justifying its higher 2021 costs, SCE states that SB 247 not only mandates a rate increase for qualified line clearance tree trimmers but also triggered:

unforeseen renegotiation between SCE tree trimming contractors and the local IBEW¹⁴¹ unions across California, which, in addition to wage increases, also included new or increased cost drivers related to a Money Purchase Pension Plan, Health and Welfare Plan (LINECO), Line Construction Benefit Fund contribution to Health Reimbursement Account (HRA), National Electrical Annuity Plan (NEAP), paid time off, overtime, and training.¹⁴²

SCE estimates that vegetation management costs for tree trimmers and related occupations like line clearing and tree removals were 75 percent higher in 2021 “based on the increases to the average rates for maintenance trims and deep trims pre-SB 247 and post-SB 247.”¹⁴³ SCE states that this resulted in increasing recorded incremental costs from approximately \$140.1 million had SB 247 not

¹⁴⁰ Ex. SCE-01 at 107.

¹⁴¹ International Brotherhood of Electrical Workers.

¹⁴² Ex. SCE-01 at 124.

¹⁴³ Ex. SCE-01 at 124.

been adopted to approximately \$245.2 million for the same work after SB 247 was adopted.¹⁴⁴

SCE asserts that additional factors contributing to the higher costs include re-negotiated labor contracts, new wildfire mitigation activities, expanded pole brushing, LiDAR programs and expanded quality control programs.

7.2.4. Areas of Concern Inspections and Mitigations

As discussed in Section 6.4, SCE initiated an Areas of Concern program in 2020, after it filed A.19-08-013. Through its Areas of Concern program, SCE identified 17 localized regions where it believes there is a higher potential for a significant fire to occur based on several criteria.¹⁴⁵ SCE states that it implemented expedited work on 275 vegetation management work points in these areas in 2021.¹⁴⁶

7.2.5. New Customer Notification and Traffic Control Procedures

In 2021, SCE implemented an expanded customer notification procedure regarding instances when SCE had to enter onto customers' properties and perform more complicated vegetation trims or removals. SCE states that the cost of these notifications was not included in A.19-08-013 because SCE did not have a formal protocol for the program in place at that time. SCE states that expanded work in 2021 on the enhanced vegetation clearance requirements adopted in D.17-12-024 resulted in additional traffic control activities.¹⁴⁷

¹⁴⁴ Ex. SCE-01 at 125. For vegetation management related incremental costs beyond the 115 percent threshold tracked in the VMBA only.

¹⁴⁵ Ex. SCE-01 at 109.

¹⁴⁶ Ex. SCE-01 at 110.

¹⁴⁷ Ex. SCE-01 at 111.

7.2.6. Pole Brushing

Pub. Res. Code Section 4292 requires utilities in certain areas and at certain times to maintain around and adjacent to any pole or tower which supports certain equipment a “firebreak which consists of a clearing of not less than 10 feet in each direction from the outer circumference of such pole or tower.”¹⁴⁸ Work to accomplish this is known as “pole brushing.”

SCE’s pole-brushing program removes vegetation at the base of poles to reduce the chance of ignition or fire-spread. SCE states that it cleared 163,000 distribution poles at a cost of \$14.95 million in 2021. SCE states that subsequent to filing A.19-08-013, SCE’s 2021 WMP update expanded and improved SCE’s pole-brushing program. This resulted in SCE hiring two additional contractors to complete its updated 2021 scope of work in this area. SCE states that market pressures on labor, new labor contracts in 2021, increased controls and oversight requirements for contractors and new data tracking requirements increased SCE’s average pole-brushing cost per pole from \$16 per pole in 2019 to \$44 per pole in 2020 and further to \$92 per pole in 2021.¹⁴⁹

7.2.7. Light Detection and Ranging Inspections and Remediations

SCE states that it uses LiDAR technology to inspect select transmission and sub-transmission lines in accordance with FAC-003-4,¹⁵⁰ GO 95, Rule 35 and Pub. Res. Code Section 4293 to maintain appropriate clearances between SCE’s lines and vegetation.¹⁵¹

¹⁴⁸ Ex. SCE-01 at 112.

¹⁴⁹ Ex. SCE-01 at 113.

¹⁵⁰ North American Electric Reliability Corporation Transmission Vegetation Management Standard 003-4.

¹⁵¹ Ex. SCE-01 at 113.

LiDAR is a surveying inspection method that measures distance to a target by illuminating the target with pulsed laser light and measuring the reflected pulses with a sensor. Differences in laser return times are then used to make digital three-dimensional representations of field conditions at the time of survey. The data is then modeled against engineering information to determine the maximum sag and sway of the line in relation to the vegetation near those points. This form of inspection supplements the typical ground-based, visual vegetation management inspections to help maintain minimum clearance distances under maximum heat, wind, and load conditions. SCE provides LiDAR data to inspectors conducting foot patrols when available.

SCE states that in 2021 it inspected 1,590 transmission circuit miles using LiDAR and evaluated 245 distribution circuit miles for quality control or other purposes. SCE states that LiDAR implementation was a 2019 WMP initiative that was expanded when found to be successful.¹⁵²

7.2.8. Expanded Quality Control

SCE states that it increased its forecast costs for its quality control program for vegetation routine line clearing after filing A.19-08-013. SCE states that its A.19-08-013 forecast was inaccurate because SCE's quality control program was relatively new at that time. SCE states that its 2021 WMP forecast indicated SCE planned to perform quality control on 5,000 circuit miles of routine vegetation management between 2021 and 2022 but that in its review, Energy Safety encouraged SCE to perform quality control on additional miles. This resulted in SCE completing quality control inspections for vegetation routine line clearing

¹⁵² Ex. SCE-01 at 114.

for approximately 6,470 circuit miles in HFRA and approximately 2,570 non-HFRA circuit miles in 2021.¹⁵³

SCE recorded \$2,755,000 in its VMBA for distribution quality control costs in 2021, and \$466,000 for transmission quality control costs.¹⁵⁴

7.3. Small Business Utility Advocates' Position on Southern California Edison Company's Routine Vegetation Management Request

SBUA identifies a number of deficiencies regarding SCE's request for routine vegetation management incremental cost recovery for 2021 and recommends the Commission deny the majority of SCE's claimed incremental vegetation management costs. SBUA's objections focus on SCE's management of the 2021 vendor safety incidents and related SCE explanations for the reduced 2021 tree trim count as compared to 2020, at higher cost. SBUA contends that most of SCE's VMBA costs are not reasonable or supported by the record.

7.3.1. Contractor Stand-Down

As discussed above, SCE stood-down two tree trim and removal vendors in 2021 due to safety incidents. For one, "Vendor A," SCE's largest tree trim and removal vendor, two workers were injured in May 2021 when their rigging rope got caught in a wood-chipper.

SBUA argues that it was inappropriate for SCE, after it implemented a corrective action for Vendor A in mid-2021, to continue to require Vendor A to work at 50 percent capacity from August to the end of 2021. SBUA asserts that this choice resulted in SCE electing to employ significantly higher cost replacement vendors traveling from other areas. These replacement vendors

¹⁵³ Ex. SCE-01 at 114.

¹⁵⁴ Ex. SCE-03 at 115.

charged weekend, overtime and roaming rates significantly higher than those charged by Vendor A. In addition to paying higher rates, SBUA argues that SCE concurrently fell short on achieving its tree trim and tree removal targets, potentially impacting public safety.

SBUA argues that the extended stand-down of Vendor A did not increase overall safety performance of the tree trimming and removal vendors. SBUA contends that one replacement vendor had five safety incidents in the second half of 2021 and the second had ten safety incidents.¹⁵⁵ SBUA asserts that some of these incidents were very serious, but that neither replacement vendor was fully nor partially stood-down as a result, unlike Vendor A.

SBUA asserts that “[g]iven the cost, safety implications and importance of mitigating the backlog from slow progress earlier in the year and the environment scheduling issues, SCE has not demonstrated that customers should bear the cost of Vendor A’s extended partial stand-down.”¹⁵⁶

Regarding overall achievement of SCE’s 2021 vegetation management targets, and referring to confidential data, SBUA asserts that “SCE’s vendors were always performing fewer vegetation management mitigations than planned and at higher cost.”¹⁵⁷ According to SBUA, SCE’s choices regarding the contractor stand-down, and SCE’s mismanagement of its new Environmentally Sensitive Area layer, discussed in Section 7.5 below, exacerbated a problem that was already evident early in 2021 and were not reasonable.

¹⁵⁵ SBUA Opening Brief at 17.

¹⁵⁶ SBUA Opening Brief at 17.

¹⁵⁷ SBUA Opening Brief at 18.

7.3.2. Inadequate Estimation Method

SBUA contends that SCE provides inadequate evidence to enable a reliable estimate of the cost impact of SB 247. SBUA also critiques SCE's method of estimating the impact of SB 247, which SBUA characterizes as SCE reporting SCE's costs for classes of activities performed by workers covered by SB 247 both before and after enactment of the statute. SBUA asserts that SCE should not have retroactively assigned a fixed fraction of increased vegetation management costs to increases in base wages as a result of SB 247 (*i.e.*, as comprising 75 percent of vegetation management cost increases), as confidential data accessed by SBUA suggests this is inaccurate.¹⁵⁸ Confidential wage information cited by SBUA estimates a significantly lower percentage of the overall wage increase as directly attributable to SB 247.¹⁵⁹

7.3.3. Contract Negotiations

SBUA asserts that SCE fails to provide evidence that it was unable to influence the contract terms of the vegetation management contractors.¹⁶⁰ SBUA doubts SCE's assertion that it was unable to negotiate better contract terms throughout all of 2021. SBUA observes that SCE did, in fact, renegotiate contracts in June 2021 to move from a time and expense rate to a per-trim compensation structure. SBUA criticizes as misleading SCE's assertion that it saved approximately \$23 million in vegetation management costs as a result of this contract renegotiation compared with the unmodified contracts in place in the first half of 2021.¹⁶¹ SBUA asserts that SCE had a duty to negotiate the best

¹⁵⁸ SBUA Opening Brief at 20.

¹⁵⁹ SBUA Opening Brief (confidential) at 20, citing Ex. SBUA-05 (confidential) at 33.

¹⁶⁰ SBUA Opening Brief at 21.

¹⁶¹ SBUA Opening Brief at 21, citing Hearing Transcript at 17.

terms for ratepayers following the passage of SB 247, yet SCE's application does not demonstrate it having done so.

SBUA asserts that SCE knew new union contracts were being negotiated in late 2019 for finalization in early 2020 and therefore SCE should have included forecasts for increased 2021 wage costs in A.19-08-013, where the costs would have been more thoroughly reviewed. SBUA argues that instead SCE "excessively understated or incompetently forecasted its 2021 vendor costs."¹⁶²

7.3.4. Quality Control Program

SBUA also argues that Energy Safety did not require SCE to undertake more quality control review in 2021, it merely observed that it thought SCE was capable of doing so. SBUA contends that when SCE discovered additional delays and costs related to its safety stand-down and its implementation of its new Environmentally Sensitive Area layer, it should have foregone the increased quality control targets identified by Energy Safety.

SBUA also contends that the Commission in D.22-06-032 found that recovery of incremental costs for quality control work in non-HFRAs was out of scope, and therefore recovery of SCE's 2021 costs for such work is as well.¹⁶³

7.4. Southern California Edison Company's Response

SCE states that its 2021 vegetation management costs are reasonable.

Regarding its 2021 contractor stand-downs, SCE asserts that SBUA misinterpreted information in this area. SCE states that safety incidents for vendors called in to take on Vendor A's work during its extended safety stand-down did not increase as a result of these vendors' expanded work, nor

¹⁶² SBUA Opening Brief at 22.

¹⁶³ SBUA Reply Brief at 13.

were any of the incidents “serious,” as SBUA asserts. SCE states that it identifies different categories of safety incidents, which engender varying levels of responses. The “14 incidents reported by Vendor C and the 6 incidents reported by Vendor D involved minor injuries, close calls, and vehicle accidents and did not require extensive evaluation or prolonged stand-downs.”¹⁶⁴ SCE states:

In developing the return-to-work plan for Vendor A, SCE’s actions show a prudent balancing of securing and re-directing vendor resources to meet ongoing vegetation management-related regulatory compliance and wildfire risk mitigation obligations, as well as appropriate concern for contractor safety. There is no evidence to show that Vendors C, D, and E were negatively affected by this decision, or that SCE treated vendors inconsistently with respect to safety incidents. SCE’s actions following the safety stand-down were prudent and reasonable, allowing it to timely meet its compliance and safety obligations, while managing costs.¹⁶⁵

SCE asserts that SBUA does not provide evidence linking reduced trim volumes in 2021 to reduced public safety.

SCE argues that SCE’s SB 247 and related contractual rate increases have been previously litigated and found to be reasonable.

Further, SCE asserts that the prevailing wage requirements of SB 247 cannot be divorced from other union benefits. SCE argues that SB 247 not only resulted in wage increases but resulted in new or increased cost drivers in the areas of retirement, health plans, insurance, per diems, overtime rates, overhead, and vendor profits, amongst others.¹⁶⁶ SCE notes that tree-trimming vendors

¹⁶⁴ SCE Reply Brief at 25.

¹⁶⁵ SCE Reply Brief at 26.

¹⁶⁶ SCE Opening Brief at 26-27.

negotiated directly with local IBEW unions across California following the passage of SB 247 and developed collective bargaining agreements with the unions. Following the conclusion of the IBEW unions' negotiations with vendors in December 2019 and January 2020, SCE conducted a competitive bidding process to select tree-trimming vendors in 2021.¹⁶⁷ SCE contends that the increased wages for tree-trimmers forced upward pressure on wages for related occupations, which SCE notes SBUA has not contested.¹⁶⁸

SCE contends that SBUA has not provided evidence to counter SCE's assertion that, following the passage of SB 247, average rates for maintenance and deep trims increased by approximately 75 percent.¹⁶⁹ SCE further asserts that its confidential response to a SBUA discovery request demonstrates this by showing an average increase of 50 percent to 90 percent in standard vendor tree maintenance trim rates in 2021 after the passage of SB 247 and the revision of IBEW collective bargaining terms.¹⁷⁰

SCE observes that the Commission in D.22-06-032 authorized SCE to recover all incremental line clearing costs incurred in HFRA in 2020 and these costs included not only increased wage costs resulting from SB 247 but also contract negotiations more generally. SCE notes that it received additional authorization for recovery of non-HFRA SB 247-related costs in Res. E-5287,

¹⁶⁷ SCE Opening Brief at 25.

¹⁶⁸ SCE Reply Brief at 19; SCE Opening Brief at 26.

¹⁶⁹ SCE Reply Brief at 20.

¹⁷⁰ SCE Opening Brief at 26-27, citing Ex. SBUA-05 at 32-33.

approving AL 4881-E, and adopted September 21, 2023.¹⁷¹ SCE states that it used the same methodology to estimate the impacts of SB 247 in both filings.

SCE states that it could not have anticipated or included the SB 247-related costs in A.19-08-013 and there is no basis to deny recovery for these costs.

7.4.1. Discussion

We find reasonable SCE's 2021 incremental routine vegetation management costs as recorded in its VMBA. Although the costs represent a considerable three-fold increase in routine vegetation management O&M expenses as compared to those approved in D.21-08-036 (\$119.772 million),¹⁷² we find no evidence of inappropriate or unreasonable expenses in the record of this proceeding.¹⁷³ The preponderance of the evidence before us suggests SCE's incremental 2021 VMBA costs are reasonable. However, the Audits Branch audit found that SCE used an incorrect FF&U factor to compute the revenue request associated with its 2021 incremental vegetation management costs, resulting in an overstatement of FF&U costs associated with its VMBA account of \$41,074. SCE removed this amount from its revised request submitted on July 18, 2023 and this amount is disallowed.¹⁷⁴

We are unconvinced that SCE should have responded differently to Vendor A's safety incident and foregone the extended stand-down for this contractor in 2021. Safety is a priority and has costs. We are unable to discern

¹⁷¹ SCE Opening Brief at 29. This was authorized through SCE's "Z-Factor" mechanism, which includes nine evaluation criteria but excludes a \$10 million deductible. (See SCE Reply Brief at 21.)

¹⁷² D.21-08-036 at 169.

¹⁷³ Ex. SCE-01 at 105. SCE recorded \$363.7 million in 2021 routine vegetation management costs – more than three times the amount authorized in D.21-08-036.

¹⁷⁴ Ex. SCE-01E at 2E.

evidence for what would have been a more appropriate length of a stand-down and so conclude that SCE acted reasonably based on the information it had at the time.

We find unconvincing SBUA's assertion that SCE used an inappropriate method to calculate the total impact of SB 247 on contractor wages. SCE's estimate that contractor rates increased approximately 75 percent following the adoption of SB 247 aligns with the confidential information provided in Ex. SBUA-05.¹⁷⁵ We approved SCE's method of contractor wage calculation and related routine vegetation management costs in D.22-06-032 regarding 2020 costs. Using this method, SCE provided a summary of cost increases it directly attributes to SB 247 and those it does not; SCE does not attempt to argue that all increased 2021 vegetation management costs were a direct result of SB 247. We find SCE's method of calculating incremental contractor wage costs related to 2021 vegetation management activities to be reasonable.

We are not persuaded by SBUA's arguments that SCE could have and should have been able to negotiate different rates with trimming vendors in 2021 based on its monopoly position in the market. As SCE explains, IBEW unions negotiate their contracts directly with tree-trimming vendors and SCE then conducted a competitive bid process to select vendors. We fail to see how SCE may have driven down rates charged by these vendors as a result of union negotiations in areas that exceeded the scope of SB 247.

We disagree that it was inappropriate for SCE to record costs for routine vegetation management quality control work both in HFRA and outside of HFRA in its VMBA. Section 8386.3 prevents use of funds approved for WMP to

¹⁷⁵ Ex. SBUA-05 (confidential) at 32-33.

any activities or investments outside of the plan. However, SCE is requesting funds for these activities in A.22-06-003 in its VMBA, so the funding in question is not limited to HFRAs only. We also find it reasonable that SCE increased its quality control efforts in 2021 as urged by Energy Safety.

7.5. Vegetation Management Environmental Support Activities (Fire Risk Mitigation Memorandum Account)

SCE reports \$24.5 million in O&M expenses for conducting desk reviews and field support for vegetation management environmental reviews in 2021, as compared to approximately \$2 million forecast for these activities approved in D.21-08-036.¹⁷⁶ SCE states that it recorded the majority of these environmental support costs related to its vegetation management line clearing program in the FRMMA rather than the VMBA because D.21-08-036 authorized these costs separate from VMBA costs.¹⁷⁷

SCE states that it determined its incremental costs for environmental support for line clearing by comparing the recorded costs to the costs authorized in D.21-08-036 for Environmental Programs. SCE states that the \$24.5 million in environmental support costs related to vegetation management activities in 2021 includes \$16.7 million in O&M expense related to environmental support for routine line clearing, \$3.9 million in environmental support costs related to pole brushing, \$3.31 million in environmental support costs related to the Hazardous Tree Management Program, and \$0.58 million in environmental support costs related to SCE's Dead and Dying Tree Removal Program.¹⁷⁸ In total, SCE

¹⁷⁶ Ex. SCE-01 at 128.

¹⁷⁷ Ex. SCE-01 at 126. (See D.21-08-036 at 438, discussion of Business Planning Element.)

¹⁷⁸ Ex. SCE-01 at 128.

requests reasonableness review and authorization for recovery for \$15.96 million in FRMMA incremental O&M expenses in 2021¹⁷⁹ associated with vegetation environmental support activities and an implied \$6.54 million in 2021 VMBA O&M expenses for vegetation management environmental support activities.

SCE states that its vegetation management environmental support desktop activities encompass activities like intake, coordination, review, reporting, development and maintenance of geospatial data management and analysis tools using GIS systems, Special Use Permit tasks and agency permitting as well as field support activities such as surveys, monitoring and reporting.

SCE states that it estimates that environmental support work related to routine line clearing and pole brushing increased 260 percent from 2020 to 2021, with the associated number of desktop reviews for vegetation management work points increasing from 96,000 in 2020 to 246,000 in 2021 and for associated field support from 17,000 in 2020 to 50,000 in 2021. SCE states that environmental support costs for pole brushing were higher in 2021 than in previous years because of an additional volume of poles brushed, more poles requiring environmental support, and more work points on government lands and requiring agency notifications.

7.5.1. Small Business Utility Advocates' Position

SBUA argues that SCE's environmental support costs are not incremental or reasonable and should have been requested by SCE in A.19-08-013. As such, SBUA recommends that the Commission deny recovery of most of the \$22.5 million in environmental support incremental costs requested by SCE.

¹⁷⁹ See Table 1. (See also Ex. SCE-01 at 125, where SCE identifies a forecast of approximately \$2 million for environmental support of vegetation management activities in exhibits supporting SCE's A.19-08-013.)

SBUA criticizes the lack of any SCE workpapers detailing the cost overrun. SBUA asserts that SCE has confirmed that “the specific changes to the environmental schedule process . . . were not formally approved or reviewed in any CPUC proceedings or other regulatory or judicial processes,”¹⁸⁰ and criticizes that, despite this, work points for desktop reviews increased 260 percent from 2020 to 2021.¹⁸¹

SBUA asserts that SCE should have known about potential increased costs related to its new environmentally sensitive areas layer and should have included these in A.19-08-013. SBUA discusses the U.S. Forest Service Master Special Use Permits, which SCE identified as one of several triggers for increased permitting requirements necessitating changes to its environmentally sensitive area layer screening tool. But SBUA observes that the Master Special Use Permits were executed between December 2018 and March 2019 and address “small and remote” habitat areas. SBUA asserts that it is not clear how what it describes as “fairly routine and discrete changes” in the Master Special Use Permits could justify a multifold increase in direct review costs that could not have been anticipated and forecast in the GRC application. SBUA further argues that a doubling or tripling of work points does not explain the 12-fold increase in costs.¹⁸²

SBUA asserts that ratepayers should not fund SCE’s “botched” implementation of its new environmental review process. SBUA observes that SCE admits that the new process caused “sub-optimal scheduling” for vegetation

¹⁸⁰ SBUA Opening Brief at 10.

¹⁸¹ Ex. SCE-01 at 128.

¹⁸² SBUA Opening Brief at 11.

management contract crews.¹⁸³ SBUA points out that SCE admits that, “[p]rior to implementing the enhanced [environmentally sensitive area] layer, SCE’s Vegetation Management did not anticipate the level of operational impacts that resulted, and therefore did not conduct analyses of potential cost impacts on vegetation management.”¹⁸⁴ SBUA observes that while SCE initiated the expanded process early in 2021, SCE management did not notice the substantial increase in work points until April 2021. From this, SBUA concludes that increased environmental holds and delays related to the new process were not how SCE intended the process to run.

SBUA observes that SCE itself estimates that inefficient scheduling resulted in \$4 million to \$5 million in extra payments to 2021 vendors who charged for time to wait to perform work or making repeat visits as a result of the new environmental support review requirements.¹⁸⁵ SBUA observes that although SCE was able to reduce the direct cost impact of these delays in May 2021 by renegotiating a new payment structure with vendors so that some tasks would be billed on a per-trim or per tree-removal basis, SCE nonetheless still paid more per trim in 2021, and the pace of vegetation management work remained behind schedule. Despite these problems, SCE never considered reverting to its previous environmental review process, SBUA observes.¹⁸⁶ SBUA therefore concludes that the \$4 million to \$5 million in estimated cost impacts from the new process provided by SCE “dramatically undercounts the true cost

¹⁸³ SBUA Opening Brief at 13.

¹⁸⁴ SBUA Opening Brief at 13, citing Ex. SBUA-05 (confidential) at 16.

¹⁸⁵ SBUA Opening Brief at 13, citing Paper Hearing Response at 14-15.

¹⁸⁶ SBUA Opening Brief at 13.

of SCE's mismanagement of its environmentally sensitive area layer implementation."

Overall, SBUA concludes that SCE's new environmentally sensitive layer approach was "poorly conceived and deficiently implemented," and SCE's application is deficient in explaining how the new environmental review costs were spent and their reasonableness or incrementality.¹⁸⁷

7.5.2. Southern California Edison Company's Position

SCE states that it significantly increased its wildfire risk mitigation activities in 2018 and 2019, following Commission adoption of D.17-12-034, which imposed new line vegetation clearance requirements. SCE states that, as a result of D.17-12-034, SCE undertook deeper trims, producing a higher volume of work and triggering new agency and permitting requirements. The deeper trims resulted in expanded permit requirements from the U.S. Forest Service, including those related to the Endangered Species Act, the California Department of Fish and Wildlife, riparian areas and the Fish and Game Code, and new Local Coastal Plan permits.¹⁸⁸ SCE states that its new Environmentally Sensitive Area layer was designed to identify field work-points requiring additional review to ensure compliance with government requirements.

SCE states that it began implementing its Environmentally Sensitive Layer approach in late 2019 and then revised it three times in 2021. Implementation of the new layer resulted in some delays between inspection of an area and prescribing mitigation and release of the area for work, following an additional environmental review. SCE states that it undertook work to reduce cost impacts

¹⁸⁷ SBUA Opening Brief at 13.

¹⁸⁸ Ex. SCE-01 at 127.

of the process on crews, including developing and implementing a “late release” rate structure that compensated vendors at lower rates when higher volumes of work were bundled prior to release for trimming. SCE states that it implemented the new rate structure in June 2022, and estimates a net of \$23 million in savings from the “late release” approach as compared to the hourly time and expense rates in place prior to the contract renegotiations, despite the \$4 million to \$5 million cost of implementing the late release approach.¹⁸⁹

SCE states that it did not consider terminating its Environmentally Sensitive Area layer approach because this process was necessary to ensure SCE’s compliance with environmental laws and regulations.

7.5.3. Discussion

We find that SCE has sufficiently explained the reasons for its Environmental Support costs of \$24 million in 2021 to support wildfire mitigation and vegetation management. The preponderance of the evidence before us suggests that SCE’s 2021 Environmental Support costs of \$24 million recorded in SCE’s FRMMA are reasonable.

It is reasonable that it would take some time for SCE to adjust to the requirements of D.17-12-024 and to design and implement processes to ensure that, in so doing, SCE nonetheless continues to remain in compliance with federal, state and local environmental laws and regulations. We are not convinced by SBUA’s argument that SCE “should have known” that the process may have been imperfect when first implemented; it appears that once SCE realized this, it appropriately adjusted its vendor contracts to minimize additional costs caused by delays due to environmental screenings. We find

¹⁸⁹ SCE Opening Brief at 36.

unconvincing SBUA's emphasis on the U.S. Forest Service Master Special Use Permit requirements. SCE provides clear examples of additional environmental permitting requirements that it had to update and incorporate into its Environmentally Sensitive Area layer. SBUA does not acknowledge or discuss these additional requirements.

We also find reasonable SCE's explanation of why SCE was not able to correctly forecast the increased costs, which is that SCE only completed and launched the new process at the end of 2019. It seems reasonable that forecasts of additional costs may not have been well understood until the process was implemented, resulting in complexities in the field and in vendor management.

We find that SCE managed these complexities in a reasonable manner, including renegotiating contract structures, resulting in net cost savings to implementation of the new procedure.

We find reasonable SCE's Environmental Support costs in 2021 and authorize SCE to recover its FRMMA 2021 incremental O&M expenses of \$15.96 million and its VMBA 2021 incremental O&M expenses of approximately \$6.54 million incurred in this program area.

7.6. Technology Solutions

SCE states that it incurred \$10.99 million in capital expenditures and \$0.63 million in O&M expenses for an "Arbora" integrated vegetation management software solution in 2021.¹⁹⁰ SCE states that it launched Arbora in late 2020 with a focus on integrating its Dead and Dying Tree Removal Program data into the software. In 2021, SCE integrated its Hazardous Tree Management Program data into the Arbora system and started planning to integrate

¹⁹⁰ Ex. SCE-01 at 130.

pole-brushing data and routine and non-routine vegetation management program data into Arbora in 2022 and 2023.

Cost areas in 2021 associated with this expense included SCE professional services, contractor and vendor implementation support, software licenses, operational maintenance and support. SCE states that licensing fees include costs for the application and platform licenses and vendor support.¹⁹¹

SCE recorded costs for the Arbora Integrated Vegetation Management software solution in its WMPMA Enhanced Operational Practices costs category, discussed in Section 6.4 above.¹⁹² SCE's 2021 WMP discusses the Arbora system.¹⁹³

7.6.1. Small Business Utility Advocates' Position

SBUA asserts that SCE has not demonstrated that its 2021 vegetation management technology costs are incremental. SBUA recommends that the Commission disallow \$11.20 million in Vegetation Management Technology Solutions costs, including all 2021 capital expenditures for the Arbora vegetation management technology system (\$10.99 million) and \$220,000 in consulting, labor and licenses for a similar Survey123 software system.

SBUA relates that the Commission in D.22-06-032 denied SCE recovery for the Survey123 vegetation management technology system because the Commission concluded that the Survey123 system was only needed because SCE had imprudently sole-sourced a "Clearion" vegetation management technology

¹⁹¹ Ex. SCE-01 at 130.

¹⁹² Ex. SCE-01 at 130, fn. 187.

¹⁹³ SCE, "2021 Wildfire Mitigation Plan Update (Revision)," available as of October 19, 2023 at: <https://www.sce.com/sites/default/files/AEM/Wildfire%20Mitigation%20Plan/2021/SCE%202021%20WMP%20Update%20Revision%20-%20CLEAN.pdf>.

system in 2018, which failed to function as expected.¹⁹⁴ SBUA also observes that the Commission denied SCE's recovery of "any additional capital funding" for the Arbora system for 2020, related to a lack of incrementality showing.¹⁹⁵

SBUA further contends that SCE did not distinguish between routine and non-routine vegetation management funding in its application in A.22-06-003. SBUA contends that the Commission has previously concluded that routine vegetation management functionalities were expected to be delivered by Clearion, which failed. SBUA argues that SCE should not be approved for further recovery for routine vegetation management functionality in 2021, which SBUA argues the Arbora software represents.

7.6.2. Southern California Edison Company's Position

SCE contends that its 2021 Survey123 costs proposed for recovery in A.22-06-003 are not related to Clearion and are reasonable. The \$220,000 in Survey123 costs were recorded to SCE's Enhanced Overhead Inspection program, SCE states. SCE also objects to SBUA first raising this concern in its Opening Brief.¹⁹⁶

SCE contends that its 2021 Arbora capital expenditures are broader in scope than the routine vegetation management functionalities identified for Clearion and approved in 2018 and are reasonable. SCE states that, although it disagrees with the Commission's denial in D.22-06-032 of costs for functionalities Clearion was intended to perform, and with its finding that purchase of Clearion was imprudent, the Commission has already denied recovery of more than

¹⁹⁴ SBUA Opening Brief at 6-9, referencing D.22-06-032 at 66-78.

¹⁹⁵ SBUA Opening Brief at 7-8.

¹⁹⁶ SCE Reply Brief at 35.

\$16 million related to Arbora and Survey123, which is significantly more than SCE was authorized for Clearion in D.19-05-020.¹⁹⁷

7.6.3. Discussion

The Commission in D.22-06-032 denied SCE's request for additional recovery of funds for vegetation management technology solutions in 2020 based on a lack of showing of incrementality.¹⁹⁸ However, as discussed in Section 5.4 above, this decision accepts SCE's incrementality showing as adequate.

D.22-06-032 found that Arbora, as implemented by SCE in 2020, had a "broader scope and wider functionality" than was intended for the Clearion system discussed by SBUA in its comments. As discussed in D.22-06-032, the Clearion system was intended primarily to support routine vegetation management. SCE states that its 2021 Arbora activities primarily consisted of integrating SCE Hazardous Tree Management Program data into Arbora to add to data added earlier regarding SCE's Dead and Dying Tree Removal Program, which SCE added into Arbora in 2020. Neither program is categorized as "routine vegetation management" in SCE's application. SCE states that additional fourth quarter 2020 Arbora work and 2021 work included developing designs for integrating pole brushing, routine and non-routine program data with the previously added data. Thus, apparently only a small amount of SCE's 2021 Arbora expenses supported integrating routine vegetation management programs into the system, the functionality that Clearion had been expected to deliver.

¹⁹⁷ SCE Reply Brief at 37.

¹⁹⁸ D.22-06-032 at 77.

We also note that SBUA does not dispute SCE's claim that we have thus far disallowed over \$16 million in costs related to disallowances stemming from the original Clearion purchase, an amount that exceeds funds approved for that technology solution.

Therefore, we find SCE's 2021 capital expenditures and O&M expenses to implement the Arbora system to be reasonable and approve these for recovery.

**8. Future Wildfire Mitigation Plan
Memorandum Account and Fire Risk Mitigation
Memorandum Account Applications**

Review of this application was slowed by SCE's method and timing of presenting information. Until SCE served Ex. SCE-03R on December 6, 2023, SCE had not provided information with which the Commission and parties could easily review SCE's authorized 2021 activities and related costs, actual 2021 expenditures and other information. To promote transparency, SCE should improve its provision of easily comparable information in the future.

Additionally, SCE did not provide "Risk Spend Efficiency" (RSE) ratios in its application for any program or activity areas. RSEs are a ratio that reflect the relative ranking of risks. We have stated earlier in the context of review of SCE's GRC application that this requirement supports our evaluation of the trade-offs associated with shifting funds between programs.¹⁹⁹ We believe that SCE should provide this information in future WMPMA and FRMMA applications to support its request for reasonableness review, to the extent possible.

D.18-12-014 provides that the utilities are to provide a ranking of proposed mitigations by RSE as part of their GRC submission.²⁰⁰ In D.22-12-027, we

¹⁹⁹ D.21-08-036 at 32.

²⁰⁰ D.18-12-014, Attachment A at A-14.

extended the requirement to develop RSEs from mitigations, proposed by utilities to address risks, to “controls,” which are programs or activities required by statute, regulations or prior Commission decisions.²⁰¹ Energy Safety requires electric utilities to provide RSEs in their WMPs.²⁰²

D.22-12-027 updated the requirement to provide RSEs to instead require that utilities develop and provide “Cost-Benefit Ratios” (CBR) for relevant risks.²⁰³ CBRs (and RSEs) are developed by “tranches” of assets or systems sharing like characteristics. An individual tranche may include multiple projects, programs or activities. Alternatively, some programs, projects and activities may span multiple tranches.²⁰⁴

SCE has experience developing and using RSEs as a decision-support tool.²⁰⁵ In 2019 and then again in 2022, SCE filed Risk Assessment and Mitigation Phase (RAMP) applications containing RSEs for proposed and alternative mitigations. D.21-08-036 notes that SCE’s GRC application provides and discusses RSEs for a variety of mitigations.²⁰⁶

RSEs are not the only information this Commission relies upon to determine appropriate funding levels. Other considerations like permit

²⁰¹ D.21-11-009, OP 1.c.

²⁰² See Energy Safety 2023-2025 Wildfire Mitigation Plan Technical Guidelines (December 6, 2022) at 65-66, available as of November 30, 2023 at: <https://efiling.energysafety.ca.gov/Lists/DocketLog.aspx?doctetnumber=2023-2025-WMPs>.

²⁰³ D.22-12-027 at 2.

²⁰⁴ D.22-12-027, Attachment A at A-13 (Row 14).

²⁰⁵ See Safety and Policy Division webpage regarding SCE RAMP filings, available as of November 30, 2023 at: <https://www.cpuc.ca.gov/about-cpuc/divisions/safety-policy-division/risk-assessment-and-safety-analytics/risk-assessment-mitigation-phase/sce-ramp>.

²⁰⁶ D.21-08-036 at 31-32.

requirements and availability of personnel may be key considerations.²⁰⁷

However, as stated in D.21-08-036, providing RSEs should always be the default when the Commission is considering wildfire mitigation management activities:

As a general matter, RSEs provide a useful point of comparison regarding the cost-effectiveness of proposed mitigations belonging to the same risk tranche and . . . *the default should always be for a utility to provide RSE calculations for its proposed mitigations . . .*²⁰⁸

This direction is consistent with the Commission's Resolutions adopting the 2020 WMPs, which found that 'RSE calculations are critical for determining whether utilities are effectively allocating resources to initiatives that provide the greatest risk reduction benefits per dollar spent, thus ensuring responsible use of ratepayer funds,'²⁰⁹ and that SCE's '2020 WMP is lacking in this regard.'²¹⁰

D.21-08-036 goes on to state:

While we are cognizant that RSEs are not the only factor in the development and consideration of a prudent risk mitigation plan (which may be influenced by other factors, such as labor resources, technology, compliance requirements, planning and construction lead time, *etc.*), it is SCE's responsibility to clearly and transparently explain its rationale for selecting the type and scale of risk mitigations, including how RSE calculations were considered.²¹¹

SCE's application in the instant proceeding does not include or discuss RSEs or CBRs. To be clear, the Commission has not in previous decisions specifically required the inclusion of RSEs or specific risk-benefit calculations in

²⁰⁷ D.18-12-014 at Appendix A, Row 26. (See also D.22-12-027 at Appendix A, Row 26.)

²⁰⁸ D.21-08-036 at 38, emphasis added.

²⁰⁹ D.21-08-036 at 38, citing to Res. WSD-002 at 20.

²¹⁰ D.21-08-036 at 38, citing to Res. WSD-002 at 27.

²¹¹ D.21-08-026 at 38.

WMPMA filings. But we believe that having this information in the future, to the extent feasible, would assist us in reviewing SCE's WMPMA and FRMMA applications. Because D.18-12-014 and D.22-12-027 require preparation of RSEs and CBRs by tranche, SCE should use its discretion to determine the level of program or activity aggregation at which to provide the requested information.

This decision adopts the following information requirements for future SCE WMPMA or FRMMA applications. SCE shall include in such applications or accompanying opening testimony:

- a. One or more tables summarizing program and activity costs authorized in the relevant GRC (or other relevant application) decision, imputed as necessary, with page numbers, compared to actual expenditures and expenses, at the program and activity level, including, for WMPMA applications, references with page numbers to the inclusion of the program or activity in the relevant WMP;
- b. A RSE or CBR reflecting the total costs and benefits of a given program and activity, to the extent feasible, with total costs reflecting costs authorized in the relevant GRC decision, imputed as necessary, and costs requested for recovery in the application; and
- c. A detailed explanation for each program and activity of why the relevant GRC forecast did not foresee the incremental costs for which reasonableness review and authorization for recovery is requested.

While these requirements are appropriate for future SCE WMPMA and FRMMA applications, we intend also that Rulemaking (R.) 20-07-013 may consider the applicability of these or similar approaches to all electric investor-owned utilities.

Additionally, in its motion to admit Ex. SCE-03R into evidence, filed by SCE at the close of the proceeding, SCE discloses additional information about

the details of its “portfolio approach” to calculating incrementality.²¹² SCE states in its motion that it took a “principled approach” to estimating incrementality at the portfolio level. We disagree for the reasons discussed below and direct SCE to avoid using the approach it describes in future filings.

In response to a November 28, 2023 Assigned ALJ procedural email requesting SCE to resubmit Ex. SCE-03 to “show the claimed incremental expenditures associated with the many sub-areas” of SCE’s program areas, SCE served Ex. SCE-03R on December 6, 2023 and concurrently filed a motion to enter the exhibit into the record. In its motion SCE explains, for the first time, additional details about its method to calculate incrementality of spending at the portfolio level. SCE explains that:

SCE has updated Exhibit SCE-03 to provide the incremental spend above GRC-authorized amounts for each GRC Activity in the Column titled “Amount Incremental to GRC Authorized.” Additionally, in the Column titled “Amount Transferred Under Portfolio Incrementality Approach,” SCE provides the amount associated with each GRC Activity that was actually recorded as an incremental cost in the Wildfire Mitigation Plan Memorandum Account (WMPMA), the Fire Risk Mitigation Memorandum Account (FRMMA), and the Vegetation Management Balancing Account (VMBA). Both Columns sum to the same total costs and result in the same total claimed incremental amounts within each memorandum or balancing account [footnote 2 in original omitted]. However, the amounts differ at the GRC Activity level because the “Amount Transferred Under Portfolio Incrementality Approach” column reflects the impact of offsetting underspends in one wildfire-related GRC Activity with overspends in another wildfire-related GRC Activity before the funds are transferred to the respective memorandum or balancing account [footnote 3 in original

²¹² SCE Motion to Admit Exhibits into Evidence, December 6, 2023.

omitted]. This is consistent with the portfolio incrementality approach set forth in SCE's direct testimony, Exhibit SCE-01, and ensures that amounts authorized to implement wildfire-related activities are used for that purpose and not diverted to non-wildfire activities, in accordance with statute. The "Amounts Incremental to GRC Authorized" column does not reflect this offsetting of overspends and underspends at the GRC activity level, but mathematically results in the same incremental amount when each underspend and overspend is summed together on the Total lines [footnote 4 omitted].²¹³

Footnote 3 in SCE's motion further discloses SCE's reasoning around its approach:

Incrementality calculations are performed at the portfolio level. Wildfire costs are tracked monthly relative to the GRC-authorized amounts. Once costs exceed total GRC-authorized at the portfolio level, the eligible incremental recorded amounts are tracked in the respective wildfire or vegetation management accounts (*e.g.*, WMPMA, FRMMA or VMBA). Through this *principled approach*, SCE avoids choosing which wildfire-related GRC activities become subject to reasonableness review and instead includes all activities for review in its Application.²¹⁴

Despite SCE's explanation, we do not *a priori* agree that SCE's approach as described here is more principled or better than other potential approaches. Indeed, we see SCE's approach as described as reducing rather than adding transparency to our review of claimed incremental costs. SCE's approach of not showing how recorded costs by activity and sub-activity compare to GRC-authorized costs obscures which activities and sub-areas are exceeding their GRC forecasts or authorized costs. In this way, SCE's approach would seem to decrease rather than increase incentives for managers to control and

²¹³ SCE Motion to Admit Exhibits into Evidence, December 6, 2023 at 2-3.

²¹⁴ SCE Motion to Admit Exhibits into Evidence, December 6, 2023 at 2-3.

reduce costs in approved program areas. By, in this way, apparently removing incentives to cap, control or reduce costs, SCE's approach strikes us as creating an internal incentive structure that may undermine rather than advance a prudent manager orientation. Although SCE may record costs in the memorandum accounts in this manner to avoid diverting funds, SCE should present the costs in future cost recovery applications so that recorded costs can be compared to GRC-authorized costs on an activity-by activity basis and on a program-by-program basis, imputing authorized costs as necessary.

SCE states that through its approach it "avoids choosing which wildfire-related GRC activities become subject to reasonableness review and instead includes all activities for review in its Application."²¹⁵ We disagree with SCE that this approach as described enhances transparency and the Commission's ability to efficiently conduct a robust reasonableness review of claimed incremental costs. SCE's approach in A.22-06-003 consists of SCE's presentation of all SCE wildfire mitigation and VMBA activities as if all activities and sub-activities were equally important in mitigating wildfire risks and all activities and sub-activities had incurred costs beyond their forecasts. This approach appears to us to decrease transparency and render determinations of reasonableness and incrementality more rather than less difficult.

In future WMPMA or FRMMA applications, SCE shall refrain from presenting its authorized and actual costs using the method described in its December 6, 2023 motion and summarized here. Instead, SCE must clearly indicate, as described in the above requirements for future WMPMA and FRMMA applications, the forecast and/or authorized costs by program and

²¹⁵ SCE Motion to Admit Exhibits into Evidence, December 6, 2023 at 2-3.

activity as compared to actual costs, by program and activity.²¹⁶ SCE's requests for determinations of reasonableness and incrementality must highlight those program and activity areas that have exceeded forecast and/or authorized costs.

9. Recovery in Distribution Rates

SCE seeks authority to recover its recorded incremental 2021 capital expenditures and incremental 2021 O&M expenses in distribution rates in the BRRBA for recovery over a 12-month period. SCE projects rate increases of between 0.9 percent and 2.1 percent across customer types and bill impacts of 2.1 percent for both CARE and non-CARE customers for this action.²¹⁷

SCE also seeks authorization to record and transfer the ongoing revenue requirement, as of each December 31, for the 2021 capital expenditure amount approved in this decision from the WMPMA to the distribution subaccount of the BRBBA 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.²¹⁸

SBUA objects that SCE does not provide any testimony on the rate impacts of the proposed 12-month amortization period. SBUA asserts that, given the size of this request, SCE should have provided an assessment of the impact of these costs, together with other costs anticipated over the coming 12 months, on the rates charged to various classes, including small business customers. SBUA argues that the Commission's Environmental and Social Justice Plan 2.0 requires that the Commission prioritize assessing and reducing the rate burden on

²¹⁶ See D.19-04-020, Attachment 2 at 3 for the definition of program applied here.

²¹⁷ Application at 18.

²¹⁸ Ex. SCE-01 at 148.

low-income customers. SBUA contends that further analysis is required to determine the reasonableness of the proposed amortization period.²¹⁹

9.1. Discussion

SCE included an analysis of the rate and average bill impacts of its request in its application. We find SCE's rate and bill impacts analysis to be sufficient. While the additional analysis suggested by SBUA could be helpful, SBUA did not present evidence on these topics, for instance as gleaned in a data request.

We find SCE's proposed amortization period and proposal to record and transfer the ongoing revenue requirement associated with the approved 2021 capital expenditures in this decision to the BRBBA 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 to be reasonable and authorize these approaches.

As approved in this decision, SCE is authorized to recover through distribution rates the revenue requirement associated with the: (a) approved WMPMA incremental capital expenditures for 2021 of \$76.43 million; (b) approved 2021 WMPMA incremental O&M expenses of \$99.27 million; (c) approved 2021 FRMMA incremental O&M expenses of \$15.96 million; and (d) approved 2021 VMBA incremental O&M expenses of \$212.79 million. SCE is authorized to transfer these amounts, plus interest and franchise fees and uncollectibles, to the distribution subaccount of the BRRBA for recovery in distribution rates over a 12-month period starting with the next regularly scheduled consolidated revenue requirement and rate change following issuance of this decision or as soon as practicable. SCE is also authorized to record and

²¹⁹ Ex. SBUA-01 at 8.

transfer the ongoing revenue requirement, as of each December 31, for the 2021 capital expenditure amount approved in this decision from the WMPMA to the distribution subaccount of the BRBBA 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.

10. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the “Public Comment” tab of the online Docket Card for that proceeding on the Commission’s website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

Thirty-three public comments opposing the Application were submitted. No commenter supported the Application. Comments included the following:

- a. Cost of living is already high in California and has only been raised even higher due to inflation. People simply cannot afford their basic needs.
- b. People on fixed income already have a hard time with inflation and electric rates are going to rise with the rise in the cost of energy.
- c. ***Please do not approve the rate increase*** As a retired veteran and on a fixed income, this increase will compound into a fiscal burden.
- d. [P]lease deny this application and the myriad of others that have come before and will come. Utilities need to run efficiently, just like all of us have to run our households efficiently.
- e. Seems to me SCE should of and could of made necessary implementation years prior to 2021 but chose not [to] until something happen[ed].
- f. These rate increases are difficult to understand, and the information found in the fliers and here do not help. I

understand rate increases can be necessary, but please give us folks paying the bills explanations we can understand.

11. Comments on Proposed Decision

The proposed decision of ALJ Cathleen A. Fogel in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3. SCE filed comments on the proposed decision on February 22, 2024 and SBUA filed comments on February 23, 2024. SCE and SBUA filed reply comments on February 27, 2024.

Comments by SCE persuade us that the proposed decision had misinterpreted or overlooked some of the information provided by SCE in its application regarding its 2021 Aerial Suppression Program and for this reason the final decision restores recovery approval for this program. First, the proposed decision states that six of 56 wildfires addressed by the helicopter resources had been located outside of SCE territory. Instead, just one of the 56 wildfires addressed by the aerial resources in 2021 was located outside of SCE service territory, in Northern California. Additionally, SCE's comments point to record information that SCE's lease agreement with the local county firefighting agencies entailed that SCE did not fund the standby costs during the period the helicopters were deployed outside of SCE service territory.

Second, the proposed decision erred in indicating that SCE had funded deployment costs for wildfires not started by SCE within its service territory. Instead, all deployment costs for the helicopters were funded by the local county fire fighting agencies; SCE only funded standby costs. Third, and relatedly, SCE's comments point to record information that clarifies that the local county fire agencies were "solely responsible for the safe and lawful operation and use of the Fire Suppression Assets, including all decisions regarding deployment, maintenance, basing and positioning, pilot readiness, and ground support," and

assert, persuasively, that this arrangement was in fact beneficial to ratepayers as it limited SCE's potential liability/risk exposure.²²⁰

Finally, SCE clarifies in comments that it had, in fact, included information in the record of the potential costs of unsuppressed wildfires against which to weigh the costs of the Aerial Suppression Program.²²¹ Once identified, we found the magnitude of these potential costs of unsuppressed wildfires to be supportive of SCE's Aerial Suppression Program.

Regarding requirements for future WMPMA and FRMMA applications, SCE's comments on the proposed decision convinced us to modify the final decision to refer only to the presentation of costs in future applications, not the method of recording costs to memorandum accounts. This is reasonable to avoid confusion.

However, we disagree with the implication SCE makes when discussing its concerns with the decision's guidance regarding presentation of costs in future WMPMA and FRMMA applications. SCE states that it supports the proposed decision's directive "to the extent it requires the utility to present GRC-authorized amounts consistent with how they are actually authorized in the relevant GRC decision (*i.e.*, at the GRC-activity level) and not at *some imputed* or estimated sub-activity level, since SCE generally is not authorized funds at this level."²²²

SCE regularly provides imputed authorized cost levels at the program/GRC sub-activity level in the Risk Spending Accountability Reports

²²⁰ SCE Opening Comments on Proposed Decision at 8.

²²¹ SCE Opening Comments on Proposed Decision at 11, citing to Paper Hearing Responses at 8.

²²² SCE Opening Comments on Proposed Decision at 12, emphasis added.

(RSARs) required in D.19-04-020, and submitted annually by SCE.²²³ Further, D.19-04-020 requires SCE to provide the required authorized cost levels at the GRC sub-activity/program level,²²⁴ not only at the GRC activity level. As wildfire risk reduction measures, all measures and activities included in WMPMA and FRMMA applications would be expected to align with these requirements.

Therefore, to remove any ambiguity about our requirements about the presentation of authorized and actual costs in SCE's future WMPMA and FRMMA applications, we have revised the final decision to specify that SCE shall provide the required cost information at both the activity and at the program/sub-activity level, imputing the costs as necessary. This is reasonable as SCE is already required to provide this information in its annual RSAR submittals and providing this information in future WMPMA and FRMMA applications will add transparency and aid our review.

12. Assignment of Proceeding

Genevieve Shiroma was the assigned Commissioner and Cathleen A. Fogel is the assigned ALJ in this proceeding.

Findings of Fact

1. With respect to individual uncontested issues in this proceeding, we find that SCE has made a prima facie just and reasonable showing, unless otherwise stated in this decision.

²²³ See Commission Risk Spending Accountability Reports website, available as of February 28, 2024 at: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/risk-spending-accountability-reports>.

²²⁴ D.19-04-020, Attachment 2 at 3.

2. SCE requests reasonableness review and authorization for recovery for \$97.52 million in 2021 WMPMA capital expenditures. This amount includes \$21.09 million in CWIP.

3. SCE requests reasonableness review and authorization for recovery for \$99.27 million in 2021 WMPMA O&M expenses.

4. SCE requests reasonableness review and authorization for recovery of \$15.96 million in 2021 FRMMA O&M expenses.

5. SCE requests reasonableness review and authorization for recovery of \$212.79 million in 2021 VMBA O&M expenses.

Audits Branch Audit and SCE's Incrementality Showing

6. The Audits Branch completed an audit of SCE's 2021 WMPMA, FRMMA and VMBA accounts in 2023 in which the auditors verified SCE's methodology for determining incremental costs, evaluated SCE's internal controls, conducted interviews, observed transactions, performed walkthroughs, judgmentally selected and tested transactions, assessed the reliability of data from SCE's accounting system, examined extracted reports, traced data between differing report formats to verify completeness, traced expenditures recorded in SCE's accounting records to supporting documentation for selected samples to determine whether costs were accurate and attributable to SCE's respective balancing or memorandum account and supported by appropriate source documents and incurred in compliance with applicable Commission directives, orders, rules, regulations, and verified that the activity in question occurred for a subset of samples by reviewing daily tree logs, using Google maps and conducting onsite inspections to confirm trees were trimmed, confirming images of work performed for pole brushing and verifying aerial inspection images.

7. The Audits Branch audit found that SCE did not substantiate requested FRMMA expenditures of \$120,036, thereby overstating the cost recovery request.

8. The Audits Branch audit found that SCE utilized an incorrect FF&U factor to compute the requested total revenue requirement in its original request. SCE used the FF&U factor of 1.1254 percent from D.19-05-020 instead of utilizing the FF&U factor of 1.1061 percent from D.21-08-036, thereby overstating its total revenue requirement by \$63,807 for the WMPMA, FRMMA and VMBA accounts collectively.

9. The Audits Branch audit found that SCE's capital related revenue requirement of \$21,091,955 classified as CWIP was unsubstantiated because this amount will be determined once CWIP is transferred to Plant-in-Service as capital additions.

10. The Audits Branch audit found no other anomalies such as duplicative or inappropriate cost claims in its investigation of whether SCE's 2021 WMPMA, FRMMA, and VMBA expenses and capital expenditures were sufficiently supported, incremental in nature and directly attributed to the designated accounts in compliance with statute and Commission requirements.

Construction Work-in-Progress

11. SCE in this application does not describe or provide evidence that the assets associated with \$21,091,955 in incremental 2021 CWIP capital-related expenditures it requested reasonableness review of and authorization for recovery of have entered into service.

12. SCE states in A.23-10-001 that it has substantiated these 2021 CWIP capital expenditures in A.23-10-001.

Targeted Undergrounding

13. SCE recorded 2021 capital expenditures of \$6.61 million for targeted undergrounding work where SCE replaced approximately four miles of overhead lines with six miles of undergrounded lines as well as for planning and designing of installations that were estimated to be completed in the years 2022, 2023, and 2024.

14. Forty-seven percent of SCE's 2021 targeted undergrounding recorded costs are for undergrounding assets that SCE stated would be completed in 2022 and beyond.

15. There is no evidence that SCE should have undertaken more than six miles of undergrounding in 2021 in excess of SCE's forecast approved for this activity in D.21-08-036.

Enhanced Operational Practices

16. SCE recorded \$118.34 million in O&M expenses and \$135.54 million in capital expenditures for Enhanced Operational Practices in 2021.

17. Enhanced Operational Practices consists of inspections, remediations, and HFRI technology solutions.

18. There is no evidence that SCE recorded duplicative or disallowed Enhanced Operational Practices in its WMPMA in 2021.

Public Safety Power Shutoff

19. SCE recorded \$14.51 million in capital expenditures and \$58.12 million in O&M expenses for PSPS-related activities in 2021.

20. PSPS cost centers include PSPS customer support, PSPS execution activities including an incident management team, and PSPS technology solutions.

21. A.22-06-003 is not the appropriate venue to litigate the quality of SCE's PSPS post-event reports.

22. The record before us does not allow us to identify the extent of SCE's incident management team's involvement with PSPS post-event reporting.

Aerial Suppression

23. SCE established a MOU funding agreement with several county fire agencies pursuant to which in 2021 SCE funded standby costs for helicopters and the fire agencies paid for flight time when the helicopters were used to fight fires.

24. SCE funded four aircraft and support resources (a fuel truck, maintenance staff, and equipment) for aerial suppression work in 2021. These resources completed 1,369 drops on 56 different fire incidents in 2021, one of which was located outside of SCE service territory in Northern California.

25. SCE funded aerial suppression resources in 2021 to reduce wildfire risk to SCE customers from fires that have the potential to threaten SCE infrastructure if not suppressed, to reduce risks to SCE infrastructure, and to reduce risks to SCE customers from wildfires potentially ignited by SCE infrastructure.

26. SCE's application includes a description of four incidents within SCE territory in 2021 that may have threatened SCE infrastructure without the early deployment of the aircraft.

27. SCE did not have exclusive use of the helicopters funded through its 2021 Aerial Suppression program, but local county fire agencies were solely responsible for the safe and lawful operation and use of the fire suppression assets, including all decisions regarding deployment, maintenance, basing and positioning, pilot readiness, and ground support.

28. SCE explained that its reasoning for funding four helicopters was based on county fire agencies' proposals. SCE did not provide an analysis of the merits of

purchasing versus leasing the helicopters for standby purposes but did explain the rationale of limiting potential liability through the leasing structure.

29. SCE's 2021 Aerial Suppression program generally contributed to avoiding or quickly suppressing wildfires that threatened SCE infrastructure in 2021, potentially avoiding significant infrastructure repair and replacement costs such as those incurred as a result of wildfires during the 2017 to 2020 period.

30. SCE has sufficiently justified the \$17.55 million it incurred for Aerial Suppression costs in 2021.

Routine Vegetation Management

31. D.21-08-036 authorized \$178.98 million for SCE 2021 vegetation management expenses, authorized SCE to seek recovery up to 115 percent of authorized 2021 vegetation management costs via advice letter and required an application for recovery authorization of any additional costs.

32. Starting in 2019, SCE expanded its routine vegetation management program beyond the compliance activities required pursuant to GO 95, Rule 35, and Pub. Res. Code Sections 4292-4293 to mitigate wildfire risks more proactively.

33. SCE filed A.19-08-013 on August 30, 2019, prior to SB 247's enactment. A.19-08-013 did not reflect the requirements of SB 247.

34. SB 247 specifies qualifications for electric line clearance tree trimmers performing work to comply with the vegetation management requirements in a utility's WMP and requires that all qualified line clearance tree trimmers or trainees under the direct supervision and instruction of qualified line clearance tree trimmers be paid not less than a first period apprentice electrical utility lineman.

35. D.17-12-024 required utilities to comply with new clearance requirements in Tier 3 HFTD by September 30, 2018, and in Zone 1 and Tier 2 HFTD by June 30, 2019. D.17-12-024 did not consider or adopt any new regulations with respect to non-HFTD areas.

36. SCE contractors experienced two significant safety events in 2021, which led SCE to implement safety stand-downs.

37. SCE initiated an Areas of Concern program in 2020, after it filed A.19-08-013, through which SCE identified 17 localized regions where it believed there is a higher potential for a significant fire to occur based on several criteria.

38. In 2021, SCE implemented an expanded customer notification procedure regarding instances when SCE had to enter onto customers' properties and perform more complicated vegetation trims or removals.

39. In 2021, SCE expanded work on the enhanced vegetation clearance requirements adopted in D.17-12-024, which resulted in additional traffic control activities.

40. SCE's pole-brushing program removes vegetation at the base of poles to reduce the chance of ignition or fire-spread. SCE's 2021 WMP expanded SCE's pole-brushing program. SCE's average pole-brushing cost per pole increased from \$16 per pole in 2019 to \$44 per pole in 2020 and further to \$92 per pole in 2021.

41. SCE used LiDAR technology in 2021 to inspect select transmission and sub-transmission lines, in accordance with FAC-003-4, GO 95, Rule 35, and Pub. Res. Code Section 4293, to maintain appropriate clearances between SCE's lines and vegetation.

42. Energy Safety feedback on SCE's 2021 WMP forecast for quality control for vegetation management routine line clearing encouraged SCE to perform quality control on additional miles to the 5,000 proposed by SCE.

43. SBUA does not provide evidence linking reduced trim volumes in 2021 as a result of contractor safety stand-downs to reduced public safety.

44. SCE's SB 247 and related contractual rate increases have been previously litigated and found to be reasonable.

45. Tree-trimming vendors negotiated directly with local IBEW unions across California following the passage of SB 247 and developed collective bargaining agreements directly with the unions.

46. Following the conclusion of IBEW unions' negotiations with vendors in December 2019 and January 2020, SCE conducted a competitive bidding process to select tree-trimming vendors. Those rates were incorporated into 2020-2021 contracts.

47. SCE's confidential response to a SBUA discovery request demonstrates an average increase of 50 percent to 90 percent in standard vendor tree maintenance trim rates in 2021 after the passage of SB 247 and related revision of IBEW collective bargaining terms.

48. We find no evidence of inappropriate or unreasonable 2021 SCE routine vegetation management O&M expenses in the record of this proceeding.

Vegetation Management Environmental Support Activities

49. SCE incurred \$24.5 million in O&M expenses for conducting desk reviews and field support for vegetation management environmental review.

50. D.21-08-036 approved a forecast of approximately \$2 million in 2021 costs for these activities.

51. Deeper SCE routine vegetation trims stemming from D.17-12-034 resulted in expanded permit requirements.

52. SCE began implementing its Environmentally Sensitive Layer approach in late 2019 and then revised it three times in 2021.

53. SCE developed and implemented a late release rate structure associated with its environmentally sensitive layer approach that compensated vendors at lower rates when higher volumes of work were bundled prior to release for trimming.

54. It is reasonable that it would take some time for SCE to adjust to the requirements of D.17-12-024 and to design and implement processes to ensure that SCE continues to remain in compliance with federal, state and local environmental laws and regulations.

55. SCE provides examples of additional environmental permitting requirements that it had to update and incorporate into its Environmentally Sensitive Area layer, including expanded permit requirements from the U.S. Forest Service related to the Endangered Species Act, from the California Department of Fish and Wildlife related to riparian areas and the Fish and Game Code, and related to new Local Coastal Plan permits.

56. We find reasonable SCE's explanation of why SCE was not able to correctly forecast its increased 2021 environmental support costs for routine vegetation management activities.

Technology Solutions

57. SCE incurred \$10.99 million in capital expenditures and \$0.63 million in O&M expenses for an Arbora integrated vegetation management software solution in 2021.

58. SCE's 2021 WMP discusses the Arbora system.

59. \$220,000 in SCE Survey123 costs were recorded to SCE's Enhanced Overhead Inspection program.

60. The Commission in D.19-05-020 authorized a Clearion software system, which subsequently failed to function as expected.

61. The Clearion system was intended primarily to support routine vegetation management data needs.

62. The Commission in D.22-06-032 denied costs for the Survey123 vegetation management system in part because these costs were incurred related to the Clearion program, which had failed to function as expected.

63. SCE's 2021 Arbora activities consisted of integrating SCE Hazardous Tree Management Program data into Arbora to add to data added in 2020 to Arbora regarding SCE's Dead and Dying Tree Removal Program. Neither program is categorized as a routine vegetation management program in SCE's application.

64. Additional SCE 2021 Arbora work included developing designs for subsequently integrating pole-brushing data, routine vegetation management data and non-routine vegetation management data.

65. Only a portion of SCE's 2021 technology solution expenses supported integrating routine vegetation management programs into Arbora.

66. The Commission has previously denied recovery of \$16 million related to Arbora and Survey123, more than SCE was authorized for Clearion in D.19-05-020.

Future WMPMA and FRMMA Applications

67. Review of this application was slowed by SCE's method and timing of presenting information.

68. To promote transparency, SCE should improve its provision of easily comparable information in WMPMA and FRMMA applications in the future.

69. Energy Safety requires electric utilities to provide RSEs in their WMPs.

70. SCE has experience developing and using RSEs as a decision-support tool.

71. Providing RSEs or CBRs should always be the default when the Commission is considering wildfire mitigation management activities.

72. RSEs or CBRs are not the only information this Commission relies upon to determine appropriate funding levels.

73. It would assist the Commission in our review of future SCE WMPMA and FRMMA applications if SCE provided additional detailed information in the application or accompanying opening testimony.

74. The inclusion of similarly detailed information in the WMPMA and FRMMA applications of other electric utilities could promote transparency and our efficacious review of such applications.

75. SCE's approach to determining incremental costs consisted of recording activity or sub-activity costs in the relevant memorandum or balancing account when spending as a whole for all included programs, activities and sub-activities exceeded the total approved GRC costs rather than recording when costs in a given program, activity or sub-activity area exceeded their specific GRC forecasts or approved costs.

76. SCE's portfolio approach to determining incrementality reduced rather than added transparency to Commission and party review of claimed incremental costs and would seem to decrease rather than increase incentives for managers to control and reduce costs in approved program areas.

Recovery in Distribution Rates

77. SCE projects rate increases of between 0.9 percent and 2.1 percent across customer types and bill impacts of 2.1 percent for both CARE and non-CARE

customers for recovery of the recorded incremental 2021 capital expenditures and O&M expenses in distribution rates over a 12-month period.

Conclusions of Law

1. As the applicant, SCE has the burden of affirmatively establishing the reasonableness of all aspects of its application.
2. The standard of proof the applicant must meet in rate cases is that of a preponderance of the evidence.
3. The Commission uses the prudent manager standard to evaluate whether cost recovery requests are just and reasonable.
4. SCE is required to demonstrate that its 2021 WMPMA, FRMMA and VMBA costs are incremental to costs approved in D.21-08-036, which approved SCE's 2021 GRC request.
5. Determining incrementality using a portfolio approach, which considers all 2021 wildfire mitigation costs collectively as compared to all wildfire mitigation costs approved in D.21-08-036, and which considers all 2021 VMBA costs collectively as compared to vegetation management costs approved in D.21-08-036, is consistent with established prospective ratemaking principles.
6. Costs found to be reasonable in this decision, including approved 2021 capital expenditures not included in the \$21.09 million in CWIP discussed in this decision, should be approved for recovery.

Commission Audits Branch Audit and SCE's Incrementality Showing

7. The Commission should disallow FRMMA expenses of \$120,036, an amount not included in SCE's revised request of \$327.19 million.
8. The Commission should disallow \$63,807 in expenses from the WMPMA, FRMMA, and VMBA collectively for use of an incorrect FF&U factor, an amount not included in SCE's revised request of \$327.19 million.

9. SCE has met its burden to establish that the costs for which it seeks recovery are incremental.

Construction Work-in-Progress

10. SCE's request for reasonableness review and authorization for recovery of \$21.09 million in 2021 CWIP should be deferred for consideration in a later proceeding.

Targeted Undergrounding

11. SCE's 2021 incremental targeted undergrounding capital expenditures for assets completed and brought into service in 2021 are reasonable.

12. SCE's request for recovery of its incremental 2021 capital costs for targeted undergrounding work recorded in the WMPMA and brought into service in 2021 should be approved.

Enhanced Operational Practices

13. SCE's 2021 incremental Enhanced Operational Practices costs are reasonable.

14. SCE's request for recovery for its incremental 2021 Enhanced Operational Practices O&M expenses and incremental 2021 Enhanced Operational Practices capital expenditures recorded in its WMPMA should be approved.

Public Safety Power Shutoff

15. SCE's 2021 incremental PSPS costs are reasonable.

16. SCE's request for recovery of its incremental 2021 O&M expenses and incremental 2021 capital expenditures for PSPS activities recorded in its WMPMA should be approved.

Aerial Suppression

17. Commission ratification of SCE's 2021 WMP does not constitute a reasonableness review.

18. It is reasonable for ratepayers to fund standby costs for helicopters used to fight fires that would threaten SCE infrastructure if not suppressed.

19. The preponderance of evidence suggests that SCE's 2021 Aerial Suppression expenses are reasonable.

20. The Commission should approve in full SCE's request for recovery of the incremental costs associated with \$17.55 million in 2021 O&M expenses for its Aerial Resources program.

Routine Vegetation Management

21. SCE's 2021 incremental vegetation management costs beyond 115 percent of the vegetation management costs authorized in D.21-08-036 are reasonable.

22. SCE's incremental 2021 VMBA costs of \$212.79 million should be approved.

Vegetation Management Environmental Support Activities

23. SCE managed the complexities of implementing its new Environmentally Sensitive Layer approach in a reasonable manner.

24. The preponderance of the evidence before us suggests that SCE's Environmental Support costs of \$24.5 million to support wildfire mitigation and vegetation management in 2021 recorded in SCE's FRMMA are reasonable.

25. SCE's request to recover FRMMA 2021 incremental O&M expenses of \$15.96 million incurred in vegetation management environmental support activities and other areas discussed in this decision should be approved.

Technology Solutions

26. SCE's 2021 Technology Solutions capital expenditures and O&M expenses to implement the Arbora system are reasonable.

27. SCE's request to recover its 2021 incremental O&M Technology Solutions costs should be approved.

Future WMPMA and FRMMA Applications

28. The Commission should require SCE in future SCE WMPMA and FRMMA applications to provide the following information in the application or accompanying opening testimony: (a) one or more tables summarizing costs authorized in the relevant GRC (or other relevant application) decision, imputing costs as necessary, with page numbers, compared to actual expenditures and expenses, at the program and activity level, including, for WMPMA applications, references with page numbers to the inclusion of the program or activity in the relevant WMP; (b) an RSE or CBR reflecting the total costs and benefits of a given program and activity, to the extent feasible, with total costs reflecting costs authorized in the relevant GRC decision and costs requested for recovery in the application; and (c) a detailed explanation for each program and activity of why the relevant GRC forecast did not foresee the incremental costs for which reasonableness review and authorization for recovery is requested.

29. R.20-07-013 should consider the applicability of the requirements outlined in Conclusion of Law 28, or similar approaches, to all electric investor-owned utilities.

30. Future SCE requests for determinations of reasonableness and incrementality of costs recorded in the WMPMA and FRMMA must highlight those program, activity or sub-activity areas that have exceeded forecast and/or approved costs.

31. The Commission should order SCE to refrain from presenting incremental wildfire mitigation costs using the method described in SCE's December 6, 2023 motion in future WMPMA and FRMMA applications.

Recovery in Distribution Rates

32. SCE's proposed amortization period to recover the recorded incremental 2021 capital expenditures and O&M expenses in distribution rates over a 12-month period is reasonable.

33. SCE's proposal to record and transfer the ongoing revenue requirement associated with the approved 2021 capital expenditures in this decision to the BRBBA 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 is reasonable.

34. The Commission should authorize SCE to recover through distribution rates the revenue requirement associated with the: (a) approved WMPMA incremental capital expenditures for 2021 of \$76.43 million; (b) approved 2021 WMPMA incremental O&M expenses of \$99.27 million; (c) approved 2021 FRMMA incremental O&M expenses of \$15.96 million; and (d) approved 2021 VMBA incremental O&M expenses of \$212.79 million.

35. The Commission should authorize SCE's proposed amortization period to recover its recorded incremental 2021 capital expenditures and O&M expenses found to be reasonable in this decision in distribution rates over a 12-month period starting with the next regularly scheduled consolidated revenue requirement and rate change following issuance of this decision or as soon as practicable.

36. The Commission should authorize SCE to record and transfer the ongoing revenue requirement, as of each December 31, for the 2021 capital expenditure amount approved in this decision from the WMPMA to the distribution subaccount of the BRBBA 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.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company's request for recovery of 2021 costs recorded in its Wildfire Mitigation Plan Memorandum Account (WMPMA), Fire Risk Mitigation Memorandum Account (FRMMA) and Vegetation Management Balancing Account (VMBA) is granted to the extent set forth in this Decision. SCE is authorized to recover through distribution rates the revenue requirement associated with the: (a) approved WMPMA incremental capital expenditures for 2021 of \$76.43 million; (b) approved 2021 WMPMA incremental operations and maintenance (O&M) expenses of \$99.27 million; (c) approved 2021 FRMMA incremental O&M expenses of \$15.96 million; and (d) approved 2021 VMBA incremental O&M expenses of \$212.79 million.

2. Upon the effective date of this decision, Southern California Edison Company is authorized to transfer the authorized revenue requirement, including interest, to the distribution subaccount of the Base Revenue Requirement Balancing Account for recovery from customers, amortized over a 12-month period, starting with the next regularly scheduled consolidated revenue requirement and rate change following issuance of this decision or as soon as practicable.

3. Southern California Edison Company is authorized to record and transfer the ongoing revenue requirement, as of each December 31, for the 2021 capital expenditure amount approved in this decision from the Wildfire Mitigation Plan Memorandum Account to the distribution subaccount of the Base Revenue Requirement Balancing Account 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 general rate case-authorized base rates.

4. Southern California Edison Company's request for reasonableness review and authorization to recover \$21.09 million for Construction Work-in Progress is deferred for consideration in a later proceeding.

5. Southern California Edison Company shall include the following information in future Wildfire Mitigation Plan Memorandum Account (WMPMA) or Fire Risk Mitigation Memorandum Account applications, in the application or in the accompanying opening testimony: (a) one or more tables summarizing program and activity costs authorized in the relevant general rate case (GRC) (or other relevant application) decision, imputing costs as necessary, with page numbers, compared to actual expenditures and expenses, at the program and activity level, including, for WMPMA applications, references with page numbers to the inclusion of the program and activity in the relevant Wildfire Mitigation Plan; (b) a Risk Spend Efficiency ratio or Cost Benefit Ratio reflecting the total costs and benefits of a given program or activity, to the extent feasible, with total costs reflecting costs authorized in the relevant GRC decision and costs requested for recovery in the application; and (c) a detailed explanation for each program and activity of why the relevant GRC forecast did not foresee the incremental costs for which reasonableness review and authorization for recovery is requested.

6. Southern California Edison Company shall, in future Wildfire Mitigation Plan Memorandum Account or Fire Risk Mitigation Memorandum Account applications, refrain from presenting incremental costs as described in its

December 6, 2023 *Motion to Admit Exhibits into Evidence* in this proceeding as discussed in this decision.

7. Application 22-06-003 is closed.

This order is effective today.

Dated March 7, 2024, at San Francisco, California.

ALICE REYNOLDS

President

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

MATTHEW BAKER

Commissioners