

Compensation costs in the event that the Commission does not authorize SDG&E's request to forecast and seek recovery of these costs in SDG&E's own GRC.²³⁴⁹ Further, in the event the Commission approves amounts for such costs that differ from those contained in SCE's original application, SDG&E requests that the Commission authorize use of the Revenue Requirement Calculation Methodology that SDG&E provided in testimony to calculate SDG&E's share of SONGS-related costs in this proceeding.²³⁵⁰ This request is unopposed in this proceeding. In D.24-12-074, the Commission denied SDG&E's request to recover its share of SONGS-related costs and directed SDG&E to recover SONGS-related costs for Marine Mitigation and Worker's Compensation by intervening in SCE's GRC proceeding.²³⁵¹ Therefore, we authorize and adopt SDG&E's request for a 2025 SONGS revenue requirement of \$1.691 million (2025) for its 20 percent share of these SONGS-related costs.²³⁵²

Finally, in the case that SDG&E's share of SONGS-related costs is affected by the stipulation adopted above, we authorize use of the Revenue Requirement Calculation Methodology provided by SDG&E to adjust its cost calculations.

33. Audit Services

SCE's Audit Services Department (Audit Services) helps ensure that business risks are appropriately identified, compliance with regulatory requirements occurs, and senior management and the board of directors receive information and advice about mitigating risks to enable effective management response.

²³⁴⁹ SDG&E OB at 2.

²³⁵⁰ SDG&E OB at 3.

²³⁵¹ D.24-12-074 at OP 49.

²³⁵² SDG&E OB at 6-7; *see also* SDG&E RB at 2-3.

In total, SCE forecasts \$8.208 million for its 2025 O&M forecast for Audit Services, consisting of \$5.357 million in labor and \$2.851 million in non-labor.²³⁵³ SCE's labor forecast is primarily driven by the following: (1) Security Exchange Commission Environmental, Social and Corporate Governance disclosures; (2) climate adaptation and grid of the future including building and transportation electrification; (3) SCE's Commission approved Wildfire Mitigation Plan processes; (4) increased infrastructure replacement; and (5) Advanced Metering 2.0.²³⁵⁴ SCE's non-labor forecast reflects a net increase as a result of returning to pre-COVID levels of co-sourcing audit support due to the elimination of travel restrictions and the continued need for expert co-sourced resources who possess highly specialized technical skills in high-risk areas such as safety, engineering, and cybersecurity.²³⁵⁵ The increase was partially offset by some efficiency improvements from renegotiating the Sarbanes-Oxley testing contract and shifting some IT cyber audit work to internal resources.²³⁵⁶

Cal Advocates opposes SCE's labor forecast. In particular, Cal Advocates opposes \$601,000²³⁵⁷ for attorney-client privileged internal audits. Cal Advocates states that these costs should be removed because Cal Advocates could not verify that the costs to perform these audits were justifiably assigned to ratepayers and that any significant control weaknesses have been remedied.²³⁵⁸

²³⁵³ Ex. SCE-06, Vol. 6 at 92.

²³⁵⁴ Ex. SCE-06, Vol. 6 at 97-98.

²³⁵⁵ Ex. SCE-06, Vol. 6 at 97.

²³⁵⁶ Ex. SCE-06, Vol. 6 at 94-95.

²³⁵⁷ Ex. CA-21 at 29.

²³⁵⁸ Ex. CA-29 at 7.

In response to Cal Advocates' assertion, SCE first asserts that the volume of privileged audit reports is small and SCE has produced sufficient material for Cal Advocates' review.²³⁵⁹ Second, SCE points to recent Commission decisions as well as California Supreme Court decisions that reject the disallowance Cal Advocates requests.²³⁶⁰

33.1. Discussion

We decline to adopt Cal Advocates' recommendation to disallow \$601,000 for attorney-client privileged internal audits. We find SCE's explanation for inclusion of the attorney-client privilege internal audits forecast reasonable and agree that these forecasts are legitimate expenses for necessary audits. As a result, we include the \$601,000 forecast in SCE's O&M Request.

Therefore, we authorize and adopt SCE's forecasts of \$8.208 million for its 2025 O&M forecast for Audit Services, which includes \$5.357 million in labor and \$2.851 million in non-labor.

34. Ethics and Compliance

Ethics and Compliance (E&C) provides the framework for an ethical and compliant work environment. E&C's primary work activities are to: (1) develop, promote, and administer the employee, supplier, and board of directors' codes of conduct and related policies/procedures/standards; (2) administer the annual ethics and compliance certification process for the Employee Code of Conduct; (3) develop and provide ethics and compliance resources; (4) provide advice on ethics and compliance matters; (5) oversee and implement a risk-based compliance approach with effective compliance structures and practices;

²³⁵⁹ Ex. SCE-17, Vol. 4 at 65-70.

²³⁶⁰ *Southern Cal. Gas Co. v. Public Utilities Com'n* (1990) 50 Cal. 3d 31 at 36-77; *see also* D.21-08-036 at 439-442; *and* D.19-09-051 at 718.

(6) oversee the enterprise-wide E&C training curriculum and provide associated training; (7) provide the framework, tools, and processes for managing SCE's structured and unstructured information; and (8) monitor/investigate alleged misconduct reported through the Edison HelpLine.²³⁶¹

SCE forecasts TY O&M expenses of \$15.935 million for E&C, which consists of \$10.927 million in labor and \$5.007 million in non-labor.²³⁶² SCE's labor forecast is based on 2022 recorded costs (\$8.926 million) plus adjustments attributable to E&C backfilling three vacant positions, converting a memorandum account-funded position to base O&M funded, adding seven E&C positions to enhance compliance management, and company-wide changes made to SCE's employee compensation program. SCE's non-labor forecast is based on 2022 recorded costs (\$4.584 million) plus adjustments associated with SCE's third-party-managed Corporate Records Center, costs to address the impact of NextGen Enterprise Resource Planning implementation,²³⁶³ the cost to hire a qualified Independent Evaluator to review SCE's annual Wildfire Mitigation Plan, and efficiency savings.²³⁶⁴

Cal Advocates recommends \$9.013 million for SCE's TY labor expense for E&C activities, based on a five-year average of recorded costs from 2018–2022. Cal Advocates asserts SCE has not demonstrated the need for the 11 E&C positions. Specifically, Cal Advocates asserts SCE did not provide the job

²³⁶¹ Ex. SCE-06, Vol. 6A at 86-87.

²³⁶² Ex. SCE-17, Vol. 4 at 58-59.

²³⁶³ As discussed elsewhere, the NextGen Enterprise Resource Planning project is expected to replace SCE's current SAP, which runs all of SCE's core business data and functions, with newer SAP technology. (SCE OB at 45).

²³⁶⁴ Ex. SCE-06, Vol. 6A at 89-92; Ex. SCE-06, Vol. 6AE3 at 90-91.

descriptions and tasks of SCE's E&C employees from 2018–2022, and did not provide any documentation demonstrating the need for new positions or otherwise argue that SCE has been unable to perform all required E&C activities at the current level of staffing. Cal Advocates has reviewed and does not oppose SCE's non-labor O&M forecast for E&C activities.²³⁶⁵

In response, SCE provides the following arguments: (1) according to the Commission's guidelines, the use of an average is appropriate when there are significant fluctuations in recorded expenses from year-to-year, or where the cost is influenced by forces beyond the utility's control; (2) SCE's E&C's labor expenses have been relatively stable and are predictable; (3) in SCE's 2021 GRC decision, the Commission adopted E&C's test year labor expenses based on SCE's forecasting methodology of last year recorded plus adjustments; (4) Cal Advocates' forecast does not include the change in 2025 to SCE's Employee Compensation Program, or the incremental staffing need to address vacancies in E&C as well as the increase in workload associated with wildfire, distribution in infrastructure replacement, load growth, transmission projects, and engineering; (5) E&C work is not discretionary; and (6) Cal Advocates' claim that SCE did not provide the data exactly as Cal Advocates requested does not provide sufficient justification for changing the methodology for determining the 2025 labor costs.

As argued by SCE, the Commission has found an average forecasting methodology to be appropriate when there are significant fluctuations in recorded expenses from year-to-year, or where the recorded cost is influenced by

²³⁶⁵ Ex. CA-21 at 32-34; Cal Advocates OB at 393-395.

weather or other forces beyond the utility's control.²³⁶⁶ Here, SCE's 2018–2022 recorded E&C labor costs are relatively stable and predictable.²³⁶⁷ Accordingly, we find SCE's forecasting methodology based on 2022 recorded costs plus adjustments to be appropriate.

However, we also agree with Cal Advocates that SCE fails to justify the full \$1.515 million increase attributed to 11 E&C positions, seven of which are new positions.²³⁶⁸ Although SCE provides the specific titles and tasks associated with each of these positions, SCE does not provide any documentation or support demonstrating how the seven new positions fit into SCE's existing E&C workload and responsibilities. Cal Advocates indicates that SCE provided the job descriptions and tasks of E&C employees from 2022 through 2025 through a data request response,²³⁶⁹ but this data request response is not part of the proceeding record. Absent additional information, it is difficult to assess whether and how the seven new positions are incremental to SCE's existing E&C labor activities.

Four of the 11 E&C positions are to fill three existing vacancies and to convert a memorandum account-funded position to a base O&M funded position.²³⁷⁰ Since these vacancies are associated with existing mandatory compliance work, and since SCE's recorded 2020 and 2021 E&C labor costs are slightly higher than the labor costs recorded for 2022 (indicating the vacant

²³⁶⁶ D.04-07-022 at 15-17; also, D.21-08-036 at 66.

²³⁶⁷ Ex. SCE-06, Vol. 6A, Figure IV-22 at 89.

²³⁶⁸ Ex. SCE-06, Vol. 6AE3 at 90-91; Ex. SCE-06, Vol. 6AE5 at 90; Ex. CA-21 at 32.

²³⁶⁹ Ex. CA-21 at 34, referencing SCE's response to data request PubAdv-SCE-317-FNZ 01.a-b E&C Response.

²³⁷⁰ Ex. SCE-06, Vol. 6AE3 at 90-91.

positions were likely used), we find it reasonable to approve these four positions. In light of the incremental increase in E&C workload associated with the additional capital spending approved in this decision (spanning the areas of wildfire mitigation, distribution infrastructure replacement, load growth, transmission projects, and engineering), we also find it reasonable to approve four new E&C positions. SCE's testimony and workpapers do not provide a specific labor cost amount associated with each position. Accordingly, we multiply the total \$1.515 million increase SCE attributes to the 11 E&C positions by 73 percent, to reflect the approval of eight E&C positions. Substituting this amount into SCE's 2022 recorded forecast methodology results in \$10.518 million in TY O&M labor expenses.

We find reasonable and approve SCE's uncontested O&M forecast for E&C non-labor expenses. With the adjustment above, the total authorized TY O&M forecast for E&C is \$15.525 million.

35. Safety Programs

SCE's Safety Programs provide guidance, governance, and oversight of the company's safety programs and activities focused on public, contractor, and worker safety to accomplish the common goal of creating an injury-free workplace. For the Safety Programs, SCE's 2025 forecast of O&M expenses is \$30.741 million. This forecast includes \$8.352 million for Employee and Contractor Safety, \$4.271 million for Safety Strategy Culture Transformation, \$17.469 million for Safety Activities — Transmission & Distribution, and \$0.649 million for Public Safety.²³⁷¹

²³⁷¹ Ex. SCE-17, Vol. 4 at 46 (Table III-11).

35.1. Safety Strategy Culture Transformation

35.1.1. O&M

SCE's 2025 TY O&M forecast for Safety Strategy Culture Transformation is \$4.271 million.²³⁷² In support of its request, SCE states that these O&M expenses support a proactive approach that integrates key safety activities to reduce worker safety risks.²³⁷³

Cal Advocates does not oppose SCE's 2025 non-labor forecast of \$1.946 million but recommends reducing the 2025 forecast of labor costs from \$2.325 million to \$2.093 million.²³⁷⁴

35.1.2. Capital

SCE forecasts \$0.700 million of capital expenditures in 2025 for SCE's Automated External Defibrillator (AED) Program that provides AEDs for early defibrillation to victims of sudden cardiac arrest at SCE facilities and field crew job locations.²³⁷⁵

35.1.3. Safety Activities — Transmission & Distribution

SCE's Test Year 2025 O&M forecast for Safety Activities — Transmission & Distribution (T&D Safety Activities) is \$17.469 million.²³⁷⁶ SCE states that this GRC activity encompasses a wide range of safety events for its population of T&D field workers to mitigate the risk of field injuries and other safety incidents, including safety congresses and forums, safety training related to new

²³⁷² Ex. SCE-06, Vol. 6 at 61; *see also* SCE-17, Vol. 4 at 49 (Table III-13).

²³⁷³ Ex. SCE-06, Vol. 6 at 54-56, and 62; *see also* SCE-17, Vol. 4 at 50.

²³⁷⁴ Ex. CA-21 at 22-23.

²³⁷⁵ Ex. SCE-17, Vol. 4 at 56 (Table III-17).

²³⁷⁶ Ex. SCE-06, Vol. 6 at 63-71.

equipment and tool use, leadership training, and stand-downs.²³⁷⁷

Cal Advocates opposes SCE's methodology.

35.2. Parties' Positions

35.2.1. Cal Advocates

Cal Advocates' TY 2025 recommendation for SCE's Safety Programs O&M expenses is \$25.615 million, which is \$5.546 million less than SCE's 2025 TY forecast of \$31.161 million.²³⁷⁸

Cal Advocates offers an array of adjustments and reductions. First, Cal Advocates recommends adjusting 2021 non-labor expenses by \$3.088 million for the Employee and Contractor program.²³⁷⁹ Second, Cal Advocates recommends adjusting SCE's Safety Strategy Transformation request by \$0.264 million, to \$4.039 million.²³⁸⁰ Third, Cal Advocates adjusts SCE's Safety Activities – Transmission & Distribution by \$5.049 million, to \$12.419 million.²³⁸¹ Fourth, Cal Advocates adjusts SCE's request for its AED replacements over a five-year period rather than in one year.²³⁸²

35.2.2. SCE's Rebuttal

SCE opposes Cal Advocates' recommendations and adjustments. First, SCE states that Cal Advocates' removal of two new positions to its Safety Strategy Transformation O&M forecast should be rejected because the new

²³⁷⁷ Ex. SCE-06, Vol. 6 at 63-71.

²³⁷⁸ Cal Advocates OB at 396.

²³⁷⁹ Ex. CA-29.

²³⁸⁰ Cal Advocates OB at 399.

²³⁸¹ Ex. CA-21 at 23.

²³⁸² Cal Advocates OB at 405.

positions are needed to support the program operationalization.²³⁸³ Second, with respect to Safety Activities – Transmission & Distribution, SCE asserts that Cal Advocates’ inclusion of 2020 and 2021 recorded labor and non-labor costs should be rejected because there were abnormally low levels of recorded costs during 2020 and 2021 because these activities were heavily impacted by the COVID-19 pandemic.²³⁸⁴ SCE asserts that its 2025 forecast for T&D Safety Activities of \$17.469 million utilizing the Base Year (2022) and the two years preceding the COVID-19 pandemic (2018 and 2019) should be adopted as reasonable.

SCE agrees to reduce its 2025 forecast for AED Program capital expenditures to \$0.700 million and to normalize the forecast over the remaining years of the GRC cycle.²³⁸⁵

35.3. Discussion

For SCE’s Safety Programs, SCE’s 2025 forecast of O&M expenses is \$30.741 million. This forecast includes \$8.352 million for Employee and Contractor Safety, \$4.271 million for Safety Strategy Culture Transformation, \$17.469 million for Safety Activities – Transmission & Distribution, and \$0.649 million for Public Safety. No parties opposed SCE’s 2025 forecasts of O&M expenses for Employee and Contractor Safety and Public Safety totaling \$9.001 million.

As discussed above, Cal Advocates recommended downward adjustments to SCE’s 2025 forecasts of O&M expenses for Safety Strategy Culture

²³⁸³ Ex. SCE-17, Vol. 4 at 50.

²³⁸⁴ Ex. SCE-17, Vol. 4 at 53.

²³⁸⁵ Ex. SCE-17, Vol. 4 at 56.

Transformation and Safety Activities — Transmission & Distribution and the 2025 capital forecast for Safety Strategy Culture Transformation.

We decline to adopt Cal Advocates' recommendations because we are persuaded by the evidence presented by SCE regarding the need for enhanced safety practices over these program areas and the impact the COVID-19 pandemic had which largely precluded in-person activity. However, with respect to SCE's AED program, we agree with Cal Advocates that SCE's request for its AED replacements should occur over a five-year period rather than in one year.²³⁸⁶ Therefore, we adopt Cal Advocates' AED recommendation. This recommendation by Cal Advocates aside, we find reasonable and approve SCE's TY O&M forecast and capital expenditures for the Safety Programs Element.

36. Enterprise Operations

36.1. Enterprise Operations Summary

Enterprise Operations includes the Facility and Land Operations and Transportation Services BPEs. The O&M and capital forecasts for these BPEs support the acquisition, operation, and maintenance of SCE facilities, land and land rights, and vehicles and equipment necessary to maintain safe and reliable company-wide operations and service to SCE customers.²³⁸⁷

36.1.1. Uncontested Issues

36.1.1.1. Facility Management Capital Program

For 2023-2025, SCE forecasts \$185.190 million, including 2023 recorded, for the Facility Management Capital Program.²³⁸⁸ This program area is included

²³⁸⁶ Cal Advocates OB at 405.

²³⁸⁷ Ex. SCE-06, Vol. 7 at 1.

²³⁸⁸ Ex. SCE-17, Vol. 5 at 6.

within the Facility and Land Operations capital forecast which ensures SCE's operations' complex are safe for SCE's workforce and visitors.²³⁸⁹

36.1.1.2. Transportation Services Department

Transportation Services BPE activities involve the management of the vehicle and equipment fleet supporting a wide range of SCE's operations.²³⁹⁰ During 2023, SCE recorded capital expenditures of \$4.243 million for the Transportation Services BPE.²³⁹¹ From 2024-2025, SCE forecasts capital expenditures of \$12.043 million for the Transportation Services BPE.²³⁹² No party opposed SCE's capital forecast for the Transportation Services BPE.

36.1.1.3. Facilities and Land Operations O&M

During Test Year 2025, SCE forecasts O&M expenses of \$60.645 million for the Facility and Land Operations BPE.²³⁹³ No party opposed or challenged SCE's O&M forecast for the Facility and Land Operations BPE.

36.1.2. Contested Issues

36.1.2.1. Capital Infrastructure Upgrades

Infrastructure Upgrades address specific deficiencies in facility conditions and systems that need to be resolved to meet current and future operational requirements.²³⁹⁴ SCE's 2023 recorded and 2024-2025 forecast expenditures for Infrastructure Upgrades total \$258.291 million.²³⁹⁵

²³⁸⁹ Ex. SCE-17, Vol. 5 at 6.

²³⁹⁰ Ex. SCE-17, Vol. 5 at 64.

²³⁹¹ Ex. SCE-17, Vol. 5 at 64-65, Tables III-36 and III-37.

²³⁹² Ex. SCE-17, Vol. 5 at 64-65, Tables III-36 and III-37.

²³⁹³ Ex. SCE-17, Vol. 5 at 5, Table II-5.

²³⁹⁴ SCE-06, Vol. 7 at 51.

²³⁹⁵ Ex. SCE-17, Vol. 5 at 6-7.

36.1.2.2. Edison Training Academy

According to SCE, the Edison Training Academy project consolidates existing, but outdated, training facilities to better accommodate in-class and hands-on crew field training and supports current and future SCE operations to advance the safety and reliability of the constantly evolving grid.²³⁹⁶ SCE testifies that since the filing of the application, SCE has secured permits from the City of Corona and construction on the initial phases of this project has commenced.²³⁹⁷ SCE's 2023 recorded and 2024-2028 forecast expenditures for the Edison Training Academy Project total \$186.146 million.²³⁹⁸ Cal Advocates and TURN contest this proposal.

36.1.2.3. Vehicle Maintenance Facilities

According to SCE, the Vehicle Maintenance Facilities program addresses the need for proper service bays to support safety and efficiency at SCE vehicle maintenance facility sites.²³⁹⁹ SCE's 2023 recorded and 2024-2025 forecast expenditures for the Vehicle Maintenance Facilities program total \$5.156 million.²⁴⁰⁰ SCE testifies that it has completed construction plans, submitted permit requests for the Huntington Beach and Montebello sites, and is currently securing entitlements for the Ventura site.²⁴⁰¹ SCE states that the

²³⁹⁶ Ex. SCE-06, Vol. 7 at 56-62.

²³⁹⁷ Ex. SCE-17, Vol. 5, Appendix A at A4-A5.

²³⁹⁸ Ex. SCE-05, Vol. 7 at 53; Ex. SCE-17, Vol 05 at 8. Does not include expenditures associated with T&D Equipment that are addressed in the Substation section of this decision.

²³⁹⁹ Ex. SCE-06, Vol. 7 at 66-67.

²⁴⁰⁰ Ex. SCE-17, Vol. 5 at 17, Table II-13.

²⁴⁰¹ Ex. SCE-17, Vol. 5, Appendix A at A40-A41.

projects at the three sites remain on schedule to be in service during this GRC cycle. Cal Advocates and TURN contest this proposal.

36.1.2.4. GO4 Workplace Upgrades

The GO4 Workplace Upgrades project addresses safety and resiliency in General Office Building 4 (GO4) by abating previously identified hazardous materials, removing and replacing existing ceiling, lighting, and HVAC systems, and providing an improved workplace environment.²⁴⁰² SCE states that in conjunction with seismic improvements, SCE has initiated asbestos, lead, and mold abatement in GO4. During the first quarter of 2024, GO4 was vacated and construction commenced. Additionally, SCE has secured permits to begin construction on the first and third floors of GO4.²⁴⁰³

From 2023-2025, SCE forecasts \$27.754 million for the GO4 Workplace Upgrades project (including 2023 recorded expenditures).²⁴⁰⁴ Cal Advocates contests this proposal.

36.1.2.5. Fleet Charging Program

SCE states that the Fleet Charging program supports infrastructure construction to electrify SCE's vehicle fleet, helping to reduce Greenhouse Gas emissions in alignment with California's clean fuel initiatives.²⁴⁰⁵ Since fleet vehicles travel to and from various facilities, SCE requires fleet charging capabilities throughout its 50,000 square-mile service area. As part of this program, SCE installed electric vehicle (EV) infrastructure at 17 sites with 161 EV

²⁴⁰² Ex. SCE-06, Vol. 7 at 69.

²⁴⁰³ Ex. SCE-17, Vol. 5 at 23.

²⁴⁰⁴ Ex. SCE-17, Vol. 5 at 23, Table II-16.

²⁴⁰⁵ Ex. SCE-06, Vol. 7, at 73; Ex. SCE-17, Vol. 5 at 26.

chargers during 2023.²⁴⁰⁶ From 2023-2025, SCE forecasts \$87.192 million (including 2023 recorded expenditures) for the Fleet Charging Program.²⁴⁰⁷ Cal Advocates contests this proposal.

36.1.2.6. Covina CSAS Building Remodel

According to SCE, the Covina CSAS Building Remodel project will renovate the facility to address insufficient space at nearby service centers, which are faced with growing occupancy and the need for more yard space and materials storage. SCE states that it has completed 50 percent of the construction design, and is conducting planning, securing entitlements, and preparing for the permit process. SCE's forecast for the Covina CSAS Building Remodel project is \$13.706 million. Cal Advocates contests this proposal.

36.1.2.7. Barstow Service Center Expansion

SCE states that the Barstow Service Center Expansion project will develop and expand the service center onto adjacent, SCE-owned property and improve the existing site to accommodate region and crew growth and serve its large service territory.²⁴⁰⁸ SCE has completed project plan development and is currently performing initial planning. From 2023-2025, SCE forecasts \$0.339 million for this project.²⁴⁰⁹ Cal Advocates contests this proposal.

36.1.2.8. Facility Repurpose Capital Projects

Facility Repurpose Projects involve major renovations of existing SCE facilities to repurpose legacy buildings that no longer support current operational needs, to meet compliance with updated building and zoning codes,

²⁴⁰⁶ Ex. SCE-17, Vol. 5, Appx. B at B27-B28.

²⁴⁰⁷ SCE OB 415.

²⁴⁰⁸ Ex. SCE-06, Vol. 7 at 91.

²⁴⁰⁹ SCE OB 418.

and replace furniture and equipment that has exceeded its useful life.²⁴¹⁰

Cal Advocates recommends reductions to the forecasts for two Facility Repurpose Projects: (1) Alhambra Regional Operations Facility Renovations; and (2) Westminster Combined Facility Renovations. TURN recommends complete denial of funding for these projects.

Alhambra Regional Operations Facility Renovations: SCE testifies that the Alhambra Regional Operations Facility Renovations project will demolish, renovate, and/or remediate six buildings and construct improvements to enhance site circulation safety, consolidate existing storage areas, and situate business operations next to their support functions.²⁴¹¹

SCE's 2023-2025 forecast (including 2023 recorded expenditures) for the Alhambra Regional Operations Facility Renovations project is \$39.683 million.²⁴¹² Cal Advocates and TURN contest this proposal.

Westminster Combined Facility Renovations: SCE states that the Westminster Combined Facility Renovations project enhances safety, compliance, and efficiency by improving site circulation, upgrading infrastructure, and addressing parking and storage deficiencies through the creation of a new parking area and a one-acre materials laydown yard. SCE also states that the reconfiguration of traffic routes isolates delivery trucks from pedestrian pathways and staff vehicles, enhancing worker safety.²⁴¹³

SCE's 2023-2025 forecast for the project is \$16.297 million (including

²⁴¹⁰ Ex. SCE-06, Vol. 7E at E106.

²⁴¹¹ Ex. SCE-06, Vol. 7 at 110-111.

²⁴¹² SCE OB at 420.

²⁴¹³ Ex. SCE-06, Vol. 7 at 112.

2023 recorded expenditures of \$5.787 million).²⁴¹⁴ Cal Advocates and TURN contest this proposal.

Substation Reliability Upgrades: The Substation Reliability Upgrades program consists of capital projects which SCE states address the needs of aging and poor facility conditions at substation maintenance and test buildings.²⁴¹⁵ SCE states it has completed three maintenance and test building projects under this program and has commenced three additional projects.²⁴¹⁶ For the Antelope and Pardee Maintenance and Test Buildings, SCE has completed construction planning for both projects, bids have been solicited, contracts were anticipated to be awarded in April of 2024, and construction expected to commence in June of 2024. For the Santa Clara Maintenance and Test Building, construction planning is in progress and construction is forecast to begin in 2025.²⁴¹⁷

SCE's 2023-2025 forecast for this program (including 2023 recorded expenditures) is \$30.502 million.²⁴¹⁸ Cal Advocates contests this proposal.

San Jacinto Laydown Yard: SCE states that Land Operations includes capital work activities performed to renew land rights for the installation, operation, and maintenance of SCE electrical facilities located on land owned or managed by government agencies (*e.g.*, Bureau of Land Management).²⁴¹⁹ The only disputed matter under Land Operations capital forecast is the San Jacinto

²⁴¹⁴ SCE OB at 422.

²⁴¹⁵ Ex. SCE-06, Vol. 7 at 130; Ex. SCE-06, Vol. 7E at E127-E129.

²⁴¹⁶ Ex. SCE-06, Vol. 7 at 130; Ex. SCE-06, Vol. 7E at E127-E129.

²⁴¹⁷ SCE OB at 423.

²⁴¹⁸ Ex. SCE-17, Vol. 5E at 6-7.

²⁴¹⁹ Ex. SCE-06, Vol. 7 at 157.

Laydown Yard project. SCE's 2024-2025 forecast for the San Jacinto Laydown Yard project is \$22.350 million.²⁴²⁰

The San Jacinto Laydown Yard project involves the purchase and improvement of approximately 20 acres of industrial property and construction of a distribution laydown yard for materials storage and staging.²⁴²¹ SCE's existing laydown sites' leases expire in late 2025, which will create a critical need for laydown storage space. SCE has located a suitable parcel in Hemet with an existing warehouse.²⁴²² Cal Advocates contests this proposal.

36.1.2.9. Other Projects: Projects Less Than \$3 Million

The Projects Less Than \$3 Million category includes capital projects with defined and planned scopes to be performed between 2023 and 2028, that are estimated to be less than \$3 million each.²⁴²³ SCE's 2023-2025 forecast for The Projects Less Than \$3 Million category is \$27.349 million, including 2023 recorded.²⁴²⁴

36.1.2.9.1. Arrowhead Service Center Land Purchase

SCE states the Arrowhead Service Center Land Purchase project supports the need for a larger parcel for the Arrowhead District's operational requirements, as the existing service center is too small to accommodate crew,

²⁴²⁰ Ex. SCE-17, Vol. 5 at 59, Table II-33.

²⁴²¹ Ex. SCE-06, Vol. 7 at 158-159.

²⁴²² Ex. SCE-17, Vol. 5, Appendix B at B120-B121.

²⁴²³ SCE-17, Vol. 5E at 6.

²⁴²⁴ SCE-17, Vol. 5E at 6.

vehicles, employee parking, and equipment and materials storage.²⁴²⁵ SCE forecasts \$3 million for this project. Cal Advocates contests this proposal.

36.2. Parties' Positions

36.2.1. Cal Advocates

36.2.1.1. Edison Training Academy

Cal Advocates recommends \$0 in 2023, \$0 in 2024, and \$0 in 2025 for the Edison Training Academy, compared to SCE's forecast of \$8.430 million in 2023, \$13.224 million in 2024, and \$32.183 million in 2025. Cal Advocates argues that it is unlikely that SCE could recover from the delay over the next five years, as a total of approximately 80 permits is needed at each phase of the project and SCE has only secured a plan check and permits for Phases Zero and One.²⁴²⁶ Delays beyond SCE's control have occurred in the permitting process, due to the City of Corona's COVID-19 backlog, staffing shortages, and implementation issues with its new IT system.²⁴²⁷

Cal Advocates recommends that SCE should be directed to record costs associated with this project into a memorandum account that would not be eligible for cost recovery until after the project is completed. Recording costs into a memorandum account ensures that SCE cannot continue to reallocate funds away from this project.²⁴²⁸

36.2.1.2. Vehicle Maintenance Facilities

Cal Advocates recommends \$0.400 million in 2023, \$0.800 million in 2024, and \$2.748 million in 2025, compared to SCE's forecast of \$0.500 million in 2023,

²⁴²⁵ Ex. SCE-06, Vol. 7 at 156.

²⁴²⁶ Ex. CA-22 at 15.

²⁴²⁷ Ex. CA-22 at 15, footnote 28.

²⁴²⁸ Ex. CA-22 at 15.

\$1.000 million in 2024, and \$3.435 million in 2025.²⁴²⁹ Cal Advocates' recommendation is based on the following: (1) the denial of authorization for this program in the 2021 GRC decision; (2) the completion date of the project at the end of this GRC cycle; and (3) insufficient justification and documentation for the forecast.²⁴³⁰

36.2.1.3. GO4 Workplace Upgrades

Cal Advocates recommends \$1.706 million in 2023, \$4.651 million in 2024, and \$17.346 million in 2025, compared to SCE's forecast of \$2.133 million in 2023, \$5.814 million in 2024, and \$21.683 million in 2025.²⁴³¹ In support of its recommendation, Cal Advocates asserts that SCE did not provide sufficient supporting documentation to justify the GO4 Workplace Upgrades.²⁴³²

36.2.1.4. Fleet Charging Program

Cal Advocates recommends \$10.223 million in 2023, \$8.437 million in 2024, and \$36.922 million in 2025, compared to SCE's forecasts of \$15.520 million in 2023, \$15.020 million in 2024, and \$62.320 million in 2025.²⁴³³ Cal Advocates' lower forecast accounts for the fact that SCE requests more chargers than vehicles.²⁴³⁴ Cal Advocates states that SCE's request is redundant for the following reasons: (1) each vehicle that SCE requests needs between 1.7 and 18.8 hours to fully charge with the majority needing between 8.8 and 14.4 hours to fully charge when the battery is fully depleted; (2) vehicles can be shared

²⁴²⁹ Cal Advocates OB at 410.

²⁴³⁰ Ex. CA-22 at 17, see footnotes 34, 36, and 37.

²⁴³¹ Cal Advocates OB at 411.

²⁴³² Ex. CA-22 at 18.

²⁴³³ Cal Advocates OB at 412.

²⁴³⁴ Ex. CA-22 at 20.

when needed even if they are assigned to different districts; and (3) the useful life of the smart electric vehicle chargers installed across SCE's workplace charging infrastructure is 10 years.²⁴³⁵

36.2.1.5. Covina CSAS Building Remodeling

Cal Advocates recommends \$0.660 million in 2023, \$10.480 million in 2024, and \$0 million in 2025, compared to SCE's request of \$0.825 million for 2023, \$13.100 million for 2024, and \$0 million for 2025 for this project.²⁴³⁶ In support of its recommendation, Cal Advocates asserts that SCE did not provide sufficient supporting documentation such as quotes, bids, or invoices from contractors and/or vendors to justify the reasonableness of its request.²⁴³⁷

36.2.1.6. Barstow Service Center Expansion

Cal Advocates recommends \$0 in 2023, \$0.240 million in 2024, and \$0 in 2025 compared to SCE's forecast of \$0 in 2023, \$0.300 million in 2024, and \$0 in 2025.²⁴³⁸ In support of its recommendation, Cal Advocates again asserts that SCE did not provide bids, quotes or invoices from contractors and/or vendors to support its cost estimate for the project.²⁴³⁹

36.2.1.7. Alhambra Regional Operations Facility Renovations

Cal Advocates recommends \$18.330 million in 2023, \$23.293 million in 2024, and \$3.349 million in 2025, compared to SCE's forecast of \$22.913 million in 2023, \$29.116 million in 2024, and \$4.187 million in 2025.²⁴⁴⁰ In support of its

²⁴³⁵ Ex. CA-22 at 20-21.

²⁴³⁶ Cal Advocates OB at 414.

²⁴³⁷ Ex. CA-22 at 22.

²⁴³⁸ Cal Advocates OB at 415.

²⁴³⁹ Ex. CA-22 at 23.

²⁴⁴⁰ Cal Advocates OB at 416.

recommendation, Cal Advocates again asserts that SCE did not provide bids, quotes or invoices from contractors and/or vendors to support its cost estimate for the project.²⁴⁴¹

36.2.1.8. Westminster Combined Facility Renovations

Cal Advocates recommends \$5.774 million in 2023, \$3.572 million in 2024, and \$4.835 million in 2025, compared to SCE's forecast of \$7.217 million in 2023, \$4.465 million in 2024, and \$6.044 million in 2025.²⁴⁴² In support of its recommendation, Cal Advocates again asserts that SCE did not provide bids, quotes or invoices from contractors and/or vendors to support its cost estimate for the project.²⁴⁴³

36.2.1.9. Substation Reliability Upgrades

For the Substation Reliability Upgrades proposals (*i.e.*, Antelope Maintenance and Test Building, the Pardee Maintenance and Test Building, and Santa Clara Maintenance and Test Building) Cal Advocates recommends \$0.405 million in 2023, \$1.781 million in 2024, and \$6.881 million in 2025 for each project, compared to SCE's forecast of \$0.450 million in 2023, \$1.979 million in 2024, and \$7.645 million in 2025 for each project.²⁴⁴⁴ Again, Cal Advocates asserts that SCE was unable to provide information to support its cost estimate with bids, quotes, or invoices from contractors and/or vendors and therefore recommends the above reductions.²⁴⁴⁵

²⁴⁴¹ Ex. CA-22 at 24.

²⁴⁴² Cal Advocates OB at 416.

²⁴⁴³ Ex. CA-22 at 25.

²⁴⁴⁴ Cal Advocates OB at 417-418.

²⁴⁴⁵ Ex. CA-22 at 27.

36.2.1.10. Arrowhead Service Center Land Purchase

Cal Advocates recommends removing the Arrowhead Service Center Land Purchase request because SCE has not initiated the formal due diligence process or purchased the parcel.²⁴⁴⁶ Instead, Cal Advocates recommends that this project be recorded in the Service Center Modernization Program Memorandum Account (SCMPMA), established in the SCE 2018 GRC.²⁴⁴⁷ Thus, Cal Advocates recommends \$0 in 2023, \$0 in 2024, and \$0 in 2025, compared to SCE's forecast of \$3.0 million in 2023, \$0 in 2024, and \$0 in 2025.²⁴⁴⁸

36.2.1.11. San Jacinto Laydown Yard

Cal Advocates recommends \$0.406 million in 2023, \$16.277 million in 2024, and \$1.603 million in 2025, compared to SCE's forecast of \$0.508 million in 2023, \$20.346 million in 2024, and \$2.003 million in 2025.²⁴⁴⁹ In support of its recommendation, Cal Advocates asserts that SCE has yet to make sufficient progress toward its request and SCE did not provide adequate support to justify its cost estimates.²⁴⁵⁰

36.2.2. TURN

36.2.2.1. Edison Training Academy

TURN recommends denying funding for the Edison Training Academy. TURN argues that SCE's pattern of requesting funds for the project, collecting funds from ratepayers for the project, spending only a fraction of those funds on the project, and again requesting funds for the project decreases confidence that

²⁴⁴⁶ Ex. CA-22 at 28.

²⁴⁴⁷ Ex. CA-22 at 15 and 28.

²⁴⁴⁸ SCE OB at 419.

²⁴⁴⁹ Cal Advocates OB at 419.

²⁴⁵⁰ Cal Advocates OB at 419; *see also* Ex. CA-22 at 29.

the project will be completed as requested. TURN asserts that SCE has not provided sufficient reason to believe that the requested funds would be spent on the authorized project and therefore, the Commission should deny SCE additional funding in this GRC for the Edison Training Academy.²⁴⁵¹

Alternatively, TURN contends that if the Commission funds the Edison Training Academy, the Commission should deny the \$11.000 million of contingencies because the actual project costs are immeasurable.²⁴⁵²

36.2.2.2. Vehicle Maintenance Facilities

TURN recommends denying funding for the Vehicle Maintenance Facilities given prior funding authorization in the 2018 GRC and SCE's failure to meet the Commission's requirements for additional funding in the 2021 GRC.²⁴⁵³ Alternatively, TURN argues that if the Commission concludes the funding for this project is appropriate, the Commission should disallow SCE's requested \$2 million contingency.²⁴⁵⁴

36.2.2.3. Alhambra Regional Operations Facility Renovations

Again, TURN recommends denying funding for the Alhambra Regional Operations Facility Renovations given the prior funding authorization

²⁴⁵¹ Ex. TURN-11 at 8.

²⁴⁵² Ex. TURN-11 at 8.

²⁴⁵³ Ex. TURN-11 at 9-10.

²⁴⁵⁴ Ex. TURN-11 at 9-10.

in the 2021 GRC and ongoing project delays.²⁴⁵⁵ Alternatively, TURN argues that if the Commission concludes the funding for this project is appropriate, the Commission should disallow SCE's requested \$4.810 million contingency.²⁴⁵⁶

36.2.2.4. Westminster Combined Facility Renovations

TURN argues that the Commission should deny SCE's second request for the Westminster Combined Facility Renovations given the prior funding authorization in the 2021 GRC and ongoing project delays. Alternatively, TURN contends that if the Commission concludes the funding for this project is appropriate, the Commission should disallow SCE's requested \$3.216 million contingency.²⁴⁵⁷

36.2.2.5. San Jacinto Laydown Yard

TURN contends that the Commission should deny SCE's request for funding for the San Jacinto Laydown Yard, given ongoing project delays.²⁴⁵⁸ Alternatively, TURN argues that if the Commission concludes the funding for this project is appropriate, the Commission should disallow SCE's requested \$1 million contingency.²⁴⁵⁹

36.2.3. SCE's Rebuttal

36.2.3.1. Edison Training Academy

In response to Cal Advocates and TURN, SCE states that while it experienced delays with the City of Corona's permitting process and production delays with architects and engineers for updated drawings for the new site

²⁴⁵⁵ Ex. TURN-11 at 12.

²⁴⁵⁶ TURN OB at 379.

²⁴⁵⁷ Ex. TURN-11 at 11.

²⁴⁵⁸ Ex. TURN-11 at 13.

²⁴⁵⁹ TURN OB at 385.

related to disruptions caused by the COVID-19 pandemic, SCE continuously moved the project forward.²⁴⁶⁰ SCE states that it recorded \$4.566 million on activities to further this project.²⁴⁶¹ SCE argues that the Edison Training Academy will provide new or enhanced training capabilities consistent with the modern training facilities already employed by other utilities in California and nationwide and meet the need for continuous training in specialized facilities equipped with the technology and equipment SCE's workforce utilizes to deliver reliable electrical service to customers.²⁴⁶²

SCE argues that Cal Advocates' and TURN's contentions that SCE will reallocate funds away from the Edison Training Academy project are not supported by the record.²⁴⁶³ SCE states that beyond the circumstances outside of SCE's control that led to relocations of the project site and delayed initiation of construction, SCE has gained traction with an entitled site, completed plans, drawings and permits, and construction has commenced.²⁴⁶⁴

With respect to TURN's objection to the inclusion of a contingency in the project's forecast, SCE asserts that the contingency amount is based on the application of risk management factors and a risk scale specific to the conditions for the Edison Training Academy project.²⁴⁶⁵ SCE argues that its contingency

²⁴⁶⁰ Ex. SCE-17, Vol. 5 at 12-13.

²⁴⁶¹ Ex. SCE-17, Vol. 5, Appendix A at A27-A29.

²⁴⁶² Ex. SCE-06, Vol. 7 at 56-62.

²⁴⁶³ SCE OB at 410.

²⁴⁶⁴ SCE OB at 410.

²⁴⁶⁵ Ex. SCE-06, Vol. 7 at 46-49; *see also* Ex. SCE-17, Vol. 05 at 14-16.

methodology was found reasonable in previous GRCs, particularly the 2021 GRC.²⁴⁶⁶

36.2.3.2. Vehicle Maintenance Facilities

With respect to TURN's and Cal Advocates' positions against the Vehicle Maintenance Facilities request, SCE states it has made material progress on the three projects under this program.²⁴⁶⁷ SCE also states that based on the evidence presented of progress on the projects in question and their anticipated completion during this GRC cycle, SCE has demonstrated that the authorization of the projects should be granted in this GRC.²⁴⁶⁸

With respect to Cal Advocates' recommended reduction, SCE states it provided Cal Advocates with a detailed breakdown of the Vehicle Maintenance Facilities program's planning estimate, which included line-by-line division activity, quantity, unit of measure, unit cost, and activity cost total, from SCE's professional, third-party construction cost estimating firm, Cumming Management Group, Inc. (CMGI).²⁴⁶⁹ With respect to TURN's recommendation to remove the contingency amount, SCE asserts that TURN does not address SCE's evidence concerning the methodology employed to generate this element of the forecast.²⁴⁷⁰

²⁴⁶⁶ SCE OB at 411 citing to D.21-08-036 at 453-455; D.21-08-036, Finding of Fact No. 568 at 624, and Finding of Fact No. 574 at 625.

²⁴⁶⁷ Ex. SCE-17, Vol. 5 at 16-19.

²⁴⁶⁸ SCE OB at 412.

²⁴⁶⁹ Ex. SCE-17, Vol. 5, Appendix A at A45-A49

²⁴⁷⁰ SCE OB at 412.

36.2.3.3. GO4 Workplace Upgrades

In response to Cal Advocates' contention that SCE did not provide sufficient supporting documentation, SCE states it submitted CMGI's project estimate with the Application and then provided a more detailed CMGI breakdown of the GO4 Workplace Upgrades program. SCE states this includes the planning estimate that cites to a line-by-line division activity, quantity, unit of measure, unit cost, and activity cost in response to a data request by Cal Advocates.²⁴⁷¹

SCE argues that Cal Advocates' recommendation to reduce SCE's request by 20 percent is arbitrary and the Commission should adopt SCE's forecast.²⁴⁷²

36.2.3.4. Fleet Charging Program

In response to Cal Advocates' recommendation to reduce funding for the program, SCE states Cal Advocates' position should be rejected. SCE argues that Cal Advocates confuses electric vehicle charger redundancy with SCE's request for infrastructure capacity needed to support its current and future electric vehicle delivery forecast.²⁴⁷³

SCE states that although Cal Advocates disputes the necessity of redundant chargers during this GRC cycle, the chargers themselves will be installed in alignment with electric vehicle fleet delivery and charger redundancy is critical for compliance, alignment with state guidance, and customer safety, particularly during emergent events.²⁴⁷⁴ SCE states that its forecast of

²⁴⁷¹ Ex. SCE-06, Vol. 7, WP, Bk. B, at 149-150; *see also* Ex. SCE-17, Vol. 5, Appx. A at A56-A59.

²⁴⁷² SCE OB at 414.

²⁴⁷³ SCE OB at 415.

²⁴⁷⁴ SCE OB at 417.

\$87.192 million for the Fleet Charging program from 2023-2025, which includes 2023 recorded expenditures of \$9.852 million, should be adopted as reasonable.

36.2.3.5. Covina CSAS Building Remodel

In response to Cal Advocates' contention that SCE failed to provide sufficient supporting documentation to back up its request, SCE states it submitted CMGI's estimate with the Application and then provided a more detailed CMGI breakdown of the Covina CSAS Building Remodel project's planning estimate to Cal Advocates.²⁴⁷⁵ SCE states that this included line-by-line division activity, quantity, unit of measure, unit cost, and activity cost in response to a data request by Cal Advocates.²⁴⁷⁶ SCE also argues that the Commission has found these cost estimating materials generated by CMGI to be both sufficiently detailed and supportive of the reasonableness of the overall cost levels of SCE's Facility and Land Operations capital projects and Cal Advocates "does not point to any specific issues with the cost estimating materials associated with this project."²⁴⁷⁷

SCE requests that the Commission reject Cal Advocates' recommendation to arbitrarily reduce SCE's request by 20 percent and adopt SCE's forecast of \$13.706 million for the Covina CSAS Building Remodel project.

36.2.3.6. Barstow Service Center Expansion

In response to Cal Advocates' recommendation and contentions to reduce the funding request for the Barstow Service Center Expansion, SCE makes similar responses to Cal Advocates' arguments as discussed in the Covina CSAS

²⁴⁷⁵ Ex. SCE-06, Vol. 7, WP, Bk. B at 164-165; *see also* Ex. SCE-17, Vol. 5, Appendix A at A101-A103.

²⁴⁷⁶ Ex. SCE-06, Vol. 7, WP, Bk. B at 164-165; *see also* Ex. SCE-17, Vol. 5, Appx. A at A101-A103.

²⁴⁷⁷ SCE OB at 418.

Building Remodel project. SCE argues that the Commission reject Cal Advocates' recommendation to reduce SCE's forecast by 20 percent and alternatively, adopt SCE's forecast of \$0.339 million for the Barstow Service Center Expansion project.²⁴⁷⁸

36.2.3.7. Alhambra Regional Operations Facility Renovations

SCE states that Cal Advocates' and TURN's corresponding recommendations to reduce or eliminate funding for the Alhambra Regional Operations Facility Renovations project should be rejected.

SCE argues that the delayed initiation of construction for this project arose from unforeseen permitting and production delays, changes to the municipality's seismic code, labor shortages and environmental remediation efforts, and related approvals.²⁴⁷⁹ SCE also argues that there is nothing in the record suggesting this delay arose from circumstances within SCE's control and this notwithstanding, SCE prioritized work that could be accomplished and has made significant progress on this project.²⁴⁸⁰ SCE also states it provided Cal Advocates with sufficient support documentation for its forecast.²⁴⁸¹

With respect to TURN's alternative recommendation to remove \$4.810 million in contingency, SCE states TURN does not address SCE's evidence concerning: (1) the methodology employed to generate this element of the forecast; and (2) that the Commission has previously assessed SCE's cost estimating materials, including risk management factors and scales and found

²⁴⁷⁸ SCE OB at 419.

²⁴⁷⁹ Ex. SCE-06, Vol. 7 at 107 and Ex. SCE-17, Vol. 5 at. 43 and Appx. A at A115-A139.

²⁴⁸⁰ Ex. SCE-17, Vol. 5, Appx. B at B71-B83.

²⁴⁸¹ Ex. SCE-06, Vol. 7, WP, Bk. B at 213-214.

the resulting estimates sufficiently detailed and supportive of the reasonableness of the relevant forecasts.²⁴⁸²

36.2.3.8. Westminster Combined Facility Renovations

In response to Cal Advocates' contention that SCE did not provide sufficient supporting documentation, SCE states it submitted a project estimate with the Application and then provided a more detailed breakdown of the program's planning estimate that includes a line-by-line division of activity, quantity, unit of measure, unit cost, and activity cost in response to a data request by Cal Advocates.²⁴⁸³ SCE states that, since Cal Advocates did not dispute any specific aspect of the cost estimating materials, its 20 percent reduction is arbitrary and unsupported.²⁴⁸⁴

With respect to TURN's contention to remove the project's contingency, SCE states its provided evidence concerning the methodology to generate this element of the forecast.²⁴⁸⁵

36.2.3.9. Substation Reliability Upgrades

In response to Cal Advocates, SCE states that Cal Advocates' reliance on the recorded average expenditure from the previous three Substation Reliability Upgrades projects is misplaced.²⁴⁸⁶ SCE states that the construction contracts for those previously completed projects were entered into before the COVID-19 pandemic and do not properly reflect the impacts of inflation and supply chain

²⁴⁸² Ex. SCE-17, Vol. 5, Appx. A at A37-A39; *see also* SCE OB at 421.

²⁴⁸³ Ex. SCE-06, Vol. 7, WP, Bk. B at 216-217.

²⁴⁸⁴ SCE OB at 423.

²⁴⁸⁵ SCE OB at 423.

²⁴⁸⁶ SCE OB at 424.

disruptions across the construction industry.²⁴⁸⁷ SCE contends that the forecast for the Substation Reliability Upgrades program should be adopted.

36.2.3.10. Arrowhead Service Center

In response to Cal Advocates, SCE argues that the recommendation to eliminate funding for the Arrowhead Service Center Land Purchase project should be rejected. SCE argues that: (1) Federal and Commission guidance support the recovery of land acquisition and related costs in advance of construction; (2) SCE has located a parcel of land and is currently in discussion with the property owner to purchase the land; and (3) SCE is currently performing due diligence on a parcel.²⁴⁸⁸

36.2.3.11. San Jacinto Laydown Yard

In response to Cal Advocates' recommended reduction for the project, SCE states it aggressively pursued potential parcels for the project and located a suitable parcel in October 2023.²⁴⁸⁹ SCE also states it submitted a Letter of Intent in April 2024 and negotiations of a Purchase and Sale Agreement and the formal due diligence process are underway.²⁴⁹⁰ SCE asserts that based upon the evidence if the Purchase and Sale Agreement is executed, SCE's acquisition would close in 2024 consistent with the forecast and schedule presented in testimony.²⁴⁹¹ SCE also asserts that it provided Cal Advocates sufficient documentation to support its request.²⁴⁹²

²⁴⁸⁷ Ex. SCE-06, Vol. 7 at 125.

²⁴⁸⁸ Ex. SCE-17, Vol. 5 at 55-57.

²⁴⁸⁹ Ex. SCE-17, Vol. 5 at 60-61.

²⁴⁹⁰ Ex. SCE-17, Vol. 5 at 59.

²⁴⁹¹ Ex. SCE-17, Vol. 5 at 59-60.

²⁴⁹² Ex. SCE-06, Vol. 7, WP, Bk. C at 85-86; *see also* SCE-17, Vol. 5, Appendix A at A164-A166.

With respect to TURN, SCE argues TURN's recommendation to remove the contingency should be rejected. SCE asserts that the Commission has previously assessed SCE's cost estimating materials, including risk management factors and scales, and found the resulting estimates sufficiently detailed and supportive of the reasonableness of the relevant forecasts.²⁴⁹³ Thus, SCE states its forecast for the San Jacinto Laydown Yard should be adopted as reasonable.

36.3. Discussion

36.3.1. Contested Issues

36.3.1.1. Edison Training Academy

We authorize and adopt Cal Advocates' recommendation for the Edison Training Academy. Therefore, we direct SCE to record costs associated with the Edison Training Academy project into a memorandum account. Upon this project's completion, SCE shall seek cost recovery for the project. In making this determination, we agree with Cal Advocates that recording costs into a memorandum account ensures that funds are appropriated for this project contemporaneous to the project's completion. Thus, we decline to adopt TURN's and SCE's positions and recommendations.

We agree with Cal Advocates that SCE has not made significant enough progress on this project to justify authorizing the forecasts.²⁴⁹⁴ As Cal Advocates states, SCE has made minimal progress on this project; the Edison Training Academy is currently in phase zero which entails demolition, grading, installation of offsite utilities and landscaping.²⁴⁹⁵ Cal Advocates points to a

²⁴⁹³ SCE OB at 426.

²⁴⁹⁴ Cal Advocates OB at 408.

²⁴⁹⁵ Cal Advocates OB at 408.

nine-month delay in the project schedule due to permitting issues.²⁴⁹⁶ In light of these facts, we find that recording costs associated with the Edison Training Academy project into the memorandum account is reasonable.

Within 30 days upon issuance of this decision, SCE shall file a Tier 1 advice letter with the Commission's Energy Division establishing the Edison Training Academy Memorandum Account for purposes of recording costs associated with the Edison Training Academy Project. Costs associated with the Edison Training Academy recorded in this memorandum account shall be eligible for cost recovery upon the project's completion.

36.3.1.2. Vehicle Maintenance Facilities

We authorize and adopt SCE's 2023-2025 forecast of \$5.156 million for the Vehicle Maintenance Facilities program. We decline to adopt Cal Advocates' and TURN's recommendations because the projects under this program have made material progress as: (1) the design and construction plans for each site have been completed; (2) the permitting process has been initiated for two of the sites with the construction bidding process ending in 2024 and the construction to commence by the third quarter of 2025; and (3) the projects are anticipated to be completed during this GRC cycle.²⁴⁹⁷ In light of the evidence, we find that the forecast for this project is reasonable. Therefore, we authorize and adopt SCE's 2023-2025 forecast of \$5.156 million for the Vehicle Maintenance Facilities program.

²⁴⁹⁶ Ex. CA-22 at 15.

²⁴⁹⁷ Ex. SCE-17, Vol. 5 at 16-20.

36.3.1.3. GO4 Workplace Upgrades

We authorize and adopt SCE's forecast of \$27.754 million for the GO4 Workplace project. We decline to adopt Cal Advocates' recommended reduction. We find that SCE has completed the design, planning, and permitting work for the bulk of the project and construction on the project commenced in the first quarter of 2024.²⁴⁹⁸ In light of this evidence, we find it reasonable to adopt SCE's forecast for the GO4 Workplace Upgrades. In conclusion, we authorize and adopt SCE's forecast of \$27.754 million for the GO4 Workplace project.

36.3.1.4. Fleet Charging Program

We authorize and adopt Cal Advocates' recommendation of \$10.223 million in 2023, \$8.437 million in 2024, and \$36.922 million in 2025 for the Fleet Charging Program. We decline to adopt SCE's forecast.

We agree with Cal Advocates that SCE's request for chargers is redundant.²⁴⁹⁹ As Cal Advocates' testimony illustrates: (1) each vehicle that SCE requests needs between 1.7 and 18.8 hours to fully charge, with the majority needing between 8.8 and 14.4 hours to fully charge when the battery is fully depleted; (2) vehicles can be shared when needed even if they are assigned to different districts; (3) the useful life of the smart EV chargers installed across SCE's workplace charging infrastructure is 10 years; and (4) SCE's fleet-charging installation program still allows for the construction of additional infrastructure and chargers, if needed, in the future.²⁵⁰⁰

²⁴⁹⁸ SCE-17, Vol. 5 at 23-25, Appendix A at A42-A44.

²⁴⁹⁹ Ex. CA-22 at 19-21.

²⁵⁰⁰ Ex. CA-22 at 19-21.

36.3.1.5. Covina CSAS Building Remodel

We authorize and adopt SCE's forecast of \$13.706 million for the Covina CSAS Building Remodel project. We decline to adopt Cal Advocates' recommendation to reduce the forecast for this project.

In adopting SCE's forecast, we find that SCE has demonstrated the reasonableness of the project and has made progress toward the project's completion. SCE has: (1) completed 50 percent of the construction design; and (2) is conducting planning, securing entitlements, and prepared the permitting process in 2024.²⁵⁰¹ These efforts show progress toward completion and usefulness of the project. Therefore, we authorize and adopt SCE's forecast of \$13.706 million for the Covina CSAS Building Remodel project.

36.3.1.6. Barstow Service Center Expansion

We decline to adopt SCE's forecast of \$0.339 million for the Barstow Service Center Expansion project.

Here, we find that SCE's conservative estimate for commencement of construction in 2027 is too close to the end of this GRC cycle for the project to fit within the parameters of this GRC cycle's review. There is risk that the project may be delayed further. In its next GRC, SCE may seek authorization of this project's forecast and costs once it has made more significant steps toward project completion. Therefore, we decline to adopt SCE's forecast of \$0.339 million for the Barstow Service Center Expansion project.

²⁵⁰¹ Ex. SCE-17, Vol. 5, Appx. B, at B69-B70; *see also* Ex. SCE-17, Vol. 5, and 32 (Table II-19).

**36.3.1.7. Alhambra Regional Operations
Facility Renovations**

We authorize and adopt Cal Advocates' recommendation of \$18.330 million in 2023, \$23.293 million in 2024, and \$3.349 million in 2025 for the Alhambra Regional Operations Facility Renovations.

We agree with Cal Advocates that a 20 percent reduction to SCE's forecast is reasonable to mitigate the risk of an inflated estimate. Cal Advocates demonstrates this risk when it argues that SCE was authorized \$58.967 million for this project in the 2021 GRC but has only recorded \$4.005 million, which is less than 10 percent of the authorized amount. Additionally, SCE estimates a completion date of December 31, 2028, the last day of this GRC cycle, which pushes this project toward the cusp of the next GRC cycle's consideration. On balance, we find Cal Advocates' recommendation reasonable. Therefore, we apply a 20 percent reduction to SCE's forecast to mitigate the risk of an inflated estimate.

Thus, we authorize and adopt Cal Advocates' recommendation of \$18.330 million in 2023, \$23.293 million in 2024, and \$3.349 million in 2025 for the Alhambra Regional Operations Facility Renovations.

**36.3.1.8. Westminster Combined
Facility Renovations**

We authorize and adopt SCE's 2023-2025 forecast of \$16.297 million for the Westminster Combined Facility Renovations.

In doing so, we find SCE's forecast reasonable. SCE has demonstrated that it has made significant progress on this project, including the completion of tenant improvements at the Administration Building and various other site

improvements.²⁵⁰² We find that the evidence shows SCE is committed to completing this project within this GRC cycle. To be sure, given the project's progress toward completion and the project's conservative estimate forecast of completion within this GRC cycle, we find that it would be unreasonable to reject SCE's project forecast or reduce it.

Therefore, we authorize and adopt SCE's 2023-2025 forecast of \$16.297 million for the Westminster Combined Facility Renovations.

36.3.1.9. Substation Reliability Upgrades

We authorize and adopt SCE's 2023-2025 forecast of \$30.502 million for the Substation Reliability Upgrade program.

Here, we find that SCE has demonstrated progress toward completing the substation reliability upgrades. For example, for the Antelope and Pardee Maintenance and Test Buildings, SCE has completed construction planning for both projects, bids have been solicited, contracts awarded, and construction commencing.²⁵⁰³ For the Santa Clara Maintenance and Test Building, SCE has shown that construction planning is in progress and set to commence in 2025. In short, SCE has shown commitment toward these projects' completion.

We authorize and adopt SCE's 2023-2025 forecast of \$30.502 million for the Substation Reliability Upgrade program.

36.3.1.10. Arrowhead Service Center Land Purchase

We authorize and adopt SCE's \$3 million request for the Arrowhead Service Center Land Purchase. SCE has demonstrated progress toward

²⁵⁰² Ex. SCE-17, Vol. 5 at 47-49 and Appendix A at A140-142.

²⁵⁰³ Ex. SCE-06, Vol. 7 at 130; SCE-06, Vol. 7E at E127-E129.

completing this purchase, and we are unpersuaded by Cal Advocates' recommendation to disallow this element of The Projects Less Than \$3 Million.

36.3.1.11. San Jacinto Laydown Yard

We authorize and adopt SCE's 2024-2025 forecast of \$22.350 million for the San Jacinto Laydown Yard project.

In doing so, we find that SCE has demonstrated progress and effort toward purchasing a parcel for the San Jacinto Laydown Yard. For example, in testimony, SCE presented a Letter of Intent in April 2024 and negotiations of a Purchase and Sale Agreement and the formal due diligence process for this project.²⁵⁰⁴ SCE has proffered a timetable and actions demonstrating efforts to bring this purchase to a close.

Therefore, we authorize and adopt SCE's 2024-2025 forecast of \$22.350 million for the San Jacinto Laydown Yard project.

36.3.2. Uncontested Issues

We adopt and authorize the following uncontested amounts, finding them reasonable:

- Facility Management Capital Program – \$185.190 million, including 2023 recorded expenditures of \$58.311 million;
- Transportation Services BPE – \$16.287 million from 2023-2025, including 2023 recorded expenditures of \$4.243 million; and
- TY 2025 forecast of O&M expenses of \$60.645 million for the Facility and Land Operations BPE.

37. Policy, External Engagement, and Ratemaking

This section addresses SCE's TY O&M forecasts for the Policy and External Engagement BPE as well as the Ratemaking Cost Recovery BPE.

²⁵⁰⁴ Ex. SCE-17, Vol. 5 at 59.

37.1. Policy and External Engagement

The Policy and External Engagement BPE directs and manages SCE's regulatory activities to support and implement energy, environmental, wildfire mitigation policies and other policies instituted by state, federal, and local agencies. These activities include case management of all proceedings before state and federal regulatory agencies; submission of regulatory filings; participation in joint actions of state agencies; and educating government officials, staff, and local community stakeholders on policy initiatives and programs.²⁵⁰⁵

SCE's total request of \$28.991 million in TY O&M expenses for the Policy and External Engagement BPE includes work for the following activities:²⁵⁰⁶

Activity	TY Forecast (\$000)
Develop and Manage Policy and Initiatives	19,248
Education, Safety, and Operations	7,630
Professional Development and Education	2,113
Total	28,991

SCE's TY forecast of \$19.248 million for the Develop and Manage Policy and Initiatives activity is uncontested. This GRC activity consists of work performed within the Regulatory Affairs organization. The work is organized into the following six functions: (1) Case Management, which is responsible for managing regulatory proceedings; (2) Case Administration, which provides administration support to Case Management; (3) CPUC Engagement; (4) CAISO/FERC/CEC Engagement; (5) Environmental Affairs – State, Local,

²⁵⁰⁵ Ex. SCE-06, Vol. 8 at 3.

²⁵⁰⁶ Ex. SCE-17, Vol. 6, Table II-3 at 4.

Federal; and (6) Pricing Design and Research, which is responsible for designing rates that equitably recover SCE's authorized revenue requirements from SCE customers.²⁵⁰⁷ SCE's forecast is based on 2022 recorded costs (\$15.604 million) plus adjustments. The adjustments include an organizational restructuring that moved the T&D GRC Regulatory Support and Wildfire and Public Safety regulatory groups from the T&D organization to the Regulatory Affairs organization (\$2.442 million); a reduction of the 2022 vacancy rate (\$0.601 million); the hiring of six additional personnel (\$0.986 million); increased employee travel-related expenses in 2025 due to the reduction in COVID-19 restrictions (\$0.445 million); and SCE's company-wide Employee Compensation Program (\$0.829 million). It also includes cost decreases associated with the removal of certain non-recurring expenses (\$0.515 million); the replacement of supplemental workers with permanent employees (\$0.230 million); non-labor efficiency improvements (\$0.325 million); and SCE's Operational Excellence initiatives (\$0.589 million).²⁵⁰⁸ We find reasonable and approve SCE's uncontested forecast.

Cal Advocates and TURN propose reductions for the other two activity forecasts, which are discussed below.

37.1.1. Education, Safety, and Operations

The Education, Safety, and Operations GRC activity consists of work performed within the Local Public Affairs (LPA) organization. LPA is responsible for managing and directing external engagement with government officials, staff, businesses, and local community stakeholders representing 185

²⁵⁰⁷ Ex. SCE-06, Vol. 8 at 4-8.

²⁵⁰⁸ Ex. SCE-06, Vol. 8 at 11-15; Ex. SCE-17, Vol. 6 at 5.

cities, 15 counties, and 13 Native American federally recognized tribes in the SCE service area. LPA is organized into two divisions: (1) Government Relations, which supports, manages and directs external engagement with local and regional governmental jurisdictions, tribes, district offices for state and federal representatives and other stakeholders who are impacted by SCE operations; and (2) Public Affairs, which coordinates the department's engagement work with key stakeholder groups on various clean energy, climate, transportation, community choice, and other local initiatives and issues.²⁵⁰⁹

SCE forecasts \$7.630 million in TY O&M expenses for the Education, Safety, and Operations GRC activity, consisting of \$6.317 million in labor and \$1.313 million in non-labor expenses.²⁵¹⁰ SCE's labor forecast is based on 2022 recorded expenses with a net upward adjustment of \$702,000 to account for the filling of 2022 vacancies; the addition of three new positions; efficiency improvements; SCE's Employee Compensation Program; and SCE's Operational Excellence initiatives. SCE's non-labor forecast is based on 2022 recorded expenses with an upward adjustment of \$734,000 to account for increased work expected in 2025.²⁵¹¹

TURN recommends a TY O&M forecast of \$6.193 million for Education, Safety, and Operations based on the 2022 recorded amount. In support of its position, TURN highlights that SCE has consistently underspent on this activity since 2018, while SCE's recorded costs have declined every year from 2019–2023.

²⁵⁰⁹ Ex. SCE-06, Vol. 8 at 15-19.

²⁵¹⁰ Ex. SCE-17, Vol. 6, Table II-5 at 6.

²⁵¹¹ Ex. SCE-06, Vol. 8 at 23-25; Ex. SCE-17, Vol. 6 at 6.

TURN observes these cost decreases continued in 2023, despite SCE's initial GRC forecast reflecting increased spending for this activity in this year.²⁵¹²

In response, SCE asserts: (1) SCE spent lower than authorized and had declining expenses for this activity due to the COVID-19 pandemic, the impacts of which will not be present to the same degree in 2025; (2) prior to the COVID-19 pandemic, SCE's recorded spending for this activity was near or even higher than what SCE is forecasting for 2025; and (3) SCE provided substantial, detailed evidence justifying the need for additional funding for this activity in 2025 compared to 2022, none of which is contested by TURN.²⁵¹³

We find merit in TURN's arguments and authorize a TY O&M forecast of \$6.193 million for Education, Safety, and Operations. SCE's argument that the COVID-19 pandemic caused lower than authorized spending for this activity is undercut by the fact that SCE also spent lower than authorized for Education, Safety, and Operations between 2018-2019, two years prior to the pandemic. Additionally, as highlighted by TURN, SCE's trend of year-over-year decreases in the recorded costs for this activity continued into 2023, despite SCE's forecast and arguments in this GRC indicating that spending would increase between 2022 to 2023 due to the lifting of COVID-19 restrictions.²⁵¹⁴ For its part, SCE does not attempt to explain why its 2023 recorded costs were lower than forecast. SCE asserts it provided detailed evidence justifying the need for additional funding for this activity in 2025, none of which is disputed by TURN.²⁵¹⁵ SCE's argument

²⁵¹² Ex. TURN-11 at 14-15; TURN OB at 386-387.

²⁵¹³ Ex. SCE-17, Vol. 6 at 7-8; SCE OB at 427-429.

²⁵¹⁴ Ex. SCE-06, Vol. 8 at 22; Ex. SCE-17, Vol. 6 at 7-8.

²⁵¹⁵ SCE OB at 427.

is misplaced. Regardless of the forecast need, SCE has not demonstrated that it is likely to spend any additional authorized funding for this activity.

37.1.2. Professional Development and Education

The Professional Development and Education GRC activity consists of customer-funded dues and memberships, which help SCE stay current on industry trends and best practices. SCE forecasts TY O&M expenses of \$2.113 million for this activity. SCE's forecast is based on an itemized list of anticipated corporate membership dues. SCE contends that it excluded the portions of those dues attributable to lobbying and non-allowable expenses.²⁵¹⁶

Cal Advocates recommends a reduction of \$1.893 million to this forecast, associated with the removal of 100 percent of SCE's forecast Edison Electric Institute (EEI) dues.²⁵¹⁷ EEI is an association of U.S. investor-owned electric companies, international affiliates, and industry associates.²⁵¹⁸ Cal Advocates highlights that SCE did not provide an itemized breakdown of EEI's activities to allow parties and the Commission to determine whether other EEI activities, and their associated costs, should be excluded from ratepayer funding.²⁵¹⁹

TURN recommends a reduction of \$0.770 million to SCE's forecast EEI dues, which would fund 50 percent of EEI dues, plus the full amount for the Restoration, Operations, and Crisis Management Program. TURN asserts its recommendation is consistent with SCE's 2021 GRC decision. TURN also asserts that SCE has not met its burden or the Commission's requirements for

²⁵¹⁶ Ex. SCE-17, Vol. 6 at 9-14; SCE OB at 429.

²⁵¹⁷ Cal Advocates OB at 420-422.

²⁵¹⁸ Ex. SCE-06, Vol. 8 at 26.

²⁵¹⁹ Ex. CA-23 at 9-6; Cal Advocates OB at 420-422.

demonstrating the reasonableness of requested funding for EEI dues.²⁵²⁰ In addition, TURN opposes SCE's request for \$0.042 million in California Taxpayers Association (CalTax) dues. In SCE's 2012 GRC, the Commission disallowed funding for CalTax dues, noting that CalTax is "focused on tax policy, not the delivery of electrical service, and ratepayers may disagree with their views or even be adversely affected by them."²⁵²¹ TURN argues the Commission should disallow recovery of CalTax dues for the same reason as in prior GRC decisions.²⁵²²

Concerning forecast EEI dues, SCE asserts: (1) it presented extensive testimony demonstrating how SCE's EEI membership benefits customers; (2) as it has in the past, SCE reduced its request for the EEI membership dues by removing the portion of the fees that are attributable to lobbying and non-allowable expenses; (3) in response to D.21-08-036, SCE considered the more detailed breakdown of EEI activities presented in EEI's "2023 Lobbying, Advocacy, and Other Expenditures" report issued in February 2023; and (4) in the absence of a better way to calculate the amounts that should be excluded from SCE's request, and consistent with the rationale the Commission initially applied in D.19-09-051 (SDG&E's 2019 GRC), it is reasonable for the Commission to adopt SCE's full request.²⁵²³

In response to TURN's recommended disallowance for CalTax dues, which was raised for the first time in TURN's opening brief, SCE asserts TURN's

²⁵²⁰ Ex. TURN-11 at 16-18; TURN OB at 388-393.

²⁵²¹ D.12-11-051 at 507; also, D.19-05-020 at 250.

²⁵²² TURN OB at 394.

²⁵²³ Ex. SCE-17, Vol. 6 at 11-14; SCE OB at 429-431.

recommendation is untimely and deprives SCE of the opportunity to present substantial evidence defending the reasonableness of its request. Further, SCE asserts the Commission has historically reached inconsistent decisions in utility GRCs about the recoverability of membership dues based on the specific evidence presented in a given proceeding, and that TURN's position relies solely upon a single decision in SCE's 2012 GRC.²⁵²⁴

It has generally been the Commission's policy to deny ratepayer funding of EEI dues unless a utility provides sufficient evidence to establish clear ratepayer benefits.²⁵²⁵ The Commission has specifically barred ratepayer funding of membership activities such as: legislative advocacy, legislative policy research, regulatory advocacy, advertising, marketing, and public relations.²⁵²⁶

SCE has presented sufficient evidence demonstrating that ratepayers receive some benefits from the EEI membership. These benefits include disaster preparedness, grid resiliency, customer savings, and information exchange, among others.²⁵²⁷ However, as in prior GRCs, SCE does not provide a breakdown of EEI's membership activities or dues that would enable the Commission to determine how much of the dues are attributable to activities the Commission has previously deemed improper for ratepayer recovery. SCE relies on information presented in the EEI invoice to exclude costs related to "influencing legislation," but the invoice itself does not present an itemized breakdown of other activities that the Commission has excluded from ratepayer

²⁵²⁴ SCE RB at 214.

²⁵²⁵ See D.20-07-038 at 6.

²⁵²⁶ D.15-11-021 at 365-366; D.14-08-032 at 261-262.

²⁵²⁷ Ex. SCE-06, Vol. 8 at 27-34.

funding. The Commission has previously found that “the EEI invoice . . . is insufficient evidence to establish the portion of the invoice which should be recovered from ratepayers.”²⁵²⁸ SCE also considered the more detailed breakdown of amounts related to government relations, political and external affairs, and state and federal regulatory affairs as presented in EEI’s “2023 Lobbying, Advocacy, and Other Expenditures” report issued in February 2023;²⁵²⁹ however, this report similarly does not present an itemized breakdown of advertising, marketing, and public relations activities that should be excluded from ratepayer funding.

SCE’s other arguments are equally unpersuasive. As noted by TURN, while the Commission initially authorized SDG&E’s request for EEI dues (less the percentage identified on the EEI invoice as for lobbying) in D.19-09-051, this decision was subsequently modified to limit funding for SDG&E’s EEI dues.²⁵³⁰ Further, as the applicant, SCE has the burden of establishing that its requested funds are eligible for rate recovery. While intervenors also have the “burden of going forward” to produce evidence to raise a reasonable doubt as to the utility’s

²⁵²⁸ D.19-05-020 at 25; *see also* D.20-07-038 at 7 and D.21-08-036 at 462.

²⁵²⁹ Edison Electric Institute, “2023 Lobbying, Advocacy, and Other Expenditures,” Feb. 2023, available at: https://www.eei.org/-/media/Project/EEI/Documents/About/Lobby_Disclosure.pdf?la=en&hash=6D643CB7A4CCC511F57DA7B (last accessed March 28, 2025).

²⁵³⁰ *See* D.20-07-038 at 7.

position,²⁵³¹ TURN's arguments and recommendation in this proceeding are consistent with Commission findings in several prior GRC decisions.²⁵³²

Given SCE's demonstration that there are some ratepayer benefits to its EEI membership, we adopt TURN's recommendation to authorize some ratepayer funding for SCE's EEI membership dues. Based on the EEI invoice provided by SCE, and consistent with SCE's 2021 GRC decision,²⁵³³ we find it reasonable to approve the dues designated for the Restoration, Operations, and Crisis Management Program (\$0.015 million).²⁵³⁴ In line with amounts we have previously found to be reasonable, we also find it reasonable to approve ratepayer funding for 50 percent of the remainder of the dues. Therefore, we approve a total of \$1.061 million in TY O&M for EEI dues, consistent with TURN's recommendation.

We deny SCE's request for \$0.042 million in CalTax dues. As noted elsewhere, the Commission has barred ratepayer funding of membership activities for legislative advocacy.²⁵³⁵ The Commission has previously considered and denied SCE's request for funding CalTax dues, finding that "advancing policies of tax reduction is inherently political and ratepayers should

²⁵³¹ *Re Pacific Bell*, D.87-12-067 at 22, 27 CPUC2d 1. *See also Universal Studios Inc. v. Southern California Edison Co.*, D.04-04-074 at 31-32, 2004 Cal. PUC LEXIS 173; *Re Golden State Water Co.*, D.07-11-037, 2007 Cal. PUC LEXIS 648.

²⁵³² *See, e.g.*, D.21-08-036 at 460-463 (approving the dues designated for Restoration, Operations, and Crisis Management Program plus 50 percent of the remainder of EEI dues); D.20-07-038 at 7 (approving 50 percent of base year costs plus incremental costs); D.15-11-021 at 363, 366 (approving approximately 52 percent of total dues); D.14-08-032 at 261-262 (approving approximately 56.7 percent of total dues).

²⁵³³ D.21-08-036 at 462.

²⁵³⁴ Ex. SCE-17, Vol. 6, Appendix A at 3-4.

²⁵³⁵ D.15-11-021 at 365-366; D.14-08-032 at 261-262; D.24-12-074 at 887-880.

not fund SCE's membership dues in political organizations, regardless of some attenuated potential rate benefit."²⁵³⁶ In this proceeding, SCE asserts CalTax helps "SCE reduce corporate tax liability and stay current on the fiscal impacts of upcoming legislation" and that CalTax "priorities include advocating for paying down unemployment insurance debt to prevent future employment tax increases."²⁵³⁷ SCE clearly identifies CalTax as a legislative advocacy organization which, consistent with prior Commission decisions, is not eligible for ratepayer funding. Accordingly, SCE's request for \$0.042 million in CalTax dues is denied.

We find reasonable and approve the remainder of SCE's uncontested forecast for the Professional Development and Education GRC activity totaling \$0.240 million.²⁵³⁸ With the adjustment to SCE's forecast EEI dues, above, we authorize \$1.301 million in TY O&M expenses for the Professional Development and Education GRC activity.

37.2. Ratemaking Cost Recovery

The Ratemaking Cost Recovery BPE includes work performed in the Regulatory Affairs organization that manages the recovery of SCE's revenue requirements authorized by the Commission and FERC. SCE's forecast for the Ratemaking Cost Recovery BPE encompasses: (1) managing the recovery of SCE's costs for providing services to its customers; (2) calculating and presenting to the Commission for approval the costs SCE may charge customers for purchasing fuel and power, including the Energy Resource Recovery Account

²⁵³⁶ D.12-11-051 at 507.

²⁵³⁷ Ex. SCE-06, Vol. 8 at 34-35.

²⁵³⁸ Ex. SCE-06, Vol. 8WP at 27.

proceedings; and (3) overseeing SCE's tariffs that set forth the terms and conditions of SCE's services to its customers.²⁵³⁹

SCE forecasts \$5.361 million in TY O&M expenses for the Ratemaking Cost Recovery BPE.²⁵⁴⁰ SCE's TY forecast is based on 2022 recorded costs plus a \$0.936 million increase in labor attributable to the filling of vacant positions along with certain changes to SCE's employee compensation program.²⁵⁴¹

We find reasonable and approve SCE's uncontested TY O&M forecast for Ratemaking Cost Recovery.

38. Results of Operations

38.1. Development of the CPUC-Jurisdictional Revenue Requirement

The operating expenses and investment-related costs that SCE presents in this GRC include base-related FERC-jurisdictional transmission-related operating and capital costs, which are recovered through rates authorized by FERC. To determine the CPUC-jurisdictional revenue requirement to be recovered through CPUC-authorized rates, SCE uses a Commission-approved methodology to calculate factors to allocate total company costs between CPUC and FERC jurisdiction. SCE presents these allocation factors and its incremental revenue and rate change proposal in Ex. SCE-07, Vol. 1. SCE's jurisdictional allocation factors are uncontested. In addition, Cal Advocates performed limited testing of the RO Model and determined that it reflects a reasonable calculation of the

²⁵³⁹ Ex. SCE-06, Vol. 8 at 41-42.

²⁵⁴⁰ Ex. SCE-17, Vol. 6, Table III-7 at 15.

²⁵⁴¹ Ex. SCE-06, Vol. 8 at 45-46.

Summary of Earnings.²⁵⁴² We adopt SCE's uncontested jurisdictional allocation factors.

38.2. Present Rate Revenue

SCE's testimony supporting both the Total System Present Rate Revenue (TSPRR) and the GRC-Related Present Rate Revenue (GRCPRR) is provided in Ex. SCE-07, Vol. 1. SCE explains that the TSPRR reflects the total amount of revenue associated with rate levels effective March 1, 2023 (pursuant to Advice 4977-E) and the kWh sales forecast in SCE's Application, and that GRCPRR is a subset of the TSPRR that shows the revenue requirement change requested in the Application. SCE provides the forecast TSPRR for 2023 through 2028, and the forecast GRCPRR for 2024 through 2028.²⁵⁴³

EPUC opposes SCE's Present Rate Revenue, alleging that the sales forecasts used to develop the Present Rate Revenue are understated.²⁵⁴⁴

In response, SCE asserts that EPUC's proposed adjustments to SCE's sales forecasts are flawed because they are based on raw data that is not appropriate for forecasting. Further, SCE states the purpose of Present Rate Revenue is to show the impact of SCE's revenue requirement increase, and not to support the requested revenue requirement itself.

We accept SCE's Present Rate Revenue (the TSPRR and GRCPRR) for its intended purpose in this GRC. As stated by SCE, while the Rate Case Plan requires utilities to include Present Rate Revenue with their respective GRC

²⁵⁴² Ex. CA-26 at 3.

²⁵⁴³ Ex. SCE-07, Vol. 1 at 101-107; SCE OB at 471.

²⁵⁴⁴ Ex. EPUC-02 at 4-17.

Application, the Present Rate Revenue is provided for illustrative purposes only, and is not intended to support the requested revenue requirement itself.

38.3. Cost Escalation

SCE uses a variety of escalation rates to estimate the effects of inflation on its labor, non-labor, and capital costs. SCE uses these escalation rates to deflate recorded O&M and Administrative and General (A&G) expenses from 2018–2022 and inflate forecast O&M and A&G expenses for 2023–2028. SCE’s testimony also explains and supports the escalation rates used to forecast the inflationary effects on capital expenditures.²⁵⁴⁵ SCE provided updated escalation rates to reflect the most current inflationary environment during the update phase of this proceeding.²⁵⁴⁶

Unless otherwise specified, we adopt SCE’s uncontested proposed escalation rates for labor, non-labor, and capital costs for 2018–2025. Escalation of costs for 2026–2028 is addressed in Section 42 (Post-Test Year Ratemaking).

38.4. Sales Forecast

SCE forecasts monthly retail electricity sales by customer class. Retail sales include final sales to bundled, direct access, and CCA customers within SCE’s service area, and exclude sales to public power customers, contractual sales, or inter-changes with other utilities. SCE’s sales forecasts incorporate historical trends, economic outlook, weather assumptions, and other factors, including energy efficiency, electrification, and solar PV and energy storage. Overall, SCE

²⁵⁴⁵ Ex. SCE-07, Vol. 1, Chapter VIII.

²⁵⁴⁶ Ex. SCE-40, Chapter III.

projects an average annual growth in energy sales of about 1.7 percent over the GRC period, for years 2025 to 2028.²⁵⁴⁷

EPUC recommends an increase of 1,349.514 gigawatt-hours (GWh) (4.6 percent) for the residential class, 122.96 GWh (3.1 percent) for the industrial class, and 579.853 GWh (9.9 percent) for other (non-residential, non-industrial) classes for the 2025 TY, and additional increases in the attrition years. EPUC's recommendation for residential sales is based on a simple historical trend of SCE's residential customer average usage data over a five-year period, from 2017 to 2022 excluding 2020. For industrial and other sales, EPUC recommends holding usage constant at the level of actual sales in 2022 over the TY and attrition years, from 2025 to 2028.²⁵⁴⁸

Similar to SCE's Present Rate Revenue, the presentation of SCE's projected sales forecast is intended to be illustrative only, and will be the subject of further consideration in SCE's GRC Phase 2 and ERRRA proceedings. Therefore, for the limited purpose of this proceeding, we find reasonable and accept SCE's monthly retail electricity sales forecast by customer class. As argued by SCE, EPUC's sales forecast relies on raw, unadjusted historical sales data from SCE's FERC Form 1, which does not account for weather and customer on-site solar PV generation. Further, EPUC's forecast fails to account for the persistent high temperatures in SCE's service territory from 2017 to 2022, as well as the 110 percent increase in behind-the-meter solar PV during the same period.²⁵⁴⁹

²⁵⁴⁷ Ex. SCE-07, Vol. 1 at 88-97; SCE OB at 461-462.

²⁵⁴⁸ Ex. EPUC-02 at 2-23.

²⁵⁴⁹ Ex. SCE-18, Vol. 1 at 69-71; SCE OB at 462-463.

38.5. Other Operating Revenues (Excluding Non-Tariffed Products and Services)

OOR is revenue received by SCE from transactions not directly associated with the sale of electric energy and is recorded in FERC accounts 450 (forfeited discounts), 451 (miscellaneous service revenues), 543 (sales of water and power), 454 (rent from electric property), and 456 (other electric revenues). SCE also includes as OOR the gain or loss on the sale of property, and revenue received from collections as the servicer/administrator of the recovery bonds to finance fire risk mitigation capital expenditures (to the extent not previously credited back through the BRRBA). OOR is subtracted from total operating costs to determine the test year revenue requirement because it reduces the revenue that must be collected through customer rate levels. For the 2025 TY, SCE forecasts a total of \$233.931 million in OOR.²⁵⁵⁰ Except for Non-Tariffed Products and Services discussed below, and the CCA and Paper Bill Fee discussed in Section 18 (Customer Service Operations), SCE's OOR forecast is uncontested.

In addition, SCE's OOR testimony proposes Added Facilities rates for the 2025 TY. Customers may request facilities in addition to, or in substitution for, the standard facilities that SCE would normally install. If SCE agrees to these requests the facilities are referred to as Added Facilities. The cost of Added Facilities is recovered through a monthly charge equal to the installed cost of the facilities times the monthly Added Facilities rate applicable to the financing and replacement option. SCE's proposed Added Facilities rates reflect the costs of owning, operating, and maintaining the Added Facilities. The methodology for calculating the Added Facilities rates is based on portfolio-derived levelized

²⁵⁵⁰ Ex. SCE-07 Vol. 1 at 118-121. Forecast adjusted from \$233.943 million to \$233.931 million to align with SCE's rebuttal testimony position and errata.

rates. That is, Added Facilities rates are calculated to equal the net present value of a traditional declining rate base revenue requirement stream. No party contested SCE's proposed Added Facilities rates.²⁵⁵¹

We find reasonable and approve SCE's uncontested forecast for OOR (excluding Non-tariffed Products and Services, which is discussed below). We also find reasonable and approve SCE's proposed Added Facilities rates for the 2025 TY.

38.6. Non-Tariffed Products and Services

Non-tariffed products and services (NTP&S) are products and services, other than traditional electric utility services, provided by SCE that make secondary or complementary use of available capacity in utility assets and personnel. SCE shares gross revenues from NTP&S between customers and shareholders based upon pre-established sharing percentages after an initial \$16.672 million annual revenue threshold has been met, referred to as the gross revenue sharing mechanism (GRSM).²⁵⁵² SCE included the CPUC jurisdictional portion of the \$16.672 million threshold amount (\$11.25 million) in its OOR 2025 TY estimate.²⁵⁵³ Under the GRSM and Affiliate Transaction Rules, all incremental costs for NTP&S are the sole responsibility of SCE's shareholders.²⁵⁵⁴ To determine whether a cost is incremental (and thus charged to shareholders), SCE

²⁵⁵¹ SCE OB at 473.

²⁵⁵² The initial \$16.672 million threshold is credited back to customers on an annual basis as a revenue requirement and is not shared with shareholders. After the \$16.672 million threshold has been met, Incremental Gross Revenues from NTP&S categories designated as "Active" are shared between shareholders and customers on a 90/10 percentage basis. For NTP&S categories designated as "Passive," the Incremental Gross Revenues are shared between shareholders and customers on a 70/30 percentage basis. (Ex. SCE-18, Vol. 1 at 99-100).

²⁵⁵³ Ex. SCE-07, Vol. 1 at 122.

²⁵⁵⁴ See D.97-12-088, as modified by D.06-12-029.

uses the “but for” test.²⁵⁵⁵ SCE did not propose any changes to its NTP&S offerings or the GRSM in its direct testimony.

In SCE’s 2021 GRC decision, D.21-08-036, the Commission directed SCE to present testimony addressing the following NTP&S issues and questions in its 2025 TY GRC filing: (1) an estimate of the number of resources and costs that would be incurred if SCE were required to record each “but for” test and keep associated time logs; (2) whether there are lower-cost alternatives to recording each “but for” test that would achieve similar objectives; (3) how Edison Carrier Solutions (ECS)²⁵⁵⁶ employee questions are assigned to, and addressed by, HR personnel; and (4) whether ECS pays for office-related expenses, including utilities.²⁵⁵⁷

In compliance with D.21-08-036, SCE presented testimony addressing the above issues/questions in Ex. SCE-07, Vol. 1. SCE contracted with KPMG LLC, an independent consulting firm, to provide an estimate of the resources and costs that would be incurred to develop, implement, and maintain the use of a “non-incremental” NTP&S resource tracking system (KPMG Report).²⁵⁵⁸ According to the KPMG Report, 40 additional staff resources would be required

²⁵⁵⁵ Under SCE’s “but for” test, if SCE would *not* have incurred the cost “but for” the offering of any NTP&S, then the cost is deemed incremental and allocated to shareholders. (Ex. SCE-07, Vol. 1 at 131-137; SCE OB at 478).

²⁵⁵⁶ ECS is a department within SCE’s Customer Service organization unit that offers telecommunications services on a non-tariffed basis using SCE’s fiber optic network. (Ex. SCE-07, Vol. 1 at 128-131).

²⁵⁵⁷ D.21-08-036 at 479.

²⁵⁵⁸ As explained above, SCE currently tracks incremental costs for its NTP&S offerings using the “but for” test. SCE currently does not have established processes/systems to track costs that are deemed non-incremental (*i.e.*, costs that SCE would have otherwise incurred, regardless of its NTP&S offerings). (Ex. SCE-07, Vol. 1 at 131-138).

at an annual cost between \$4.36-\$5.72 million for SCE to implement non-incremental resource tracking.²⁵⁵⁹ The KPMG Report also presents three alternatives to non-incremental resource tracking, including: (1) require all SCE employee to submit timesheets to log time specifically spent on ECS-related activities (estimated one-time cost of \$1.50 million, or annual operating cost of \$0.20 million); (2) conduct a time study or analyze the actual time spent to enhance the existing allocation process that determines how costs for shared services are allocated among departments and affiliates (estimated one-time cost of \$0.50-\$1.00 million, or annual operating cost of \$0.06 million); and (3) use process mining technology to passively track digital activities across SCE (estimated one-time cost of \$2.50-\$3.00 million, or annual operating cost of \$0.35 million). Lastly, the KPMG Report lists the advantages and disadvantages to each alternative.²⁵⁶⁰

Concerning ECS' use of SCE's HR Department, SCE states ECS employees are SCE employees, and have an assigned HR specialist who also oversees utility employees. Since this HR specialist would exist whether ECS existed or not, the cost is considered non-incremental. Regarding ECS' use of office-related expenses, SCE states that shareholders pay for all office-related expenses for ECS except utilities (such as electricity and water), since utility costs "would exist whether ECS existed or not as ECS is using temporary excess capacity in the building."²⁵⁶¹

²⁵⁵⁹ Ex. SCE-07, Vol. 1, Book D WP at 69-72; Ex. SCE-07, Vol. 1, Table IX-40 at 134.

²⁵⁶⁰ Ex. SCE-07, Vol. 1, Book D WP at 69-72 and 99-104.

²⁵⁶¹ Ex. SCE-07, Vol. 1 at 139-140.

38.6.1. TURN

TURN provides the following four arguments: first, TURN asserts SCE's lack of auditable records, along with the inherent conflict of interest, support a finding that SCE has not met its burden of proof to demonstrate that incremental costs for NTP&S have been properly assigned to shareholders. As TURN noted in SCE's 2021 GRC: (1) SCE alone conducts the "but for" test that determines which costs are incremental and should therefore be charged to shareholders; (2) SCE does not have a record of the "but for" tests, which renders an audit of these tests impossible; and (3) SCE does not keep a record or time log of its NTP&S Program's use of utility resources.²⁵⁶² With respect to prior audits of the NTP&S Program, TURN highlights that, due to lack of auditable records, the State Controller's Office was not able to audit whether incremental costs were properly captured and assigned to shareholders.²⁵⁶³ TURN maintains that SCE's role as the sole arbiter of which costs should be assigned to shareholders creates a clear conflict of interest.²⁵⁶⁴

Second, TURN asserts the "unreasonable" NTP&S sharing mechanism and SCE's ability to determine which costs should be borne by shareholders have allowed shareholders to achieve astronomical levels of profitability, including an average return of 39.6 percent from the NTP&S over the last nine years (2014–

²⁵⁶² D.21-08-036 at 475; TURN OB at 433.

²⁵⁶³ As a result of SCE's 2015 GRC Decision (D.15-11-021), the Energy Division retained the independent auditing firm Baker Tilly Virchow Krause, LLP (Baker Tilly) to audit SCE's compliance with the California Affiliate Transaction Rules for the years 2010-2011 and, in August 2015, the State Controller's Office, on behalf of the Energy Division, commenced an audit of SCE's affiliate transactions for years 2012-2013. (Ex. SCE-07, Vol. 1 at 126).

²⁵⁶⁴ TURN OB at 433-436.

2022).²⁵⁶⁵ TURN compares this figure to SCE's authorized 2024 cost of capital (or rate of return) of 7.87 percent. TURN also argues that any comparison of net revenue received by customers versus shareholders under the NTP&S Program is meaningless without considering the amount of investment or expenses borne by each party.²⁵⁶⁶

Third, TURN asserts SCE's use of ratepayer funded assets raises questions about overbuilding capacity for non-utility uses. Specifically, TURN points to the available capacity of SCE's fiber network, approximately 76-78 percent of which has been either unused or used for NTP&S since 2017.²⁵⁶⁷

Lastly, TURN highlights the recent issuance of PG&E's GRC decision, D.23-11-069, as evidence that proposed changes to SCE's GRSM do not need to occur in a separate rulemaking proceeding.²⁵⁶⁸

Based on these observations and assertions, TURN provides the following recommendations: (1) SCE should be directed to maintain auditable "but for" tests and time logs at shareholder expense (*i.e.*, implement non-incremental resource tracking); (2) SCE's NTP&S Program should be authorized for only two more years and, if SCE wishes to continue its NTP&S program, it should be required to file an application containing at a minimum the same information

²⁵⁶⁵ Ex. TURN-10 at 16.

²⁵⁶⁶ Ex. TURN-10 at 15-16; TURN OB at 438-439.

²⁵⁶⁷ TURN OB at 440.

²⁵⁶⁸ TURN OB at 442. In D.23-11-069, the Commission approved PG&E's NTP&S program for two years out of the four-year GRC cycle, and directed PG&E to file a separate application to seek authorization before reinitiating NTP&S as a ratepayer-funded activity. (D.23-11-069 at 528-530).

PG&E is required to submit in D.23-11-069; and (3) the Commission should perform a comprehensive review of the NTP&S Program.²⁵⁶⁹

38.6.2. SCE Response

Concerning SCE's NTP&S offerings generally, SCE asserts: (1) the GRSM has benefited customers, who have received over \$661.1 million (*i.e.*, 72 percent) of the net revenues since its inception while shareholders have received only \$260.3 million (*i.e.*, 28 percent) of net revenues over the same time period; (2) the Commission has recognized public interest is served when utilities are incentivized through the GRSM to make secondary or complementary use of pre-approved categories; and (3) ECS has helped play a part in furthering the Commission's goal of creating a more competitive telecommunications market and helping to bridge the digital divide.²⁵⁷⁰

In response to TURN, SCE provides the following arguments: (1) the Commission has affirmed, on numerous occasions, that any changes to SCE's GRSM must be made in a separate rulemaking proceeding; (2) whereas PG&E's GRSM is temporary and relies on customer funding in PG&E's rate case, SCE's GRSM is permanent and does not rely on customer funding; (3) the Commission already performs regular comprehensive reviews and audits of SCE's NTP&S, while prior audits have not included any adverse findings or observations relating to SCE's NTP&S;²⁵⁷¹ (4) in compliance with Commission requirements, SCE has established accounting and reporting procedures and processes to

²⁵⁶⁹ TURN OB at 436-439 and 442-445; TURN RB at 151.

²⁵⁷⁰ SCE OB at 473-475.

²⁵⁷¹ Commission audits of SCE's NTP&S program are required under the Affiliate Transaction Rules (ATR). The Commission's Energy Division contracted or performed five ATR audits covering 2010-2023, while the State Controller's Office performed audits in May 2018 and June 2020. (Ex. SCE-07, Vol. 1 at 126).

identify and record incremental costs associated with NTP&S; (5) no party presented any evidence that SCE is improperly allocating incremental costs to customers; (6) customers would be responsible for the costs associated with TURN's record and time log proposals; (7) concerning the available capacity of SCE's fiber network, SCE asserts it prioritizes usage of customer fiber optic cable, the percentage of strand miles SCE has used for NTP&S (*i.e.*, 7.7 percent) is well within the anticipated guidelines set forth in D.98-12-083, while the percentage of strand miles available for future use (*i.e.*, 68 percent) is a prudent and natural consequence of the construction of fiber facilities to meet future utility needs;²⁵⁷² and (8) no party presented evidence that SCE's NTP&S offerings are driving proposed and unnecessary investments in this GRC.²⁵⁷³

Lastly, with regards to the recommendations contained in the KPMG Report, SCE states TURN's proposal to track "but for" tests and time logs would be costly (\$4.36-\$5.72 million/year), administratively burdensome, intrusive, and time consuming, while all of the alternatives presented have significant disadvantages and would not lead to data that is accurate or independently verified.²⁵⁷⁴

Based on these assertions, SCE requests the Commission: (1) determine SCE has satisfied the Commission's inquiries from SCE's 2021 GRC decision; (2) affirm changes to the approved GSRM are outside the scope of a GRC application; (3) affirm SCE has established accounting procedures to identify and record incremental NTP&S costs; (4) affirm there is no evidence that incremental

²⁵⁷² Reported percentages are from the year 2023. (SCE OB at 487).

²⁵⁷³ Ex. SCE-18, Vol. 1 at 90-113; SCE OB at 473-488; SCE RB at 236-245.

²⁵⁷⁴ Ex. SCE-07, Vol. 1 at 136-138.

costs have been allocated to customers, or that SCE's NTP&S offerings are driving proposed and unnecessary investments in the GRC; (5) reject TURN's proposal for SCE to record each "but for" test and keep time logs as burdensome, expensive, and unnecessary; and (6) reject TURN's proposal to require SCE to file an application to continue SCE's NTP&S Program after two years.²⁵⁷⁵

38.6.3. Discussion

In SCE's 2009 GRC, the Commission indicated it would "revisit" SCE's NTP&S Program and the related revenue sharing provisions in a new rulemaking;²⁵⁷⁶ however, such a rulemaking did not occur, and the Commission has consistently held that a rulemaking is the appropriate venue for reviewing SCE's GRSM.²⁵⁷⁷

While TURN does not recommend specific changes to the GRSM in this GRC, by proposing to terminate SCE's NTP&S Program in two years if SCE does not file an application, TURN's proposal would, in effect, place potential limitations on SCE's GRSM. TURN asserts that, since PG&E was recently directed to file a separate application to seek authorization to continue its NTP&S Program, changes to SCE's GRSM no longer need to occur in a separate rulemaking proceeding.²⁵⁷⁸ We disagree. As argued by SCE, PG&E's NTP&S Program is fundamentally different from SCE's program since PG&E relies on customer funding to support its NTP&S Program whereas SCE does not. Moreover, PG&E's GRSM is temporary, with costs and benefits that are forecast in each GRC, whereas SCE's GRSM is permanent. SCE states it has not requested

²⁵⁷⁵ SCE OB at 476-488.

²⁵⁷⁶ D.09-03-025 at 301-302.

²⁵⁷⁷ D.09-03-025 at 301-302; D.12-11-051 at 656-658; D.18-09-009 at 5; and D.21-08-036 at 481.

²⁵⁷⁸ D.23-11-069 at 528-530; TURN OB at 442.

funding or changes to its GRSM in any of its rate cases since its inception.²⁵⁷⁹ Considering these fundamental differences, and prior Commission decisions which have consistently held that review of SCE's GRSM should occur in a rulemaking, we reject TURN's proposal to require SCE to file an application to continue its NTP&S Program.

Instead, we remind intervenors, as we have in prior decisions,²⁵⁸⁰ that the Commission does not intend to consider modifications of SCE's GRSM in a GRC proceeding, while parties may petition the Commission to initiate a rulemaking to adopt, amend, or repeal a regulation which applies to an entire class of entities or activities.²⁵⁸¹ Parties served extensive testimony addressing SCE's NTP&S Program and related GRSM in this proceeding. In the event a new rulemaking is opened, the Commission may incorporate parts of the A.23-05-010 record into the new rulemaking once opened.

We find that SCE has made a *prima facie* showing regarding compliance of its NTP&S offerings with the Commission's Affiliate Transaction Rules, and reject without prejudice TURN's recommendation to have SCE maintain auditable "but for" tests and time logs at shareholder expense. Based on the record before us, SCE has sufficiently demonstrated that its established NTP&S Program accounting procedures and processes comply with Commission auditing and reporting requirements, while SCE's OOR forecast of \$16.672 million for revenues generated from NTP&S is consistent with the previously authorized GRSM threshold. Consistent with D.21-08-036, we also

²⁵⁷⁹ Ex. SCE-18, Vol. 1 at 103-104.

²⁵⁸⁰ D.12-11-051 at 657; D.21-08-036 at 481.

²⁵⁸¹ See Pub. Util. Code Section 1708.5; also, Rule 6.1.

find it reasonable to expect SCE's established processes, which include mandatory trainings for impacted employees to check the employee's knowledge and understanding of NTP&S "but for" rules, will help limit instances where incremental costs are not properly identified.²⁵⁸² No party presented any evidence in this proceeding demonstrating that SCE's NTP&S offerings are not in compliance with established Commission requirements, that incremental NTP&S costs have been allocated to customers, or that SCE's NTP&S offerings are driving proposed and unnecessary investments in this GRC. Further, TURN's suggestion that SCE's fiber network is overbuilt to provide NTP&S on the unused capacity is belied by the fact that, as of 2023, only 7.7 percent of strand miles were used for NTP&S.²⁵⁸³

Notwithstanding our findings above, TURN's point is well taken that, because SCE does not keep or maintain records of its "but for" tests and time logs, it is impossible for stakeholders to examine whether NTP&S incremental costs have been included in the GRC revenue requirement.²⁵⁸⁴ The KPMG Report provides different potential options for SCE to implement non-incremental resource tracking, with associated costs ranging between \$0.06 to \$5.72 million on an annual basis.²⁵⁸⁵ This decision does not reach any conclusions regarding whether or how NTP&S record keeping and cost tracking should take place, or who should pay for NTP&S record keeping. Rather, we find the implementation of potential cost/resource tracking measures would be

²⁵⁸² D.21-08-036 at 480; Ex. SCE-18, Vol. 1 at 96 and Appendix B at 111-143.

²⁵⁸³ SCE OB at 487.

²⁵⁸⁴ TURN OB at 435-436.

²⁵⁸⁵ Ex. SCE-07, Vol. 1 at 134-136.

better considered and addressed within the broader context of potential changes to SCE's GRSM, if determined necessary by the Commission.

Lastly, we find SCE has satisfied the Commission's NTP&S-related inquiries from D.21-08-036. As discussed above, these issues may be appropriate for further consideration in a new rulemaking.

38.7. Operation and Maintenance Expense Forecast

SCE's direct testimony contains the step-by-step process used to develop and support SCE's TY O&M expenses. SCE testifies that the purpose of this process is to achieve a consistent analytical approach for the subject matter experts that prepare the O&M expense estimates, and that the process complies with the GRC Rate Case plan.²⁵⁸⁶ SCE's testimony is uncontested.

We find SCE's step-by-step process to be reasonable, and agree it complies with the Commission's GRC Rate Case plan.

38.8. Overhead Allocation

SCE provided its estimated capitalization rate for A&G expenses and for Pension and Benefit (P&B) expenses. The capitalization rate for A&G expenses is based on the A&G Effort Study, which determines the capitalization rate for costs that are not already directly recorded to capital work orders. SCE's company-wide composite weighted average A&G capitalization rate is 32.4 percent, which is applied to the applicable A&G expenses in the 2025 TY forecast. For P&B, SCE testifies that expenses are correlated with labor expense, and that P&B costs are incurred as labor costs are incurred. The total 2022 recorded wages paid for construction divided by the total 2022 recorded wages

²⁵⁸⁶ Ex. SCE-07, Vol. 1, Chapter X; SCE OB at 488-489.

paid by SCE (excluding below-the-line wages) results in a P&B capitalization rate of 52.9 percent. SCE states its proposed P&B methodology was undisputed in SCE's 2009, 2012, 2015, 2018, and 2021 GRCs.²⁵⁸⁷

We find reasonable and approve SCE's uncontested A&G and P&B capitalization rates.

38.9. Reinvestments In Utility-Owned Generation Resources

CalCCA recommends that SCE be required to provide certain information in any future GRCs in which SCE proposes to invest in asset life extensions, incremental capacity additions, or changed functions for any of its Utility-Owned Generation (UOG) assets. Specifically, CalCCA recommends SCE be required to include the following in testimony: (1) the associated generation plant-level revenue requirement and separate marginal revenue requirement associated with the change; (2) why SCE is undertaking this investment/change; (3) on whose behalf SCE is making the new investments; and (4) the appropriate vintaging treatment for each asset in light of SCE's testimony.²⁵⁸⁸

The Commission recently considered this issue in PG&E's GRC, A.21-06-021. In that proceeding, Joint CCAs recommended re-vintaging certain UOG assets in response to life extension investments proposed by PG&E. The Commission rejected the recommendation, but adopted a related proposal by the Joint CCAs to require PG&E to submit certain information in future GRCs in which it proposes investments in UOG asset life extensions.²⁵⁸⁹ Specifically, the Commission directed PG&E to provide its "position and supporting evidence

²⁵⁸⁷ SCE OB at 489.

²⁵⁸⁸ Ex. CalCCA-03 at 20-29.

²⁵⁸⁹ D.23-11-069 at 509-511.

concerning: (1) the details of any PG&E proposal for new asset life extensions, incremental capacity additions, or changed functions for any of its UOG assets and why it is undertaking these changes; (2) on whose behalf it is making these new investments; and (3) the appropriate vintaging treatment for each asset in light of this testimony along with any future GRC proposals.”²⁵⁹⁰

SCE states it does not oppose providing the same information in future GRCs that PG&E is currently required to provide.²⁵⁹¹ CalCCA agrees with these additional testimony requirements, but also recommends SCE be required to provide “a clear breakdown of the UOG asset-level revenue requirement at issue and any separate, incremental revenue requirement associated with the utility’s proposed change.”²⁵⁹² In response, SCE states its existing RO Model does not provide piecemeal revenue requirement forecasts for parts of a facility, and as such SCE would presumably have to develop a workaround to the existing RO Model to effectuate CalCCA’s additional recommendation. As a result, SCE asserts the burden to SCE of having to provide asset-level revenue requirements in a GRC outweighs whatever benefit the information may provide.

We decline to adopt CalCCA’s recommendation for SCE to provide a clear breakdown, in subsequent GRC filings, of its UOG asset-level revenue requirement and any incremental revenue requirements. Parties do not dispute that the outputs from SCE’s current RO Model are delineated only at the functional or sub-functional level, and there is insufficient record to be able to determine if SCE could develop a workaround to effectuate CalCCA’s request

²⁵⁹⁰ D.23-11-069, Finding of Fact 251, Conclusion of Law 190, Ordering Paragraph 44.

²⁵⁹¹ Ex. SCE-18, Vol. 1 at 69-70; SCE OB at 490.

²⁵⁹² CalCCA OB at 64.

and, if so, how much time and expense the workaround would require. Therefore, we decline to adopt CalCCA's asset-level revenue requirement recommendation, but direct SCE to provide additional information addressing whether a workaround exists, and how much time/expense the workaround would require, as part of SCE's next GRC filing.

SCE does not oppose providing all other information that PG&E is currently required to provide. We agree this information will help inform our consideration of future proposed changes to UOG assets, and direct SCE to provide it in future GRCs.

38.10. Other Ratemaking Proposals

38.10.1. Reasonableness of 2023 Recorded Capital Expenditures

Consistent with the Rate Case Plan, at the time that SCE filed its GRC application it included recorded capital expenditures through 2022 (*i.e.*, the last year of recorded capital information available at the time). Throughout its rebuttal showing, SCE sought to "true-up" its 2023 forecast of \$5.164 billion to 2023 recorded capital expenditures of \$4.913 billion. SCE asserts its proposed true-up of capital expenditures is consistent with the Commission's Rate Case Plan and longstanding Commission practice and precedent to update the first forecast year with recorded amounts once those amounts are known.²⁵⁹³

TURN states the development of SCE's 2025 TY revenue requirement requires a determination of the reasonable amount of 2023 capital expenditures to include in the calculations, and that the Commission must reject SCE's proposal to treat recorded 2023 capital expenditures as recoverable even where

²⁵⁹³ Ex. SCE-18, Vol. 1E5 at 114-115; SCE OB at 556-558.

opposed. TURN asserts there is nothing in the Commission's Rate Case Plan that would suggest the Commission intended to make the Base Year +1 recorded cost data determinative or reasonable, nor shift the burden to intervenors to disprove prudence, reasonableness, or any other element necessary for authorization of rate recovery. Further, TURN asserts the Commission explicitly rejected SCE's very similar near-automatic "true-up" position in the 2018 GRC.²⁵⁹⁴

In response, SCE provides the following arguments: (1) SCE's total 2023 recorded capital expenditures are approximately \$256 million lower (total GRC basis) than the initial forecast from May 2023; (2) disallowing historical, recorded capital amounts is fundamentally different than modifying projected estimates; (3) for capital spending and associated rate base-related ratemaking in GRCs, the Commission's process is a combination of ex ante approval on a forecast basis followed by an ex post true-up for recorded costs; (4) since 2023 recorded costs are now known, they need to be trued-up to the actual recorded plant values providing service to SCE's customers; (5) in the rare instances where intervenors have alleged imprudence regarding 2023 spending, the Commission should reject those proposed disallowances because intervenors have not met their burden of persuasion; and (6) TURN misinterprets the 2018 SCE GRC Decision.²⁵⁹⁵

As acknowledged by TURN, the Commission has held that "where a proposal or funding request has not been challenged by an intervenor, we generally adopt the utility's request as a practical reality of the decision-making

²⁵⁹⁴ TURN OB at 425-431; TURN RB at 171-172.

²⁵⁹⁵ SCE OB at 556-559; SCE RB at 283-288.

process.”²⁵⁹⁶ Since SCE’s proposed 2023 true-up is approximately \$256 million lower (total GRC basis) than SCE’s initial forecast, for programs or projects where SCE’s 2023 forecast was not challenged by any party we find it reasonable and in ratepayer’s best interest to adjust SCE’s 2023 capital forecast to reflect 2023 recorded expenditures.

However, in instances where the 2023 spending level remains in dispute, we do not presume that an automatic true-up should be authorized and instead consider the specific facts and circumstances underlying SCE’s request. In furtherance of its position, SCE cites the use of the most recent recorded data in SCE’s 2006–2021 GRC decisions, as well as the Commission’s Rate Case Plan. Although the Commission has held that the GRC decision-making process benefits from having the most recent recorded data available,²⁵⁹⁷ it has not found that recorded capital expenditures should, as matter of practice, *always* be accepted, while the Commission has explicitly rejected arguments that having an asset which is “used and useful” is sufficient to prove that the expenditures to purchase and install the asset should be recovered from rates.²⁵⁹⁸ The mere fact that SCE incurred costs for assets in service to its customers does not, by itself, prove that the costs were necessary or prudently incurred.

39. GRC-Related Balancing and Memorandum Account Proposals

In this GRC, SCE proposes continuation of 14 balancing and memorandum accounts, of which SCE seeks to modify nine accounts. SCE also proposes to establish six new memorandum accounts and eliminate five balancing and

²⁵⁹⁶ D.93-12-043 (SoCalGas Test Year 1994 GRC); 1993 Cal. PUC LEXIS 728, *12; 52 CPUC 2d 471.

²⁵⁹⁷ D.20-01-002 at 61-62.

²⁵⁹⁸ D.15-11-021 at 327; D.19-05-020 at 332.

memorandum accounts. Lastly, SCE seeks recovery of costs recorded in nine memorandum accounts.

Intervenors recommend establishing three new balancing accounts and five new memorandum accounts for SCE's 2025 GRC cycle.

These proposals are discussed below.

39.1. Uncontested Proposals

39.1.1. Risk Management Balancing Account (RMBA)

In direct testimony, SCE proposes continuation of the RMBA, which was modified effective July 1, 2023 to reflect the implementation of a settlement agreement between SCE, TURN, and Cal Advocates to implement customer-funded wildfire liability self-insurance. SCE's RMBA request is tied to the March 25, 2024, joint motion filed in this proceeding on behalf of SCE, Cal Advocates, and TURN requesting that the Commission approve and adopt an early decision extending SCE's Wildfire Self-Insurance Program through the 2025 GRC period. The joint motion, and the corresponding continuation of the RMBA, were approved by the Commission in D.24-07-016.²⁵⁹⁹

39.1.2. General Liability and Property Insurance Balancing Account (GL&PBA)

In direct testimony, SCE proposed to establish a General Liability Insurance Balancing Account (GLIBA) to record non-wildfire liability costs. This proposal was contested by TURN. Subsequently, SCE, Cal Advocates, and TURN entered into a stipulation to create a new balancing account, the GL&PBA, to record non-wildfire liability and property insurance costs. This stipulation

²⁵⁹⁹ See D.24-07-016 at 6 and 9.

fully resolved SCE's initial request to establish the GLIBA.²⁶⁰⁰ The request to create the GL&PBA is approved as discussed in Section 30 (Insurance).

**39.1.3. Renewable Transmission Projects
Memorandum Account (RTPMA)**

SCE proposes to establish the RTPMA to track Commission jurisdictional capital-related revenue requirement and capital-related expense associated with incremental costs spent on Renewable Transmission Projects. SCE's request to establish the RTPMA is approved as discussed in Section 12 (Load Growth, Transmission Projects, and Engineering).

**39.1.4. Pole Loading and Deteriorated Pole
Programs Balancing Account (PLDPBA)**

SCE proposes to close the PLDPA as the pole loading assessment programs are concluding prior to 2025 and the work is transitioning back to a forecastable compliance program. SCE's request to close the PLDPBA is approved as discussed in Section 14 (Poles).

**39.1.5. Tax Accounting Memorandum
Account 2018 (TAMA 2018)**

SCE proposes to extend the 2018 TAMA through 2028. SCE's request is approved as discussed in Section 40 (Rate Base).

**39.1.6. Safety and Reliability Investment
Incentive Mechanism (SRIIM)**

The SRIIM determines the difference between: (1) actual (recorded) safety and reliability-related capital additions; and (2) the authorized level of safety and reliability-related capital additions adopted in the most recent GRC decision. Additionally, the SRIIM tracks the SRIIM staffing target. SCE's proposed

²⁶⁰⁰ SCE OB at 444.

continuation of the SRIIM and the headcount adjustment mechanism are addressed in Section 7 (Distribution Grid).

39.1.7. Rule 20 Balancing Account

The one-way Rule 20 Balancing Account (Rule 20 BA) tracks the annual capital and expense costs for Rule 20 undergrounding projects. SCE proposes to continue the one-way Rule 20 BA over the 2025 GRC cycle to account for future Rule 20A, Rule 20B, and Rule 20C projects.²⁶⁰¹ No party specifically contested the continuation of the Rule 20 BA. We find reasonable and approve SCE's request.

39.1.8. Medical Programs Balancing Account

The two-way Medical Programs Balancing Account (MPBA) records the difference between: (1) the medical, dental, and vision expenses authorized by the Commission; and (2) recorded medical, dental, and vision expenses, after capitalization. The balance recorded in the MPBA at the end of each year is transferred to the BRRBA and PABA and consolidated into rate levels annually.

SCE's current practice is to transfer the December 31 balance from the MPBA to the BRRBA and Portfolio Allocation Balancing Account (PABA) in January of the following calendar year. SCE proposes to continue the MPBA. Effective with the start of the 2025 GRC cycle, SCE proposes to make this transfer in December (instead of January) to provide for more timely recovery or return of the recorded over- or under-collection amounts consistent with annual transfers in the majority of SCE's other cost balancing accounts.²⁶⁰² No party specifically contested SCE's proposed continuation and modification the MPBA. We find reasonable and approve SCE's request.

²⁶⁰¹ Ex. SCE-07, Vol. 1 at 35-36; Ex. SCE-18, Vol. 1 at 7.

²⁶⁰² Ex. SCE-07, Vol. 1 at 36.

**39.1.9. Pensions Costs
Balancing Account (PCBA)**

The two-way PCBA records the difference between: (1) pension expenses authorized by the Commission; and (2) recorded pension expenses, after capitalization. Similar to the MPBA, SCE proposes to continue the PCBA, but modify the schedule for transferring the year-end PCBA balances to the BRRBA and PABA to occur in December rather than January.²⁶⁰³ No party specifically contested SCE's proposed continuation and modification the PCBA. We find reasonable and approve SCE's request.

**39.1.10. Post-Employment Benefits Other Than
Pensions Balancing Account (PBOPBA)**

The two-way PBOPBA records the difference between:
(1) Post-Employment Benefit Other than Pensions (PBOP) expenses authorized by the Commission; and (2) recorded PBOP expenses, after capitalization. Similar to the MPBA and PCBA, SCE proposes to continue the PBOPBA but allow year-end PBOPBA balances to be transferred to the BRRBA and PABA in December rather than January. SCE asserts this modification will allow for more timely recovery or return of PBOPBA balances.²⁶⁰⁴ No party specifically contested SCE's proposed continuation and modification the PBOPBA. We find reasonable and approve SCE's request.

**39.1.11. Service Center Modernization Projects
Memorandum Account (SCMPMA)**

The SCMPMA records costs in connection with certain projects requested as part of SCE's Service Center Modernization Program.²⁶⁰⁵ SCE proposes to

²⁶⁰³ Ex. SCE-07, Vol. 1 at 36-37.

²⁶⁰⁴ Ex. SCE-07, Vol. 1 at 37-38.

²⁶⁰⁵ Ex. SCE-06, Vol. 7 at 16.

maintain the SCMPMA over the 2025 GRC cycle to record costs associated with the Redlands, Santa Barbara, and Arrowhead service center modernization projects, and to no longer record costs associated with the Bishop, Kernville, Ridgecrest, San Joaquin, and Santa Ana service center modernization projects since these projects are expected to be completed by the end of 2024.²⁶⁰⁶ No party specifically contested SCE's proposed continuation of the SCMPMA. We find reasonable and approve SCE's request.

**39.1.12. Short-Term Incentive Program
Memorandum Account (STIPMA)**

SCE proposes to continue the one-way STIPMA through the 2025 GRC cycle to record the difference between authorized and actual STIP expenses. Any over-collections in the STIPMA are returned to customers while under-collections are not recoverable.²⁶⁰⁷ No party specifically contested SCE's proposed continuation of the one-way STIPMA. We find reasonable and approve SCE's request.

**39.1.13. Catalina Repower Memorandum
Account (CRMA)**

In SCE's 2021 GRC, the Commission authorized SCE to establish the CRMA to track the costs for the replacement of six diesel electric generators on Catalina Island (Catalina Repower Project) for possible future recovery following a reasonableness review in the 2025 GRC.²⁶⁰⁸

On November 3, 2022, the Commission issued D.22-11-007 approving an all-party settlement regarding SCE's proposed Catalina Repower Project. The

²⁶⁰⁶ Ex. SCE-06, Vol. 7 at 16-036; Ex. SCE-18, Vol. 1 at 9-10.

²⁶⁰⁷ Ex. SCE-07, Vol. 1 at 42.

²⁶⁰⁸ D.21-08-036 at 362-363.

settlement agreement established a process for SCE to obtain future Commission review and approvals for the project once the South Coast Air Quality Management District completes its rulemaking on air emissions requirements impacting the project and issues the necessary permits for the project. Section D.3 of the approved settlement agreement specifies that SCE should continue to track Catalina Repower Project costs in the CRMA, for recovery in SCE's next GRC.²⁶⁰⁹

SCE states the Catalina Repower Project is not expected to be placed in service prior to 2025, and proposes to modify the CRMA to allow SCE to seek cost recovery via the submission of a Tier 3 advice letter upon project completion instead of carrying the capital costs recorded in the account forward, and accumulating interest expense for customers, until 2029 (*i.e.*, for recovery in SCE's next GRC).²⁶¹⁰ No party specifically contested SCE's proposal. We find reasonable and approve SCE's request.

39.1.14. Underground Structures Replacement Balancing Account (USRBA)

The USRBA is a two-way balancing account for recording the difference between: (1) recorded capital revenue requirements for actual capital expenditures associated with SCE's Underground Structures Replacement Program (USRP);²⁶¹¹ and (2) the USRBA revenue requirement authorized in the 2021 GRC Decision. SCE expects to complete all work needed to upgrade the Grade F and D structures identified for balancing account treatment prior to

²⁶⁰⁹ Ex. SCE-07, Vol. 1 at 42-43; also, D.22-11-007, Ordering Paragraph 1.

²⁶¹⁰ Ex. SCE-07, Vol. 1 at 42-43; Ex. SCE-18, Vol. 1 at 10.

²⁶¹¹ The USRP is a program to replace certain high risk underground structures. (Ex. SCE-07, Vol. 1 at 49-50).

2025, and therefore proposes to close the USRBA once the December 31, 2024 balance is transferred to the distribution subaccount of the BRRBA. We find reasonable and approve SCE's proposal.

**39.1.15. Officer Compensation
Memorandum Account (OCMA)**

In D.21-08-036, the Commission found that "[a]ll compensation, as defined by Section 706, for SCE executives who are Rule 3b-7 officers of SCE . . . [and] for shared officers who are Rule 3b-7 officers of SCE should be excluded from rates,"²⁶¹² and directed SCE to submit a Tier 1 advice letter updating its OCMA to align with the directives in the decision.²⁶¹³

SCE asserts that D.21-08-036 made a factual mistake when it incorrectly suggested that SCE's Senior Vice President (SVP) of Human Resources was a Rule 3b-7 officer of SCE according to SCE's 2019 Annual Report.²⁶¹⁴ SCE states that SCE's 2019 Annual lists SCE's seven Rule 3b-7 officers as of February 20, 2020, and SCE's SVP of Human Resources is not included in that list. SCE also states that for at least the last decade, SCE's Board of Directors has not included SCE's SVP of Human Resources in the list of Rule 3b-7 officers of SCE because human resources is not a principal business unit of SCE and SCE's SVP of Human Resources has not been a policymaker for SCE.²⁶¹⁵ Accordingly, while SCE has excluded this position's compensation from customer rates and is tracking it in the OCMA, consistent with the direction provided in D.21-08-036,

²⁶¹² D.21-08-036, Conclusions of Law 192-193.

²⁶¹³ D.21-08-036 at 420.

²⁶¹⁴ D.21-08-036 at 419-420.

²⁶¹⁵ Ex. SCE-06, Vol. 4 at 38.

SCE requests that it be allowed to revise its OCMA to remove its SVP of Human Resources from this memorandum account.²⁶¹⁶ SCE's request is uncontested.

SCE has sufficiently demonstrated that its SVP of Human Resources is not an officer of SCE under the definition found in Rule 3b-7. Accordingly, we approve SCE's uncontested request to modify the OCMA to remove SCE's SVP of Human Resources.

39.2. Contested Proposals to Continue and/or Modify Existing Balancing and Memorandum Account Proposals

Three of SCE's contested proposals to continue and/or modify existing regulatory accounts are addressed elsewhere in this decision, including SCE's proposals to:

- (1) Continue the DER-Driven Grid Reinforcement Program Memorandum Account (DER-DGRPMA) to track costs for SCE's DER-Driven Grid Reinforcement Program (*see* Section 12 (Load Growth, Transmission Projects, and Engineering));
- (2) Continue and modify the Vegetation Management Balancing Account (VMBA) for recorded costs related to routine and wildfire-related vegetation management activities (*see* Section 15 (Vegetation Management)); and
- (3) Continue and modify the Wildfire Risk Mitigation Balancing Account/Grid Hardening Balancing Account (*see* Section 16 (Wildfire Mitigation)).

The remaining contested proposals are addressed below.

39.2.1. Electric Vehicle Infrastructure Memorandum Account (EVIMA)

The EVIMA tracks SCE-incurred costs of all electrical distribution infrastructure on the utility side of the customer's meter for all customers

²⁶¹⁶ Ex. SCE-06, Vol. 4 at 38-39.

installing separately metered infrastructure to support charging stations, other than those in single-family residences. Costs that are eligible for recovery as part of the ratemaking approved in SCE's current Transportation Electrification Programs, such as Charge Ready Transport and Charge Ready 2 Programs, do not apply to this account. The disposition section of SCE's EVIMA tariff provides that the costs tracked in the EVIMA shall be separately reviewed for reasonableness in SCE's next GRC (*i.e.*, its 2025 GRC) or any other proceeding deemed appropriate by the Commission. SCE had not yet recorded any costs in the EVIMA as of December 31, 2022, but expected to record costs in the EVIMA prior to December 31, 2024.²⁶¹⁷

In this proceeding, SCE proposes to seek reasonableness review and recovery of the amounts recorded in the EVIMA via a Tier 3 advice letter rather than in the next GRC (or any other proceeding deemed appropriate by the Commission), which is the current requirement.²⁶¹⁸

TURN asserts Pub. Util. Code Section 740.19(c), which authorizes the EVIMA, requires recorded costs to be reviewed for reasonableness in the decision adopting the utility's next general rate case revenue requirement. TURN also asserts an advice letter process would not offer sufficient opportunity for intervenor review.²⁶¹⁹

In response, SCE states the Commission has sufficient ratemaking authority under Pub. Util. Code Section 740.19 to determine whether review of recorded EVIMA costs can proceed via a Tier 3 advice letter or in an ERRA

²⁶¹⁷ Ex. SCE-07, Vol. 1 at 54-55; Ex. SCE-18, Vol. 1 at 26.

²⁶¹⁸ Ex. SCE-07, Vol. 1 at 54-55.

²⁶¹⁹ TURN OB at 406.

proceeding, and that the Commission should make such a determination here in light of the relatively small amount of costs to be recorded in the EVIMA and the fact that SCE seeks recovery only of costs that will be recorded through 2024.

Pub. Util. Code Section 740.19(c) is clear that the costs recorded in the EVIMA shall be “recovered, subject to a reasonableness review, in the decision adopting the next general rate case revenue requirement for that electrical corporation. Each electrical corporation shall recover its subsequent revenue requirement for this work through periodic general rate case proceedings.”²⁶²⁰ Contrary to SCE’s assertion, the plain language of the statute does not provide any discretion for the Commission to consider costs recorded in the EVIMA outside of a formal GRC proceeding. Consistent with this requirement, the Commission resolution implementing AB 841 (Ting, 2020) specifies that, moving forward, the utilities shall track utility-side distribution infrastructure costs that support electric vehicle charging “within a Memo Account and seek approval of these costs within a GRC.”²⁶²¹ Additionally, SCE’s argument that it expects a “relatively small amount of costs to be recorded in the EVIMA”²⁶²² means there should also be a relatively small impact associated with requiring SCE to wait until its next GRC to recover these costs.

For these reasons, SCE’s advice letter proposal is rejected. SCE’s EVIMA tariff currently provides that “the costs tracked in the EVIMA shall be separately reviewed for reasonableness in SCE’s next GRC (*i.e.*, its 2025 GRC) or any other

²⁶²⁰ Pub. Util. Code Section 740.19(c).

²⁶²¹ Resolution E-5167 at 3 and 32-37.

²⁶²² SCE RB at 219.

proceeding deemed appropriate by the Commission.”²⁶²³ As discussed above, the current statute requires that these costs be considered in a GRC proceeding. Accordingly, SCE is directed to update its EVIMA tariff language to remove “or any other proceeding deemed appropriate by the Commission.”

39.2.2. Z-Factor Memorandum Account (ZFMA)

In the 2021 GRC, the Commission authorized SCE to establish the ZFMA to track costs associated with events that are potential Z-Factors.²⁶²⁴ In this proceeding, SCE proposes to continue the ZFMA and to expand the applicability to include the GRC TY, as opposed to only GRC attrition years. SCE asserts its proposal is consistent with the Commission’s determination in SDG&E’s 2019 GRC that SDG&E’s Z-Factor should apply to the test year as well as attrition years.²⁶²⁵

TURN opposes SCE’s request. While acknowledging a similar extension of the Z-Factor mechanism was approved in the Sempra Utilities’ 2019 TY GRC, TURN highlights that approving the extension the Commission specifically noted that it had not been presented with “any rationale” that might support limiting the Z-Factor mechanism to the attrition years.²⁶²⁶ TURN asserts the Commission provided such rationale most recently in PG&E’s 2023 TY GRC decision, where it stated “[b]ecause the purpose of a general rate case is to

²⁶²³ Ex. SCE-07, Vol. 1 at 54.

²⁶²⁴ See D.21-08-036 at 467-468. The existing Z-Factor mechanism allows SCE to seek recovery of costs associated with exogenous events that result in a major cost impact for SCE. SCE is responsible for any events that do not have a financial impact of more than \$10 million. There is a \$10 million “deductible amount” applied on a one-time basis to the first year’s revenue requirement associated with any approved Z-Factors. SCE is not proposing any changes to these mechanics of the Z-Factor mechanism. (Ex. SCE-07, Vol. 1 at 34).

²⁶²⁵ Ex. SCE-07, Vol. 1 at 34-35.

²⁶²⁶ D.19-09-051 at 712.

provide a fairly precise forecast of the test year, the Commission does not adopt PG&E's proposal to apply the Z-Factor mechanism to the test year, 2023."²⁶²⁷

TURN asserts the fundamental purpose of a GRC is the same for SCE as it is for PG&E, and warrants adoption of the same ratemaking approach in D.23-11-069. TURN also recommends SCE's Z-Factor mechanism be modified to require an application, rather than the current advice letter process, to seek recovery of costs tracked in the ZFMA. Lastly, TURN recommends the deductible applicable to the ZFMA be increased from \$10 million to \$18 million to reflect general inflation since 2000.²⁶²⁸

In response, SCE asserts: (1) the PG&E decision was issued very late in the TY (in November), making the impact almost moot; (2) the Commission should instead apply the logic from its decision in SDG&E's 2019 GRC, which found that Z-Factor events are just as likely to occur in the TY; (3) the fact SCE's Z-Factor mechanism is applicable to exogenous and unforeseen events that are largely beyond SCE's control contradicts the implication in the PG&E GRC that a Z-Factor event could be addressed through a precise test year forecast; (4) SCE's GRC TY is set to begin roughly 18 months after SCE made its initial forecasts; (5) if an exogenous and unforeseen event occurs in 2025 that has material impacts on SCE's costs in 2025, cost-of-service ratemaking supports SCE having some ability to recover its necessary and prudently-incurred costs; (6) the current advice letter review process benefits customers, who face limited interest expense costs due to the streamlined procedure in an advice letter proceeding, and TURN presents no rationale or evidence for changing SCE's existing process

²⁶²⁷ D.23-11-069 at 717.

²⁶²⁸ TURN OB at 408-409.

aside from pointing to a requirement of PG&E's Z-Factor; and (7) the \$10 million Z-Factor deductible is a carry-over from the previous performance-based ratemaking framework, and disallowing costs upfront without the opportunity for the utility to otherwise earn incentives is an incongruent ratemaking framework.²⁶²⁹

We approve SCE's request to continue to use the ZFMA and to extend the Z-Factor mechanism to include the 2025 TY, but require any subsequent request for review to be made via an application rather than the current advice letter process.

Initially developed as an element of incentive-based ratemaking (also referred to as performance-based ratemaking) in the late 1980s,²⁶³⁰ in D.04-07-022 the Commission found it reasonable to retain the Z-Factor as part of the post-test year mechanism under the return to more conventional cost-of-service ratemaking, and established a Z-Factor mechanism for SCE based on the nine criteria first identified in D.94-06-011.²⁶³¹ Continued use of the Z-Factor mechanism has been approved for the attrition years in all of SCE's subsequent GRCs.²⁶³²

A principal point of dispute among the parties in this proceeding is whether the Z-Factor mechanism is obviated by the activity-specific TY forecasts presented and considered in a GRC proceeding. GRC TY forecasts are expected to be much more precise than the subsequent attrition years, both because

²⁶²⁹ Ex. SCE-18, Vol. 1 at 23-24; SCE OB at 440-442.

²⁶³⁰ See D.89-10-031, 1989 Cal. PUC LEXIS 576; D.94-06-011, 1994 Cal. PUC LEXIS 456.

²⁶³¹ D.04-07-022 Finding of Fact 231.

²⁶³² D.06-05-016 at 308; D.09-03-025 at 306; D.12-11-051 at 606-609; D.15-11-021 at 392; D.19-05-020 at 285; and D.21-08-036 at 467-468.

attrition years are broadly adjusted to reflect inflation and since a greater amount of time will occur between the forecasts developed and considered in this proceeding and the associated attrition years. However, in order to qualify for Z-Factor treatment, SCE must demonstrate that the event is exogenous to the utility, with costs that are beyond the control of utility management and are not a normal part of doing business.²⁶³³ Therefore, by definition, the Z-Factor mechanism is applicable to exogenous events that are beyond SCE's control. As such, while the TY forecast is expected to be relatively more precise than the attrition years, especially as it pertains to SCE's normal costs of doing business, the forecasts presented in this proceeding are not impervious to future external events that are outside of the utility's control. Moreover, we note that the Z-Factor mechanism applies to unexpected increases *and* decreases to utility costs (for example, a reduction in SCE's tax liabilities), ensuring unanticipated external benefits also flow to customers prior to SCE's next GRC.²⁶³⁴

For the reasons above, we approve SCE's request to continue to use the ZFMA and to extend the Z-Factor mechanism to include the GRC TY. Currently, to qualify for Z-Factor treatment SCE must demonstrate the costs are not reflected in the GRC escalation factors.²⁶³⁵ Since this decision extends the Z-Factor treatment to the GRC TY, if an exogenous event occurs during 2025 then SCE must also demonstrate that the costs are not included in SCE's TY forecasts.

We approve TURN's recommendation to require SCE to file an application, rather than an advice letter, to seek recovery of costs tracked in the

²⁶³³ D.94-06-011, 1994 Cal. PUC LEXIS 456.

²⁶³⁴ D.04-07-022 at 279; D.12-11-005 at 607.

²⁶³⁵ D.94-06-011, 1994 Cal. PUC LEXIS 456.

ZFMA. The specific criteria that SCE must demonstrate for an event affecting SCE to qualify for Z-factor treatment appear beyond the ministerial acts appropriate for the Commission's advice letter process. Further, as demonstrated by SCE's recent request for Z-factor treatment concerning \$35.4 million in incremental 2020 vegetation management labor costs, the level of costs being tracked in the ZFMA can be substantial.²⁶³⁶

Lastly, we reject TURN's recommendation to increase the amount of the Z-Factor deductible. As stated by SCE, the Z-Factor deductible was originally instituted as part of a performance-based ratemaking framework. In the decision retaining the Z-Factor mechanism, the Commission states that the \$10 million per event threshold was litigated and approved as part of the performance-based ratemaking framework, and that "no superior threshold proposal has been advanced in this proceeding."²⁶³⁷ It is not clear, based on prior Commission decisions or the limited record of this proceeding, whether there are superior thresholds to the application of a Z-Factor deductible, or how the current or TURN's proposed Z-Factor deductible amount compares to the historic level of costs that SCE has recorded in the ZFMA.

39.3. Contested Proposals to Establish New Balancing and Memorandum Accounts

39.3.1. SCE Proposals

Two of SCE's contested proposals to establish new memorandum accounts are addressed elsewhere in this decision, including SCE's proposals to:

- (1) Establish the Historic Sporting Events Cost Tracking Memorandum Account (HSECTMA) for the 2026 World

²⁶³⁶ Resolution E-5287; TURN OB at 138.

²⁶³⁷ D.04-07-022 at 279.

Cup and 2028 Olympics (*see* Section 12 (Load Growth, Transmission Projects, and Engineering)); and

- (2) Establish the NextGen ERP Memorandum Account (NGESMA), with an effective date of January 1, 2024 (*see* Section 28 (Operating Unit Capitalized Software)).

SCE's remaining contested proposals to establish new balancing and memorandum accounts are addressed below.

39.3.1.1. Cybersecurity Compliance Memorandum Account (CCMA)

SCE testifies there are a variety of emerging mandatory cybersecurity standards in various stages of development which may require additional investments, starting as early as 2024. In light of the potential, but still undefined, wave of regulation, SCE proposes to establish the CCMA to record the revenue requirements associated with the incremental O&M expenses and capital expenditures that will be incurred to adhere to new cybersecurity regulations and requirements, with an effective date of January 1, 2025. SCE also proposes that recorded costs plus interest should be recovered in customers' distribution rates after a finding of reasonableness in SCE's ERRRA Compliance proceeding or in a subsequent GRC.²⁶³⁸

Cal Advocates opposes the establishment of the CCMA and recommends these costs be addressed in future GRC proceedings. In support of its position, Cal Advocates asserts: (1) SCE does not track or segregate costs by those that support mandatory cybersecurity requirements versus those that are not mandatory, and provides no verifiable line-item detail to permit review and analysis of its O&M expense or capital expenditures forecasts; and (2) SCE already participates in several voluntary cybersecurity initiatives in anticipation

²⁶³⁸ Ex. SCE-07, Vol. 1 at 48; Ex. SCE-15, Vol. 3 at 22.

of new mandatory standards, and includes the costs of these activities in its cybersecurity expense and capital forecasts.²⁶³⁹

TURN also opposes the new CCMA. TURN observes that SCE's recorded 2020 and 2021 costs for Cybersecurity were below the GRC-authorized amounts and argues that "SCE should not be permitted to benefit from the below-authorized cybersecurity spending it recorded in 2021 and 2022, but then obtain memorandum account protection against the prospect that it might record above-authorized costs during the 2025 GRC cycle."²⁶⁴⁰

In response, SCE provides the following arguments: (1) new cybersecurity guidelines are being enacted that impact SCE and whose compliance timelines do not consider or align with SCE's GRC cycle;²⁶⁴¹ (2) given the uncertainty in the magnitude, scope, and timing of these new regulations, SCE is unable to accurately forecast the associated costs that will be required to comply; (3) when a utility is unable to rely on its GRC to collect current or near-term costs to comply with legal or regulatory obligations, the Commission has held that a memorandum account is appropriate;²⁶⁴² (4) given the new regulations that have been implemented since SCE filed its GRC Application, and the near certainty that new regulatory requirements will be in place before SCE's next GRC, Cal Advocates' suggestion that SCE wait until the next GRC to address these costs is unreasonable; (5) TURN improperly raises new arguments in its opening

²⁶³⁹ Ex. CA-15 at 12-14; Cal Advocates OB at 301-302.

²⁶⁴⁰ TURN OB at 416-417.

²⁶⁴¹ SCE points to the United States Department of Defense's Cybersecurity Maturity Model Certification 2.0 (CMMC 2.0) as developing cybersecurity regulation that is expected to require SCE to incur significant costs to implement. (Ex. SCE-15, Vol. 3 at 23-25).

²⁶⁴² See D.19-09-026 at 7.

brief for the first time that could have, and should have, been raised in its direct testimony;²⁶⁴³ (6) SCE's underspending in 2021 and 2022 was due to the compounding effects of the COVID-19 pandemic and the difficulty hiring cybersecurity talent, and are irrelevant to the costs SCE will incur to address the expected new cybersecurity compliance requirements; and (7) nothing in case law or Commission precedent suggests that a memorandum account is only appropriate if the utility spent its authorized amounts in the prior GRC cycle.²⁶⁴⁴

We deny SCE's request to establish the CCMA. As discussed elsewhere, the Commission has held a memorandum account mechanism may be appropriate when expenses are caused by an event outside of the utility's control, were not reasonably foreseen in the utility's last GRC, are substantial in the amount of money involved, and where ratepayers will benefit from memorandum account treatment.²⁶⁴⁵ While SCE has provided sufficient justification demonstrating that it may be subject to near-term, but still undefined, cybersecurity standards and associated investments,²⁶⁴⁶ SCE also states it "does not know — and cannot know — whether the parameters of the next set of regulations will require incurring additional costs, or whether those additional costs will be substantial or not."²⁶⁴⁷ Based on SCE's own admission,

²⁶⁴³ In its direct testimony, TURN opposed the inclusion of 2023–2024 cybersecurity costs in the CCMA, arguing that these costs should be subsumed by the authorized revenue requirement from SCE's 2021 Track 1 and Track 4 GRC decisions. (Ex. TURN-15 at 20-21).

²⁶⁴⁴ SCE OB at 273-275; SCE RB at 128-130.

²⁶⁴⁵ D.02-08-054 at 3; D.04-06-018 at 27.

²⁶⁴⁶ In particular, the costs associated with the Cybersecurity Maturity Model Certification (CMMC) 2.0 are outside of SCE's control and, due to delays and uncertainties surrounding this program, cannot be reasonably forecast at this time. (See Ex. SCE 15, Vol. 3 at 24).

²⁶⁴⁷ Ex. SCE-15, Vol. 3 at 26.

we cannot conclude that the costs to be tracked in CCMA are substantial in the amount of money involved. If new CMMC 2.0 regulations are implemented during this GRC period that cause SCE to incur incremental O&M expenses and capital expenditures, and if the event qualifies for Z-Factor treatment, then SCE will have the option to record these costs in the ZFMA for future reasonableness review.

**39.3.1.2. Advanced Metering Infrastructure 2.0
Memorandum Account (AMIMA)**

SCE proposes to establish the AMIMA, with an effective date of May 12, 2023, to record the revenue requirements for the O&M expenses associated with the pre-deployment base-level planning costs for SCE's new Advanced Metering Infrastructure (AMI) 2.0 project. SCE plans to file a standalone application with a comprehensive business case and funding request for a full AMI 2.0 deployment, and proposes to seek reasonableness review and recovery of the amounts recorded in the AMIMA as part of that forthcoming application.²⁶⁴⁸ SCE anticipates incurring \$4.432 million in pre-deployment O&M expenses in 2023, and \$0.585 million in 2024.²⁶⁴⁹

TURN opposes SCE's proposal. TURN asks the Commission to conclude the 2023 and 2024 "base-level planning costs" that SCE proposes to record in the AMIMA should instead be treated as subsumed in the authorized revenue requirements adopted for those years in Tracks 1 and 4 of SCE's 2021 GRC.

²⁶⁴⁸ SCE OB at 445-446.

²⁶⁴⁹ The associated "base-level" capital expenditures in those years are included for review and recovery in SCE's GRC request, and would not be included in the AMIMA. (Ex. SCE-07, Vol 1 at 46).

TURN also asserts the amounts SCE estimates to record in the AMIMA for 2023 and 2024 are not large enough to warrant memorandum account treatment.²⁶⁵⁰

In response, SCE presents the following arguments, among others: (1) SCE is seeking memorandum account treatment for costs that are incremental, substantial, and not speculative; (2) the incremental 2023 and 2024 AMI 2.0 O&M expenses that SCE proposes to track in the AMIMA are solely focused on the replacement of SCE's existing meter fleet, and were not included in SCE's 2021 GRC; and (3) the Commission has found that costs that are "potentially significant" are also "substantial" for purposes of establishing a memorandum account,²⁶⁵¹ while TURN presents no evidence supporting its claim that \$5 million of incremental O&M costs is not a substantial amount.

We reject SCE's request to establish the AMIMA with an effective date of May 12, 2023. As noted by the parties, the Commission has held that memorandum account treatment may be appropriate when circumstances are caused by an event outside of the utility's control, were not reasonably foreseen in the utility's last GRC, are substantial in the amount of money involved, and where ratepayers will benefit from memorandum account treatment.²⁶⁵² Beyond its assertion that the Commission has found "potentially significant" costs to be "substantial," SCE does not provide any evidence demonstrating that the 2023–2024 costs recorded in the AMIMA will be substantial or potentially significant. Considering SCE's forecasted total net operating revenue of approximately

²⁶⁵⁰ TURN OB at 412-415.

²⁶⁵¹ D.19-09-026 at 10.

²⁶⁵² D.02-08-054 at 3; D.04-06-018 at 27; D.18-11-051 at 8-10.

\$5.5 billion in 2023 and 2024,²⁶⁵³ SCE's acknowledgement that GRC ratemaking involves the need for the utility to "spend more or less in a particular area of their business,"²⁶⁵⁴ and in the absence of any evidence demonstrating that recorded costs in the AMIMA are substantial in the amount of money involved, we find SCE has failed to justify why the AMIMA is necessary at this time.

39.3.2. Intervenor Proposals

All of the intervenor proposals to establish new memorandum or balancing accounts are addressed elsewhere in this decision, including:

- (1) Cal Advocates' proposal to establish a memorandum account to recover capital expenditures associated with the Edison Training Academy (*see* Section 36 (Enterprise Operations));²⁶⁵⁵
- (2) TURN's proposal to establish a new memorandum account to track the costs related to the replacement of the CO catalyst beds at Mountainview Generating Station, Units 3A and 3B (*see* Section 25 (Generation));
- (3) TURN's proposal to establish a new memorandum account to track the costs related to the turbine/generator improvement program at Mountainview Generating Station (*see* Section 25 (Generation));
- (4) TURN's proposal to establish a new memorandum account to track the costs to install the GE Variable Load Path Update at Mountainview Generating Station (*see* Section 25 (Generation));

²⁶⁵³ Ex. SCE-18, Vol. 1, Appendix B at B9; TURN OB at 415.

²⁶⁵⁴ SCE OB at 564.

²⁶⁵⁵ In testimony, Cal Advocates also recommends the establishment of a memorandum account to track incremental costs associated with SCE's Transmission Infrastructure Replacement (TIR) Program. However, in its opening brief, Cal Advocates no longer appears to advocate for the establishment of this memorandum account, and simply asserts that SCE has failed to demonstrate the benefits of the new TIR approach. (Ex. CA-09 at 18; Cal Advocates OB at 81-82). We address the TIR Program in Section 9 (Transmission Grid).

- (5) TURN's proposal to establish a new memorandum account to track the costs to install a new battery control system at Pebbly Beach Generating Station (*see* Section 25 (Generation));
- (6) TURN's alternative proposal for a new balancing account for authorized funding for non-labor O&M costs for Palo Verde Nuclear Generating Station (*see* Section 25 (Generation));
- (7) TURN's recommendation to establish a new one-way balancing account to track lease payments under the Solar Photovoltaic Program (SPVP);²⁶⁵⁶ and
- (8) NRDC's and CUE's recommendation to establish a new two-way balancing account for funds authorized to support energization of load growth-related infrastructure (*see* Section 12 (Load Growth, Transmission Projects, and Engineering)).

39.4. TURN's Proposed Deductible for Memorandum Accounts

In a recent decision addressing the Sempra Utilities' request for a new Gas Rules and Regulations Memorandum Account (GRRMA), the Commission authorized the new memorandum account, but required each utility to adjust the initial balances recorded in the GRRMA by a single \$5 million adjustment as authorized by the existing ratesetting Z-Factor.²⁶⁵⁷ SCE currently has a \$10 million deductible for its Z-Factor Mechanism.²⁶⁵⁸

²⁶⁵⁶ TURN presents its proposal for a one-way SPVP balancing account as being dependent upon whether the Commission adopts TURN's primary recommendation to disallow 50 percent of the SPVP lease payments. (TURN OB at 242). Since this decision adopts TURN's primary recommendation (Section 25 (Generation)), we deem TURN's SPVP one-way balancing account proposal to be moot.

²⁶⁵⁷ D.23-05-003, Ordering Paragraphs 1-2.

²⁶⁵⁸ SCE OB at 440.

TURN recommends the Commission apply this approach more routinely to memorandum account requests, starting with SCE's requests in this GRC. TURN asserts this approach will: (1) stem, to some degree, the erosion in forecast-based ratemaking that has occurred due to the growth in recent years of reliance on memorandum accounts; and (2) counteract, to some degree, the incentive SCE faces if it is positioned to avoid bearing any "deductible" if it creates a new memorandum account rather than seeking recovery through its existing Z-Factor mechanism.²⁶⁵⁹

In response, SCE asserts it should have the opportunity to recover reasonably incurred costs to support the services necessary to support SCE customers, and that TURN's proposal is contrary to cost-of-service ratemaking and to SCE's fundamental right to due process. Further, SCE states the \$10 million Z-Factor deductible that TURN cites as supposed precedent for applying upfront disallowances originated as part of a relatively short-lived experiment with incentive-based ratemaking and that, if anything, the \$10 million Z-Factor deductible that TURN references should be eliminated as a relic of a failed ratemaking structure that largely no longer exists.²⁶⁶⁰

This decision declines to adopt TURN's proposed \$10 million deductible to be applied to all new memorandum accounts. The deductible instituted for Sempra Utilities' GRRMA was based on evidence presented in A.22-05-005 which demonstrated that the types of activities and costs to be tracked in the GRRMA would otherwise meet the criteria for Z-Factor treatment.²⁶⁶¹ Here,

²⁶⁵⁹ TURN OB at 399-400.

²⁶⁶⁰ Ex. SCE-18, Vol. 1 at 3-5; SCE OB at 433-452.

²⁶⁶¹ See D.23-05-003 at 11-13 and Conclusion of Law 2.

TURN broadly asserts that a \$10 million deductible will help counteract SCE's incentive to create a new memorandum account rather than seeking recovery through its existing Z-Factor mechanism, but TURN fails to present any actual evidence demonstrating that the specific activities and costs to be tracked in one or more of SCE's proposed memorandum accounts would otherwise meet the criteria for Z-Factor treatment.

Notwithstanding our findings above, we share TURN's general concern and caution on the overreliance of balancing and memorandum accounts within the context of ratemaking. In this proceeding alone, there are proposals or requests related to over 40 discrete balancing and memorandum accounts, including the proposed establishment of six new memorandum and balancing accounts by TURN.²⁶⁶² Within this context, we have carefully evaluated the merits of any requests to open a new balancing or memorandum account based on the specific facts presented in this proceeding.

39.5. Recovery of Memorandum Account Balances

SCE proposes to recover actual balances, including accrued interest, recorded in certain memorandum accounts as of December 31, 2024. These memorandum accounts include: (1) SCMPMA; (2) the Distribution Deferral Administrative Costs Memorandum Accounts (DDACMA); (3) the Emergency Customer Protections Memorandum Account (ECPMA); (4) the Residential Disconnections Implementation Cost Memorandum Account (RDICMA); (5) the NEM Online Application System Memorandum Account (NEMOASMA); (6) the California Consumer Privacy Act Memorandum Account (CCPAMA); (7) the Avoided Cost Calculator Memorandum Account (ACCMA); and (8) the

²⁶⁶² Ex. TURN-13 at 7-8, and 80; TURN OB at 136 and 242.

WMPMA.²⁶⁶³ SCE proposes to recover the December 31, 2024 revenue requirement in these memorandum accounts by transferring the balance as of December 31, 2024, including accrued interest, to the distribution subaccount of the BRRBA for recovery in customers' distribution rates upon the issuance of a final decision in this proceeding.²⁶⁶⁴

The recorded amounts for each of the accounts updated through April 30, 2024, and an estimate of the costs and resulting revenue requirements that SCE expects to record in the accounts through December 31, 2024, are provided in the table below:²⁶⁶⁵

Table 40-1: Proposed Recovery of Memorandum Accounts (\$000)

Item	SCMPMA	DDACMA	ECPMA	RDICMA	NEMOASMA	CCPAMA	ACCMA	WMPMA
Beginning Balance as of 1/1/2023	17,770	192	18	3,771	1,213	4,229	462	10,212
Recorded Balance as of 4/30/2024	33,773	446	19	9,913	1,298	6,699	526	15,548
Estimated 12/31/2024 balance as of April 30, 2024*	46,622	574	20	14,183	1,345	8,024	566	18,391
Application Forecast	24,281	762	72	7,554	1,253	4,838	732	16,951
Update Testimony Change	22,341	(188)	(52)	6,629	92	3,186	(166)	1,440

*Includes recorded costs through April 30, 2024.

²⁶⁶³ SCE also proposes to recover actual balances, including accrued interest, recorded in the Customer Service Re-Platform Memorandum Account (CSRPMMA). SCE's CSRPMMA cost recovery request is approved in Section 18 (Customer Service Operations).

²⁶⁶⁴ Ex. SCE-18, Vol. 1 at 44-59.

²⁶⁶⁵ SCE OB at 453.

Cal Advocates does not oppose the recovery of actual recorded costs in these memorandum accounts through December 31, 2022, but opposes SCE's forecast of 2023 and 2024 on the basis that these costs "are not actually incurred and recorded in the memorandum accounts."²⁶⁶⁶ Cal Advocates asserts SCE can request recovery of actual recorded 2023 and 2024 memorandum account costs in the next GRC proceeding or through another appropriate application.²⁶⁶⁷

Concerning the SCMPMA, TURN highlights that the December 2024 balance for which rate recovery is sought is nearly double the \$24.28 million balance discussed in SCE's direct testimony. TURN asserts the information presented in SCE's Enterprise Operations testimony does not constitute an adequate demonstration of the reasonableness of the recorded amounts for each project, and that SCE provides no showing for the \$22.341 million listed in SCE's update testimony for the Commission to be able to make a reasonableness determination.²⁶⁶⁸

In response to Cal Advocates, SCE asserts its request to recover memorandum account balances is supported by variance analyses in record evidence, is consistent with prior Commission GRC decisions, and will result in customer savings through reduced interest expense. However, if the Commission is inclined to adopt Cal Advocates' recommendation, SCE requests recovery of the most recent recorded balances that are in record evidence (*i.e.*, through April 30, 2024), with authorization for SCE to seek recovery of any amounts not authorized for recovery in this proceeding through an annual ERRA

²⁶⁶⁶ Ex. CA-29 at 2.

²⁶⁶⁷ Ex. CA-29 at 2-3; Cal Advocates OB at 427.

²⁶⁶⁸ TURN OB at 419-422; TURN RB at 146-147.

review proceeding.²⁶⁶⁹ In response to TURN, SCE asserts it provided: (1) detailed explanations for the costs incurred for each project tracked in the SCMPMA and directed intervenors to the proceedings in which the projects were initially proposed; (2) the changes to the original scope of each project, including the reasons for the change in scope; (3) a waterfall chart detailing the variance between the 2018 GRC forecast costs and the recorded project costs as of December 31, 2022; and (4) an explanation of the reasons for the unanticipated increases in project costs.²⁶⁷⁰

As discussed in Section 18 (Customer Service Operations), the process for review and recovery of costs recorded in a memorandum account is intended to be retrospective. SP U-27-W's definition of memo accounts specifies that "[t]he utility may later seek authorization from the Commission to recover the *recorded* amounts by passing them on to consumers in rates."²⁶⁷¹ Since costs recorded in memorandum accounts are, by their very nature, subject to uncertainty, the Commission must first review those costs for reasonableness before they are approved for rate recovery. The Commission has held that this requirement is consistent with the statutory obligation in Pub. Util. Section 451 to ensure all charges demanded or received by a public utility are just and reasonable.²⁶⁷²

However, we do not find it necessary for SCE to wait until its next TY GRC to review recorded 2022–2024 costs for reasonableness. Cal Advocates reviewed

²⁶⁶⁹ SCE OB at 452-458.

²⁶⁷⁰ Ex. SCE-06, Vol. 7 at 16-36; SCE OB at 455-456; SCE RB at 222-226.

²⁶⁷¹ SP U-27-W at 3. All citations to SP U-27-W in this decision are to the version available at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M090/K002/90002198.pdf> (last accessed March 10, 2025).

²⁶⁷² See D.23-11-069 at 775; also, Section 40 (Rate Base).

and does not oppose SCE's recorded 2022 costs in the above-referenced memorandum accounts.²⁶⁷³ In its direct testimony, SCE provided forecasts for the O&M and capital expenditures expected to be recorded in these memorandum accounts, and subsequently provided the 2023 and January 1, 2024 through April 30, 2024 recorded costs in these memorandum accounts.²⁶⁷⁴ Except for the costs recorded and estimated in the SCMPMA, no party contests the reasonableness of SCE's recorded costs through April 2024.

Aside from the costs recorded in the SCMPMA, we approve SCE's 2022 through April 2024 recorded costs in the seven remaining memorandum accounts above. No party specifically contests the amounts recorded in these memorandum accounts. We find SCE's direct testimony contains sufficient showing for the recorded and forecast costs in these memorandum accounts, while SCE's update testimony change is reasonably close to SCE's initial application forecast for these seven accounts. SCE's request to transfer these approved costs, including accrued interest, to the distribution subaccount of the BRRBA for recovery in customers' distribution rates, is approved. Concerning the remainder of SCE's 2024 recorded costs, cost recovery through a memorandum account requires a Tier 3 advice letter to be considered through a resolution before the Commission.²⁶⁷⁵ Given the level of costs SCE expects to record in these memorandum accounts, we find it more appropriate and transparent to instead authorize SCE to seek reasonableness review of its

²⁶⁷³ Ex. CA-29 at 14.

²⁶⁷⁴ Ex. SCE-18, Vol. 1 at 44-68; Ex. SCE-40 at 15.

²⁶⁷⁵ SP U-27-W at 13.

recorded May–December 2024 balance for these seven memorandum accounts, including accrued interest, in a separate application.²⁶⁷⁶

Concerning the costs recorded in the SCMPMA, we agree with TURN that SCE's current showing is insufficient. While SCE's initial application forecast for this account includes detailed, project-specific descriptions of the scope of work to be completed and the specific issues and changes that resulted in unanticipated increases in project costs from the 2018 GRC forecast versus SCE's current recorded variance analysis, SCE does not delineate the overall project cost increases to each respective impact that SCE identifies as having caused the unanticipated project cost increases. Further, some of the identified impacts appear to be within SCE's control to manage, and require further explanation before a reasonableness determination can be made. For example, one of the issues SCE identifies as leading to cost increases for the Bishop, Kernville, and Redlands Service Centers is "[r]eplacement of the contractor required rebid and selection of a new construction vendor."²⁶⁷⁷ For the Bishop Service Center, SCE also identifies a cost increase attributed to "[a] contractor safety incident that required temporary suspension of the project, pending review and assessment of the incident, which resulted in an increase in project management fees."²⁶⁷⁸ Concerning SCE's update testimony change, as highlighted by TURN, the SCMPMA includes a cost increase of \$22.341 million which SCE broadly attributes to its initial forecast having inadvertently excluded the ongoing capital-related revenue requirement for completed plant-in-service capital

²⁶⁷⁶ As part of its application, SCE may also seek recovery of the recorded balance in the CSRPMA, which is addressed elsewhere in this decision.

²⁶⁷⁷ Ex. SCE-06, Vol. 7 at 20, 22, and 25.

²⁶⁷⁸ Ex. SCE-06, Vol. 7 at 20.

additions.²⁶⁷⁹ SCE's limited explanation for this sizable cost increase is insufficient. At a minimum, SCE must explain how its revenue correction correlates to the specific projects being tracked in the SCMPMA, which formed the basis of SCE's initial forecast. For all these reasons, SCE's request to recover costs recorded in the SCMPMA is rejected without prejudice. SCE may seek to demonstrate the reasonableness of its recorded costs in the SCMPMA in a future application.

39.6. Review of Mobilehome Park Costs

In D.14-03-021, the Commission authorized an initial three-year pilot program to convert master-metered mobilehome parks and manufactured housing communities (collectively, MHPs) to direct utility service. The Commission subsequently extended the program through 2021 with the issuance of Resolution E-4958. On April 16, 2020, the Commission issued D.20-04-004, establishing the current version of the program. Among other things, D.20-04-004 continues the cost recovery method adopted in the initial pilot, through which the utilities are authorized to record actual program costs for the Mobilehome Park Utility Conversion Program in a balancing account and recover prudently incurred costs in a GRC.²⁶⁸⁰

In this GRC, SCE presents for Commission review \$71.518 million in recorded costs associated with Mobilehome Park Conversions from 2019–2022.²⁶⁸¹ During this period, SCE converted a total of 17,867 spaces at an average cost of \$14,326 per space (excluding O&M expense) compared to the projected

²⁶⁷⁹ Ex. SCE-40 at 16.

²⁶⁸⁰ D.14-03-021, Ordering Paragraph 2.

²⁶⁸¹ Ex. SCE-07, Vol. 1, Table V-22 at 85.

cost of \$22,319 per space.²⁶⁸² SCE's cost recovery proposal is unopposed. We find reasonable and approve SCE's recorded costs.

40. Rate Base

Rate base represents the depreciated value of SCE's property that is providing service to its customers. SCE's return on its capital assets is determined by applying an authorized rate of return to its rate base. The major components of rate base include: net plant-in-service (gross capital minus accumulated book depreciation), working capital, and deferred taxes. SCE's rate base forecast for 2025 is \$47.861 billion.²⁶⁸³ SCE's rate base forecast is presented using a 13-month weighted average calculated using a Commission-prescribed methodology.²⁶⁸⁴

We have reviewed SCE's uncontested proposed rate base methodologies as set forth in Ex. SCE-07, Vol. 2 and related errata, and find these proposed methodologies to be reasonable and consistent with Commission precedent and Standard Practice (SP) U-16. Additional issues impacting rate base, such as SCE's forecast capital expenditures and depreciation expense, are addressed in other sections of this decision. Contested issues concerning rate base components are discussed in detail below.

40.1. Plant in Service, Reserves, and Depreciation Expense

The net plant-in-service rate base component is the combined value of SCE's electric plant-in-service minus the accumulated depreciation and

²⁶⁸² Ex. SCE-07, Vol. 1E2 at 87.

²⁶⁸³ Ex. SCE-07, Vol. 2, Table II-1 at 3; SCE OB at 490.

²⁶⁸⁴ Ex. SCE-07, Vol. 2 at 2.

amortization related to such assets.²⁶⁸⁵ The table below depicts SCE's 2022 recorded and 2023–2028 forecast net plant-in-service (nominal, \$000,000).²⁶⁸⁶

Table 40-1: Net Plant-in-Service (2022–2028)

Item	Recorded	Estimated					
	2022	2023	2024	2025	2026	2027	2028
Gross Plant	59,133	63,427	67,524	71,501	76,014	80,944	86,607
Accumulated Depreciation/ Amortization	(17,262)	(16,859)	(17,803)	(18,891)	(20,039)	(21,393)	(23,015)
Total Net Plant	41,871	46,568	49,721	52,609	55,975	59,551	63,592

The recorded weighted average plant balances shown for 2022 correspond to SCE's 2022 FERC Form 1 filing. SCE derives the estimated Plant-in-Service additions from forecast capital expenditures included in SCE's 2023–2028 Capital Budget and Forecast that was approved by SCE's Board of Directors in February 2023. Estimated plant additions also include the construction costs already spent and Construction Work in Progress at year-end 2022.²⁶⁸⁷ SCE then adjusts the 2022 recorded plant figure to exclude certain wildfire costs currently tracked in memorandum accounts.²⁶⁸⁸

TURN objects to SCE's proposal to include in its capital revenue requirement the recorded and forecast capital costs associated with activities that

²⁶⁸⁵ Electric plant-in-service includes both tangible and intangible plant included in FERC Account 101 (Electric Plant-In-Service) and FERC Account 106 (Completed Construction Not Classified — a placeholder for in-service costs when complete accounting is not yet available). (Ex. SCE-07, Vol. 2 at 5).

²⁶⁸⁶ Ex. SCE-07, Vol. 2, Table II-1 at 3.

²⁶⁸⁷ Construction Work In Progress refers to accumulated work order costs that are incurred during the construction of a project. (Ex. SCE-07, Vol. 2 at 7-8).

²⁶⁸⁸ Ex. SCE-07, Vol. 2 at 7.

were recorded to the CEMA and WMPMA. TURN identifies \$883 million in plant costs in the RO Model associated with capital costs booked to CEMA and WMPMA that were, at the time of TURN's testimony, undergoing reasonableness review in other proceedings, plus \$41 million in plant associated with capital costs booked to CEMA for which SCE had yet to file a reasonableness review application.²⁶⁸⁹ TURN asserts the Commission has been clear that costs recorded in memorandum accounts cannot be passed on to ratepayers until the Commission has reviewed the costs for reasonableness, and recommends SCE be directed to remove all capital costs still subject to reasonableness review.²⁶⁹⁰

In response, SCE asserts recorded plant costs in the CEMA and WMPMA are currently used and useful and, under the principles of forecast-based ratemaking, SCE should not be precluded from putting forward these recorded and known forecast costs in its GRC requests to provide a transparent revenue requirement and support rate predictability. Further, SCE asserts the impact of removing these amounts from the RO Model will increase the amount of interest expense ultimately included in customers' rates, increasing rate volatility, and that TURN's proposal is unnecessary since "in the unlikely event that costs are for any reason disallowed in an after-the-fact reasonableness review, SCE will make a change to its GRC revenue requirement to reflect the capital disallowance."²⁶⁹¹ In briefs, SCE also highlights that the majority of the recorded capital expenditures identified in TURN's testimony — including SCE's 2021

²⁶⁸⁹ Ex. TURN-19 at 2 and 4.

²⁶⁹⁰ Ex. TURN-19 at 6-10.

²⁶⁹¹ Ex. SCE-18, Vol. 2A at 4.

WMPMA cost recovery application (A.22-06-003) and SCE's 2019–2020 CEMA cost recovery application (A.22-03-018) — have now been authorized in full.²⁶⁹²

In comments on the proposed decision, SCE subsequently confirmed that all recorded capital expenditures identified in TURN's testimony have been considered and addressed by the Commission.²⁶⁹³

The Commission has been clear that recorded capital in the CEMA and WMPMA must be removed from a utility's GRC revenue requirement until such costs have been reviewed for reasonableness and approved for rate recovery. As stated in PG&E's most recent GRC, "[f]or amounts recorded in memorandum accounts, the Commission must first review those costs for reasonableness, and to include costs in rate base they must be both used and useful as well as prudently incurred."²⁶⁹⁴ The decision goes on to explain that this requirement derives from the statutory obligation in Pub. Util. Code Section 451 to ensure all charges demanded or received by a public utility are just and reasonable.²⁶⁹⁵ Further, pursuant to Pub. Util. Code Section 8386.4, a utility may seek review of costs in its wildfire mitigation memorandum accounts in its GRC or in a separate application, but not both.²⁶⁹⁶ It is uncontested that SCE has filed separate

²⁶⁹² Ex. SCE-18, Vol. 2A at 2-4.

²⁶⁹³ SCE Comments on the proposed decision (PD), Appendix C at C-2.

²⁶⁹⁴ D.23-11-069 at 775 (citing Pub. Util. Code Section 451).

²⁶⁹⁵ D.23-11-069 at 775.

²⁶⁹⁶ Pub. Util. Code Section 8386.4(b)(1) states, "The commission shall consider whether the cost of implementing each electrical corporation's [wildfire mitigation] plan is just and reasonable in its general rate case application," while Pub. Util. Code Section 8386.4(b)(2) provides that "*in lieu* of paragraph (1), an electrical corporation may elect to file an application for recovery of the cost of implementing its plan as accounted in the memorandum account at the conclusion of the time period covered by the plan" [emphasis added].

applications to consider costs recorded in its WMPMA that are also included in SCE's GRC revenue requirement.

SCE asserts it is appropriate to include unapproved capital expenditures recorded to CEMA and WMPMA in its RO Model since these capital expenditures "represent used and useful net plant-*in-service* capital costs."²⁶⁹⁷ However, as stated in D.19-05-020, whether an asset is used and useful does not address the prudence of the investment decision and is not the only question that must be answered to make a reasonableness determination.

We see no reason to deviate from Commission precedent, and instruct SCE to separate or remove these costs in future GRC applications until and unless the Commission conducts a reasonableness review and approves cost recovery. However, for the purpose of this proceeding, the Commission has now issued decisions addressing all the capital expenditure requests identified in TURN's testimony.²⁶⁹⁸ Consistent with these decisions, we remove \$55 million in recorded net plant and Construction Work In Progress from the RO Model to reflect the capital expenditure amounts disallowed.

40.2. Working Capital

For ratemaking purposes, working capital is the average additional expenditures required of investors on a continuing basis beyond the capital expenditures in electric plant-*in-service*. For SCE, these components include: materials and supplies inventory, Mountainview emissions credits inventory, working cash, and working cash adjustments. Working cash is the capital supplied by investors to meet day-to-day utility operational requirements and

²⁶⁹⁷ Ex. SCE-18, Vol. 2A at 3.

²⁶⁹⁸ See D.24 03 008, D.24 05 037, D.25-06-017, and D.25-06-051; also, SCE Opening Comments on the PD, Appendix C at C-2.

consists of lead-lag and operational cash requirements. Working cash adjustments are offsets to rate base. In this GRC, SCE proposes working cash adjustments for customer advances and unfunded pension reserve, but does not propose an adjustment for customer deposits.

40.2.1. Materials and Supplies Inventory

SCE's Materials and Supplies (M&S) Inventory is maintained for new plant construction and O&M activities required to operate existing plant. SCE has M&S located at numerous sites throughout its 50,000-plus square mile service area. For the 2025 TY, SCE forecasts a total of \$325.433 million for M&S, a decrease of \$27.815 million from 2022 recorded.²⁶⁹⁹ SCE's forecast is based on historic costs and inventory for transmission and distribution, generation, IT, and SCE's transportation fleet of vehicles and aircraft.

We find reasonable and approve SCE's uncontested request for M&S Inventory.

40.2.2. Mountainview Emissions Credits

California's South Coast Air Quality Management District (SCAQMD) rules and regulations require emission credits to operate the Mountainview plant under the Regional Clean Air Incentives Market (RECLAIM), an emissions reduction and trading program. The emission credits available to Mountainview at acquisition were valued at \$18.8 million.²⁷⁰⁰ In D.09-03-025, the Commission authorized the transfer of the Mountainview Emission Credits Inventory to

²⁶⁹⁹ Ex. SCE-07, Vol. 2, Table IV-10 at 24; SCE OB at 493. This forecast has been adjusted slightly downward to reflect a decrease in the Palo Verde M&S Inventory forecast submitted in SCE's (SCE-05, Vol. 1 at 43).

²⁷⁰⁰ Ex. SCE-07, Vol. 2 at 25; SCE OB at 493.

SCE's rate base.²⁷⁰¹ As of December 31, 2022, SCE has an unrecovered average balance of \$5.9 million. These emission credits are recovered as O&M costs in ERRAs as they are consumed. In this GRC, SCE forecasts working capital for emission credits to increase over time based on a three-year (2020–2022) compound annual growth rate of 13.28 percent.²⁷⁰²

Cal Advocates recommends adjusting SCE's three-year compound annual growth rate to a five-year compound annual growth rate of 2.24 percent, which would reduce SCE's proposed weighted-average depreciation rate base for 2025 from \$8.556 million to \$6.289 million.²⁷⁰³ Cal Advocates highlights that several of SCE's emission credit contracts will expire in 2023–2025, and observes that, "without further guidance from SCAQMD, the utility does not know if future contracts will be purchased to replace the expiring contracts and if new contracts are in fact purchased, what the minimum amounts would be."²⁷⁰⁴

SCE concedes there is uncertainty around the future of the RECLAIM program after December 31, 2025, but asserts there is no basis to assume SCAQMD could or would lower SCE's Mountainview emissions compliance obligations. Citing the long-standing "anti-backsliding" law in California that prohibits air districts from adopting program requirements that are less stringent,²⁷⁰⁵ and the fact that SCAQMD's South Coast Air Basin is in

²⁷⁰¹ D.09-03-025 at 276-278.

²⁷⁰² Ex. SCE-07, Vol. 2 at 25; SCE OB at 493.

²⁷⁰³ Ex. CA-25 at 5; CA OB at 442.

²⁷⁰⁴ Ex. CA-25 at 5.

²⁷⁰⁵ Health and Safety Code Section 42504(a) states, "No air quality management district or air pollution control district may amend or revise its new source review rules or regulations to be less stringent than those that existed on December 30, 2002."

nonattainment with National Ambient Air Quality Standards, SCE states it is likely that SCAQMD's air quality compliance requirements will become even more stringent, not less. Moreover, as a cap-and-trade emission reduction program, the RECLAIM program cap continues to go down over time, meaning there will be fewer Reclaimed Trading Credits (RTCs) available to purchase in the market over time. As a result of the tighter market, SCE asserts it would cost more to purchase the same quantity of future contracts in the market over time, even if SCE's RTC obligations remain the same beyond 2025.²⁷⁰⁶

We find merit in SCE's arguments. Although there is uncertainty concerning the minimum contracts SCE will need to purchase as part of the RECLAIM program, given the "anti-backsliding" law in Health and Safety Code Section 42504(a) and the fact that SCAQMD's South Coast Air Basin is in nonattainment with National Ambient Air Quality Standards, we find it likely that SCE will be subject to the same, if not greater, compliance obligations over this GRC period. Additionally, SCE's three-year average proposal reflects a more recent price and purchase trend than Cal Advocates' five-year average and is consistent with the adopted methodology in SCE's 2021 GRC.²⁷⁰⁷ For these reasons, we adopt SCE's working capital forecasts for emission credits based on a three-year (2020–2022) compound annual growth rate of 13.28 percent.

40.2.3. Working Cash

As discussed above, working cash is the capital supplied by investors to meet day-to-day utility operational requirements. SCE's lead-lag study determines the funds required to pay operating expenses in advance of receiving

²⁷⁰⁶ Ex. SCE-18, Vol. 2A at 22-23; SCE OB at 493-495.

²⁷⁰⁷ Ex. SCE-18, Vol. 2A at 23.

customer revenues. The lead-lag working cash requirement is calculated by multiplying the net lag days (difference between the revenue and expense lags) by average daily expense.²⁷⁰⁸ Operational cash is the average balance of funds required for daily operations.²⁷⁰⁹

SCE forecasts a lead-lag working cash requirement of \$1.167 billion for 2025 based on an average revenue lag of 57.2 days, average expense lag of 30.7 days, and forecast daily expense of \$43.583 million.²⁷¹⁰

Cal Advocates and EPUC recommend various modifications to SCE's working cash estimates. TURN does not oppose SCE's working cash forecast in any area. However, TURN recommends that "if SCE turns out to pay lower estimated taxes than forecast, working cash should be adjusted to reflect this during the remaining GRC cycle."²⁷¹¹

40.2.3.1. Revenue Lag

Revenue lag is the number of days from the time service is delivered to the time the customer payment is available in SCE's bank account, and is measured from the midpoint of the service period to the point payments clear the bank. SCE proposes a revenue lag of 57.2 days for the 2025 TY based on the average 2022 last-year recorded lag days for service lag, billing lag, collection lag, and bank lag.²⁷¹²

Cal Advocates recommends a five-year average revenue lag of 49.5 days to incorporate revenue lag day amounts prior to the COVID-19 pandemic. In

²⁷⁰⁸ Ex. SCE-07, Vol. 2 at 31; SCE OB at 495.

²⁷⁰⁹ Ex. SCE-07, Vol. 2 at 26.

²⁷¹⁰ Ex. SCE-07, Vol. 2 at 32; Ex. SCE-07, Vol. 2E2 at 33-34; SCE OB at 495.

²⁷¹¹ Ex. TURN-02 at 30.

²⁷¹² Ex. SCE-07, Vol. 2E2 at 33-34; SCE OB at 496.

support of its recommendation, Cal Advocates highlights SCE's resumption of commercial collections and the utility's plan to increase residential collection volumes to pre-pandemic levels by 2025, and asserts a five-year average would assist in forecasting the utility's expected return to pre-pandemic collection rates. Alternatively, Cal Advocates recommends a three-year average revenue lag of 52.2 days based upon the recorded revenue lags for the years 2020 through 2022.²⁷¹³ Cal Advocates argues a three-year average would account for SCE's accumulated \$1.2 billion in customer arrearages while factoring in that SCE has already restarted both commercial and residential arrearage collection plans.²⁷¹⁴

EPUC recommends an alternative revenue lag of 49.6 days. In support of its position, EPUC argues that: (1) SCE's revenue lag for 2022 is an outlier and should not be relied upon (SCE's unadjusted revenue lag for 2022 was 57 days, compared to SCE's revenue lag of 49.5 days in 2020 and 49.6 days in 2021); (2) SCE's proposed revenue lag differs substantially from other California utilities, despite SCE offering comparable, if not identical, tariff rate terms and conditions; (3) SCE presents a billing lag of eight days, compared to the billing lag of 2.1 and 3.5 days for SoCalGas and SDG&E (Sempra Utilities), respectively;²⁷¹⁵ (4) SCE has not presented any evidence to support its assertion that, once the other utilities update their base year to reflect more recent data, the revenue lag of these other utilities will be comparable to SCE's requested 57.5 day test year revenue lag; and (5) SCE has failed to demonstrate that it properly considered the use of AMI meters to collect data and remit customer bills to

²⁷¹³ Ex. CA-25 at 7-11; CA OB at 445.

²⁷¹⁴ Ex. CA-25 at 11.

²⁷¹⁵ Billing lag represents the number of days between the date SCE reads the customer's meter and the date the bill is issued to the customer. (EPUC OB at 44-45).

customers, or that the billing lag associated with SCE's transition to the Customer Service Re-Platform Program (CSRP) billing system will no longer occur.²⁷¹⁶

In response to Cal Advocates, SCE asserts its revenue lag has shown an increasing trend and remained elevated in 2022, as compared to past years, and that SCE's use of the last year recorded expense as a base forecast is consistent with Commission precedent. SCE also asserts the following: (1) as evidenced by the December 2023 arrearages, which were \$1.096 billion (an increase of \$115 million from 2022 levels), the trend of high arrearage levels was not wholly remedied by the ending of the Commission's disconnection moratorium; (2) the number of customers in arrears and the average arrearage balance per customer are both higher in 2023 than during the pandemic years of 2020 and 2021; (3) over 700,000 customers are now eligible for various consumer protection programs with an average balance per customer exceeding \$1,000; (4) customer payment behavior has not returned to pre-pandemic levels; and (5) many customer assistance policies and programs initiated by the Commission at the onset of the pandemic are ongoing, and will likely continue to contribute to higher-than-historical arrearage levels beyond the GRC test year.²⁷¹⁷

In response to EPUC, SCE asserts: (1) as detailed above, SCE's 2022 revenue lag reflects the higher than historical customer arrearage balances that continued unabated in 2023; (2) EPUC's comparison of SCE's billing lag experience to IOUs located outside of California is not appropriate; (3) SDG&E used 2021 and PG&E used 2020 as the base year for their respective revenue lag

²⁷¹⁶ Ex. EPUC-01 at 42-44; EPUC OB at 41-46.

²⁷¹⁷ Ex. SCE-18, Vol. 2 at 7-10; SCE OB at 497-498.

forecasts, and do not reflect SCE's current status of arrearages and working cash needs; (4) SCE correctly followed SP U-16 to forecast its billing lag, which focuses on SCE's own recorded history, not the recorded history of other IOUs; and (5) SCE appropriately removed one-time impacts from the implementation of its CSRP from its billing lag forecast.²⁷¹⁸

We approve a revenue lag of 51.1 days based on SCE's recorded revenue lags for the years 2020–2022 along with an adjustment to SCE's recorded billing lag for 2020–2022 to reflect eight days. As stated by SCE, the Commission has adopted several ongoing customer assistance programs, such as the implementation of a 12-month payment plan,²⁷¹⁹ as well as the annual caps on the number of residential disconnections allowed,²⁷²⁰ which will continue beyond the GRC test period and are likely to impact customer arrearage levels. Additionally, SCE's current recorded \$1.2 billion in customer arrearages is significantly higher than the recorded arrearages in 2020 and 2021.²⁷²¹

At the same time, we find SCE's reliance on the increasing average arrearage levels between 2018–2023, and the magnitude of 2023 arrearages, to be overstated. SCE did not restart the collection of arrearages for commercial and residential customers until July 2022 and October 2022, respectively.²⁷²² Further, as highlighted by Cal Advocates, SCE reduced its 2023 planned collection volume for residential customers by around 70 percent, on average, from June

²⁷¹⁸ Ex. SCE-18, Vol. 2A at 10-13; SCE OB at 499-500.

²⁷¹⁹ See D.20-06-003 at 21.

²⁷²⁰ D.20-06-003 requires SCE to implement disconnection volume caps starting at eight percent in July of 2020 and dropping to four percent through December 2024.

²⁷²¹ Ex. SCE-19, Vol. 2A at 10.

²⁷²² Ex. CA-25 at 8; SCE OB at 552.

through December 2023, and plans to gradually increase collection volumes in 2024 to reach normal volumes before the start of 2025. Since residential customers constitute the vast majority of SCE's total customer arrearages²⁷²³ we expect the level of customer arrearages to remain elevated until at least the end of 2024.

Based on the above, we generally find Cal Advocates' alternative recommendation to be reasonable; however, we adjust the approved billing lag to eight days. As noted by EPUC, SCE largely fails to demonstrate the degree to which certain factors — namely, unbundled customers, exception processing, manual billing, and joint invoicing — cause a bill to be held up beyond the typical system process time and contribute to SCE's overall reported billing lag. Further, while SCE appropriately utilized a five-year average (2016–2020) to exclude the anomalous billing lag impacts associated with CSRP implementation, the average billing lag during 2016–2019 was between 6.7–7.5 days, before jumping to 10.9 days in 2020.²⁷²⁴ SCE does not explain why there was a significant increase in the billing lag for 2020. Absent any explanation, and given the lack of supporting evidence demonstrating how current conditions contribute to SCE's overall reported billing lag, we find it reasonable to treat 2020 as an outlier and instead utilize SCE's proposed five-year average to forecast the billing lag in the test year. With this adjustment, we approve a revenue lag of 51.1 days.

Consistent with SP U-16, the approved revenue lag in this decision is based on SCE's recorded history and recent data rather than comparisons to

²⁷²³ Ex. CA-25 at 8-9.

²⁷²⁴ Ex. SCE-18, Vol. 2A, Table III-4 at 11.

other utilities using different base years. Specific to SCE's reported billing lag, this is also appropriate since no party presented evidence comparing the current conditions and factors that may drive the different reported utility billing lags presented in this proceeding. With that said, given the reported differences between SCE's reported billing lag and that of the Sempra Utilities, the extensive use of AMI meters in SCE's service territory, and SCE's implementation of the new CSRP, we are hopeful that greater billing efficiencies are possible. To that end, we direct SCE to review its billing practices and procedures, and benchmark to other utilities, as applicable, in order to further streamline and/or automate the current factors that have historically caused bills to be delayed. SCE shall report on the progress of these efforts in its next GRC filing.

40.2.3.2. Expense Lag

Expense Lag is the average time from recording the various operating costs to render service advanced by external vendors and suppliers, investors, employees, and taxing agencies to the date of payment for those expenses. SCE proposes using a weighted average expense lag of 30.7 days for the 2025 TY based on the 2022 recorded payments incurred to serve customers.²⁷²⁵ Parties contest the following components of SCE's expense lag forecast: (1) Goods and Services; (2) Depreciation Expense/Non-Cash Expense; and (3) Income Tax Lag.

40.2.3.3. Expense Lag: Goods and Services

The expense lag for Goods and Services represents the time lag between the accrual and the payment of such costs. SCE's lead-lag proposal for Goods and Services is an average of 39.2 days based on Purchase Order (PO) (42.4 lag

²⁷²⁵ Ex. SCE-07, Vol. 2 at 34.

days) and Non-PO (6.4 lag days). SCE's calculation is based on analyzing over \$4.7 billion of recorded payments from 2022.²⁷²⁶

Cal Advocates recommends a composite expense lag of 41.2 days for Goods and Services based on a target of 45.0 days for PO payments and SCE's recommended 6.4 days for Non-PO payments. Cal Advocates notes that in 2020 and 2021 SCE achieved PO payment lag days above 45 days, and asserts that by taking a three-year average of SCE's PO lag days from 2020 through 2022 the average PO lag day would be 45.5 days. Cal Advocates also cites SCE's 2021 GRC decision where the Commission adopted a PO of 45 days and agreed that a large utility like SCE can maintain a PO lag day of at least 45 days.²⁷²⁷

In response, SCE states Cal Advocates' reliance on a three-year average for PO payments overemphasizes 2020 and 2021, which are higher than any of the other years during the 2018–2022 period. SCE also identifies some large transactions with extended lags between acceptance of the invoice and the actual payment in 2020 and 2021 that “significantly affected” the reported lag values during these years, including: transactions for a large project on SCE's Big Creek Hydro Facility; a civil construction vendor working on SCE's Mesa Substation 500 kV Rebuilt Project; and a large vendor working on building construction at SCE's Irvine Operations Center.²⁷²⁸

For the purpose of this GRC period, we find reasonable and approve SCE's proposed 39.2 average expense lag days based on 2022 recorded PO and Non-PO transactions. SCE sufficiently demonstrates 2020 and 2021 were outlier years for

²⁷²⁶ Ex. SCE-07, Vol. 2 at 36; Ex. SCE-18, Vol. 2A at 13.

²⁷²⁷ Ex CA-25 at 11-12; D.21-08-036 at 494-496.

²⁷²⁸ Ex. SCE-18, Vol. 2A at 14-15.

PO payments, as evidenced by the lower lag days recorded during 2018–2019 and 2022, and identifies specific transactions that impacted the higher composite lag values in 2020 and 2021. Further, SCE’s 2022 recorded PO payment lag days are reasonably consistent with the wider five-year historical average. SCE’s proposal of 6.4 days for non-PO payments is uncontested and is approved.

**40.2.3.4. Expense Lag: Depreciation
Expense/Non-Cash Expense**

Depreciation expense is included in SCE’s lead-lag study to compensate investors for the lag between when the expenses are accrued and when the revenues are collected. SCE proposes a depreciation expense lag of zero days because depreciation expense accrual and its impact on rate base occur simultaneously.²⁷²⁹

EPUC proposes to eliminate non-cash accounting entries in SCE’s lead-lag study, which would increase the average expense lag from 30.7 days to 39.8 days. EPUC asserts it is not appropriate to include certain non-cash expenses (including expenses associated with materials issued from stores, insurance and line rent provisions, uncollectibles, depreciation, and deferred tax expense) in a lead-lag Working Cash study since SCE does not need to retain cash on hand to pay operating expenses that do not require a cash payment to third-party vendors. EPUC highlights that SCE includes non-cash accounting entries in the calculation of average expense lag days, even though SCE assigns a zero-day expense lag to expenses associated with materials issued from stores, insurance and line rent provisions, uncollectibles, depreciation, and deferred tax expense.

²⁷²⁹ Ex. SCE-07, Vol. 2A at 37-38.

EPUC asserts this has the effect of artificially depressing the expense lag, which in turn generates an overly large need for Working Cash.²⁷³⁰

In response, SCE states non-cash expenses such as depreciation expense immediately reduce the average authorized rate base during the recorded month, and that this depressed rate base remains through the revenue lag period until SCE recovers these amounts from customers. SCE includes the non-cash items in the lead-lag study but applies a zero-expense-day lag to reflect that these non-cash items are booked daily. SCE asserts its working cash proposal is consistent with the provisions of SP U-16 and Commission guidance on working cash studies, and that any departure from SP U-16 should be addressed in a separate proceeding involving all the IOUs.²⁷³¹

In D.24-12-074, the Commission found it reasonable to exclude depreciation from Sempra Utilities' working cash calculation on the basis that "removing depreciation from working cash calculations presents an opportunity to lower rates without compromising system safety or reliability" and since Sempra Utilities did not specifically refute the claim that "depreciation is a non-cash expense and not a daily operational cash cost but an accounting entry for asset reinvestment."²⁷³² The Commission has also held that the "procedures set forth in Standard Practice U-16-W serve only as a guide" and "do not preclude deviations appropriate to special circumstances."²⁷³³

²⁷³⁰ Ex. EPUC-01 at 47-48; EPUC OB at 46-47.

²⁷³¹ SCE OB at 506-08; SCE RB at 253-54.

²⁷³² D.24-12-074 at 832-833 and 838-839.

²⁷³³ D.94-02-042, 1994 Cal. PUC Lexis 82 at *42, 53 CPUC2d 21; *see also* D.95-12-055, 1995 Cal PUC Lexis 965 at *120-121, 63 CPUC2d 570.

SCE's arguments in this proceeding focus on the timing of accounting entries and do not directly refute EPUC's claim that SCE does not need to retain cash on hand to pay depreciation expense, or otherwise demonstrate a cash outlay every time SCE makes a depreciation expense entry. Consistent with the Commission's findings in D.24-12-074, this decision excludes depreciation expense from working cash on the basis that SCE's arguments do not directly address EPUC's claim that SCE does not need to retain cash on hand to pay depreciation expense, and since this change is expected to better align working cash with operational realities and will lower the revenue requirement. Since there is limited record and precedent concerning EPUC's other proposed non-cash adjustments, we limit the exclusion from SCE's working cash calculation to depreciation expense. This adjustment results in a \$38.051 million reduction to SCE's TY working cash revenue requirement.

40.2.3.5. Expense Lag: Income Tax Lag

The expense lag for income taxes reflects the number of days between when the current tax expenses are accrued to when they are due under statutory law. Under both federal and state law, a corporation is required to file estimated taxes in four installments throughout the year with any balance due upon the original due date of the tax return.²⁷³⁴ Due to net operating loss and other tax credit carryovers, SCE has not had federal taxes due since 2009 and California taxes due since 2016; however, SCE expects to pay both federal and state taxes over this GRC period. SCE forecasts a federal income tax lag of 54 days and a

²⁷³⁴ Ex. SCE-07, Vol. 2 at 39.

state income tax lag of 40 days utilizing the annualized income installment method with an accrual midpoint date of July 2.²⁷³⁵

Cal Advocates recommends a federal income tax lag of 365 days and a state lag of 328.5 days due to: (1) SCE's recorded years of operating under net operating losses; (2) SCE's expectation of operating under net operating losses through 2025; (3) SCE's history of not paying federal income tax since 2009 or the California State Corporation Franchise Tax for two GRC cycles; and (4) the Commission's finding in SCE's 2021 GRC that SCE's status of not paying federal and state taxes for over a GRC cycle warranted adjustments.²⁷³⁶

TURN does not oppose SCE's forecast lag days; however, TURN suggests that working cash should be adjusted during the remaining GRC cycle if SCE ends up paying lower estimated taxes than forecasted.²⁷³⁷

In response to Cal Advocates, SCE asserts it will be a federal taxpayer in the 2025 GRC cycle due to the operation of the new Corporate Alternative Minimum Tax (CAMT) under the Inflation Reduction Act.²⁷³⁸ SCE testifies the new CAMT requires companies such as SCE to pay a minimum tax liability each year, regardless of any net operating losses. Because the CAMT is higher than SCE's regular tax liability, both before and after utilization of net operating losses, SCE states it will be subject to the same \$457 million in federal tax liability due to CAMT. Similar to the federal tax calculation above, SCE states its California tax liability is the greater of the regular income tax or California's

²⁷³⁵ Ex. SCE-07, Vol. 2A at 38-40; Ex. SCE-07, Vol. 2E at 40; Ex. SCE-18, Vol. 2A at 24.

²⁷³⁶ Ex. CA-25 at 12-16; Cal Advocates OB at 447-450.

²⁷³⁷ Ex. TURN-02 at 30.

²⁷³⁸ Inflation Reduction Act of 2022, H.R. 5376, 117th Congress (2021-2022).

Alternative Minimum Tax (CA-AMT).²⁷³⁹ Additionally, SCE states the carryforward attributes of its net operating losses are fully utilized during this rate cycle, and thus will only fully offset regular California income tax for some, but not all years during this GRC. Consequently, SCE asserts it will owe significant state income tax during the 2025 GRC cycle.²⁷⁴⁰

SCE argues the Commission made it clear in D.84-05-036 (OII 24) that the tax impacts of utility operations outside the GRC should not be considered when setting rates. By tying an adjustment to SCE's total taxes paid, SCE asserts TURN inappropriately incorporates non-ratemaking activities. Additionally, SCE asserts that an adjustment based on unpredictable future events is inconsistent with and undermines forecast-based ratemaking, and that trying to later adjust tax lag days based on recorded income tax information in isolation, without correcting the other potential ratemaking drivers and variances behind those changes, is distortive.²⁷⁴¹ Lastly, SCE states "the 'extraordinary circumstances' relied upon by the 2021 GRC Decision — that ostensibly justified an exception to OII 24's sound principles of not taking into account factors outside of the GRC — will not repeat in this GRC."²⁷⁴²

The purpose of calculating income tax lag days is to make appropriate adjustments to the working cash requirement, which is intended to ensure the utility has sufficient cash for day-to-day operational requirements. In SCE's 2021

²⁷³⁹ California's CA-AMT rules increase taxable income for certain "preference items" and limit the annual CA-AMT net operating losses deduction to 90 percent of CA-AMT income. (Ex. SCE-18, Vol. 2A at 27).

²⁷⁴⁰ Ex. SCE-18, Vol. 2A at 27.

²⁷⁴¹ Ex. SCE-18, Vol. 2A at 28-29.

²⁷⁴² Ex. SCE-18, Vol. 2A at 29.

GRC, the Commission found it reasonable to use 365 days for state and federal tax lag days since SCE had not paid federal income taxes for several GRC cycles and state income taxes since before the last GRC cycle, and given the lack of evidence that SCE's tax situation would change during the 2021 GRC cycle.²⁷⁴³ Moreover, the Commission determined that this outcome was not incompatible with OII 24, since OII 24 does not foreclose Commission consideration of tax impacts associated with events outside the rate case under extraordinary circumstances, and since "[c]ircumstances under which a utility has not paid federal taxes for over a decade and state taxes for over a GRC cycle constitute such extraordinary circumstances that would warrant an alternative method."²⁷⁴⁴ Citing D.19-08-013, the Commission made a similar finding in PG&E's 2023 GRC.²⁷⁴⁵

Notwithstanding SCE's interpretation of the application of the extraordinary circumstances exception in OII 24, the Commission's rulings in D.19-08-013 and D.23-11-069 are well-substantiated and are not subject to relitigation here. However, SCE has sufficiently demonstrated that it will owe both federal and state taxes over this GRC period, meaning there is no longer any basis to consider an alternative tax lag method based on extraordinary circumstances. Cal Advocates' recommendation hinges on the assertion that, through the continued utilization of net operating losses, SCE will not be a federal taxpayer and will pay a reduced amount of state income taxes in the 2025 TY. However, as demonstrated by SCE, in this GRC the CAMT liability is

²⁷⁴³ D.19-08-013 at 498-501.

²⁷⁴⁴ D.19-08-013 at 501.

²⁷⁴⁵ D.23-11-069 at 692-694.

expected to be higher than SCE's regular tax liability, rendering SCE's utilization of net operating losses irrelevant to the minimum amount of federal taxes owed. No party questions whether SCE will be subject to the CAMT over this GRC period. Further, given California's CA-AMT rules, which require SCE to pay the greater of the income tax or the CA-AMT, and the fact that SCE expects its net operating losses carryforward to offset California income tax for some, but not all years during this GRC,²⁷⁴⁶ SCE is likely to owe significant state income tax during the 2025 GRC cycle.²⁷⁴⁷ For all these reasons, we find SCE has provided sufficient evidence demonstrating that it will be a federal and state taxpayer during this GRC and approve SCE's federal income tax lag forecast of 54 days and state income tax lag forecast of 40 days.

We decline to adopt TURN's recommendation to adjust SCE's working cash during the remaining GRC cycle if SCE ends up paying lower taxes than forecasted. TURN does not oppose SCE's forecast of 47 days for federal tax lag and 32 days for state tax lag²⁷⁴⁸ and, as discussed above, SCE has provided sufficient evidence demonstrating that it will pay state and federal taxes over this GRC period. As argued by SCE, the entirety of SCE's 2025 revenue requirement is based on forecasts. Since SCE has provided sufficient evidence demonstrating that its forecast is reasonable, which TURN does not contest, requiring a true-up mechanism for one forecast in isolation would be inconsistent with forecast ratemaking principles.

²⁷⁴⁶ Ex. SCE-18, Vol. 2A at 27.

²⁷⁴⁷ SCE expects to utilize net operating losses against taxable income in 2023, 2024, 2025, and 2026, and expects to completely utilize the net operating losses in 2026. (Ex. CA-25, footnote 47 at 15).

²⁷⁴⁸ Ex. TURN-02 at 30.

40.2.4. Working Cash Adjustments

Working cash adjustments are offsets to rate base. In this GRC, SCE proposes working cash adjustments for customer advances and unfunded pension reserves. In SCE's prior GRC decisions, working cash adjustments were also made for customer deposits.

Cal Advocates and TURN offer alternative proposals regarding the ratemaking treatment of customer advances and customer deposits, which we discuss below.

40.2.4.1. Customer Advances

Customer Advances represent refundable amounts provided by applicants (generally developers) in advance of SCE constructing new distribution facilities for load that will later be served by SCE. These funds are a liability to SCE until reimbursed or forfeited by developers to SCE after 10 years. SCE does not pay developers interest for holding these monies. SCE forecasts a customer advance balance of \$69.488 million in 2025 utilizing a five-year recorded balance average (2018-2022).²⁷⁴⁹

Cal Advocates recommends applying a non-labor O&M escalation rate to Customer Advances from the base year to develop the test year forecast, which would increase the customer advance balance to \$73.68 million in 2025. Citing claims by SCE that customer advance balances are difficult to predict due to external factors, Cal Advocates asserts the application of a non-labor O&M escalation rate would adjust the customer advance balances over time similarly to how SCE escalates other working capital sections.²⁷⁵⁰

²⁷⁴⁹ Ex. SCE-07, Vol. 2 at 42-43.

²⁷⁵⁰ Ex. CA-25 at 16-17.

In response, SCE reiterates that customer advances are impacted by external factors outside of the utility's control, including advances received, refunded, and also forfeited for Rule 15 line extension work, making it difficult to predict the level of Customer Advances in the future. In addition, SCE states customer usage or load obligations can influence the refund eligibility. As a result, SCE maintains that a five-year average is the most reasonable approach for forecasting an uncertain outcome, and asserts that Cal Advocates' proposal to rely on one year ignores the history and complexity of the many factors affecting this balance.²⁷⁵¹

We find reasonable and approve SCE's customer advance balance forecast of \$69.488 million in 2025 based on a five-year recorded balance average. As demonstrated by SCE, customer advance balances are impacted by several external factors outside of SCE's control. The Commission has held that if recorded expenses have significant fluctuations from year-to-year, or if expenses are influenced by external forces beyond the utility's control, a multi-year average of recorded data is likely to yield a more reliable forecast than a forecast predicated upon a single year's data.²⁷⁵² Moreover, Cal Advocates does not explain why its proposal based on a single year plus escalation better accounts for forecast uncertainty.

40.2.4.2. Customer Deposits

Customer deposits (CDs) are funds collected from customers for security against non-payment. These funds are returned to those same customers upon the customer fully paying their bills for 12 consecutive months or used as a credit

²⁷⁵¹ Ex. SCE-18, Vol. 2A at 22.

²⁷⁵² D.04-07-022 at 16-17; also, D.21-08-036 at 66.

against their bills in the event of non-payment. The Commission's treatment of CDs has not been uniform among the large energy utilities:²⁷⁵³

- For the Sempra Utilities, the Commission has applied SP U-16, such that CDs remain in rate base;
- For PG&E, CDs remain in rate base and are considered a part of the authorized capital structure as a portion of long-term debt; and
- For SCE, the Commission has excluded CDs from rate base altogether.

In its initial testimony, SCE requested permission to include CDs as part of its authorized capital structure as a form of low-cost long-term debt and for there to be no rate base adjustment for CDs. SCE explained that this treatment is consistent with PG&E's, and that SCE remains the only large California electric utility subject to the exclusion of CDs from rate base.²⁷⁵⁴ In rebuttal testimony, SCE further clarified that it would *prefer* the treatment used for the Sempra Utilities, which is aligned with the Commission's guidance in SP U-16.

Cal Advocates and TURN offer alternative proposals regarding the ratemaking treatment of CDs. Cal Advocates recommends that CDs for SCE be treated as described in SP U-16 and "not be deducted from the operational cash requirement."²⁷⁵⁵ As noted above, this is the treatment currently afforded to the Sempra Utilities. In support of its position, Cal Advocates asserts that "[r]emoving customer deposits from SCE's operational cash requirement calculation would account for the variable and revolving balances of SCE's

²⁷⁵³ SCE OB at 510.

²⁷⁵⁴ Ex. SCE-07, Vol 2 at 44-51.

²⁷⁵⁵ Cal Advocates OB at 452.

customer deposit accounts and align with the Commission's original standard practice."²⁷⁵⁶

TURN recommends the Commission maintain its treatment for SCE's CDs and adopt a value of \$174 million, which represents the lowest annual level of CDs held as projected by SCE. In support of its position, TURN provides the following arguments: (1) in SCE's 2003 GRC, the Commission explicitly addressed the applicability of SP U-16 to the treatment of CDs, stating that "as the Commission previously held, U-16 is only a guide, and deviations are appropriate where circumstances warrant;"²⁷⁵⁷ (2) the Commission has consistently treated SCE's CDs as a source of permanent working capital as an offset to rate base since SCE's 2003 GRC; (3) while SCE's CDs have declined during COVID-19, they continue to represent a significant source of working capital which does not have to be provided by other investors; (4) SCE's own forecasts project CDs to increase toward the end of this GRC cycle, with annual averages exceeding the 2023 levels by 2027 and reaching a high of \$197 million in 2028; and (5) adopting the \$174 million value recommended by TURN would represent the most conservative approach to estimating the amount of CDs held by SCE throughout this GRC period.²⁷⁵⁸

In response, SCE provides the following points: (1) given the significant drop in SCE's CD balances since the onset of COVID-19, with balances dropping more than 40 percent from an average of about \$300 million for 2019 to approximately \$170 million for 2022, TURN's historic arguments that SCE's CDs

²⁷⁵⁶ Cal Advocates OB at 452.

²⁷⁵⁷ D.04-07-044 at 253.

²⁷⁵⁸ Ex. TURN-02 at 30-32; TURN OB at 453-455.

have “remained at a high and stable level over time,” and that “generally on an annual basis more customer deposits are received than are returned” are no longer valid;²⁷⁵⁹ (2) similarly, the final decision in SCE’s 2021 GRC cited SCE’s higher average annual CD volume, which increased “from \$195 million in 2012 to \$290 million at the end of 2018,” as a basis for treating SCE differently than the other IOUs;²⁷⁶⁰ and (3) there is no basis in SP U-16 for departing from its treatment of interest-bearing customer deposits based on volume.²⁷⁶¹

We find merit in TURN’s proposal and adopt it. SCE’s arguments that there is no basis in SP U-16 for departing from its treatment of interest-bearing CDs, and that maintaining the historic departure results in inconsistent treatment across the IOUs, have been considered and rejected in several Commission decisions since SCE’s 2003 GRC. In the 2003 GRC decision in which the Commission instituted this policy, the Commission explained that it has adopted deviations from SP U-16 in utility-specific rate cases, and that deviation from SP U-16 was warranted with respect to SCE’s CDs. The Commission found that “[c]ircumstances have changed since U-16 was developed, and it is not reasonable to assume that SCE’s customer deposit amounts are relatively small and interest rates are relatively large compared to the rate of return on rate

²⁷⁵⁹ Ex. SCE-18, Vol. 2A at 32, citing Ex. TURN-03 in A.19-08-013.

²⁷⁶⁰ D.21-08-036 at 504.

²⁷⁶¹ Ex. SCE-18, Vol. 2A at 31-33.

base.”²⁷⁶² The Commission has maintained this position and ratemaking treatment for SCE in every GRC decision since 2003.²⁷⁶³

In conjunction with requiring SCE to use CDs as a rate base offset, the Commission has also authorized SCE to recover related interest costs through an O&M adjustment, except for 10 percent of the balance which is deposited in minority-owned financial institutions.²⁷⁶⁴ SP U-16 provides that noninterest-bearing CDs should be deducted from the operational cash requirement. The Commission reasoned that providing for recovery of the related interest costs made the utility whole and made SCE’s CDs comparable to noninterest-bearing CDs for ratemaking purposes.²⁷⁶⁵

The only new argument that SCE presents in this GRC is that circumstances have changed since the onset of COVID-19, such that SCE no longer has a “high and stable” level of CDs.²⁷⁶⁶ We disagree. Notwithstanding the circumstances of COVID-19 and subsequent recovery, as noted by TURN, SCE’s own forecasts project CDs to increase toward the end of this GRC cycle, with annual averages exceeding the 2023 levels by 2027 and reaching a high of \$197 million in 2028. This balance is close to the \$221.89 million that was approved for the 2021 TY in SCE’s 2021 GRC decision.²⁷⁶⁷ Moreover, TURN’s proposal represents the most conservative approach to estimating the amount of

²⁷⁶² D.04-07-022 at 344, Finding of Fact 210.

²⁷⁶³ See D.06-05-016 (SCE 2006 GRC) at 279-282; D.09-03-025 (SCE 2009 GRC) at 278-290; D.12-11-051 (SCE 2012 GRC) at 627-629; D.15-11-021 (SCE 2015 GRC) at 470-473; D.19-05-020 (SCE 2018 GRC) at 310-311; and D.21-08-036 (SCE 2021 GRC) at 502-504.

²⁷⁶⁴ Ex. SCE-07, Vol. 2 at 45.

²⁷⁶⁵ D.09-03-025 at 288; D.21-08-036 at 503.

²⁷⁶⁶ Ex. SCE-18, Vol. 2A at 32.

²⁷⁶⁷ D.21-08-036 at 504.

customer deposits held by SCE throughout this GRC period, and is consistent with the methodology utilized in SCE's 2021 GRC.

For all these reasons, we adopt TURN's proposal to use the lowest average forecast value of \$174 million for the TY forecast. We also continue to authorize SCE to use up to 10 percent of its CDs to promote its minority and community bank program. Therefore, we direct \$174 million, less 10 percent devoted to the minority and community bank program, to be used as a rate base offset. Consistent with past treatment,²⁷⁶⁸ we also authorize an offsetting interest expense for the portion of CDs that are applied as a reduction to rate base at the 90-day commercial paper interest rate.

40.3. Taxes

SCE's proposed methodologies for forecasting tax expense are unopposed. We approve use of the uncontested methodologies for calculating tax expense as set forth in Exhibit SCE-07, Volume 2, Chapter V.

SCE also proposes to extend the 2018 Tax Accounting Memorandum Account (2018 TAMA) through 2028. The 2018 TAMA is intended to track all differences between forecast and recorded income tax expenses so that the Commission can more closely examine revenue impacts caused by the utility's implementation of various tax laws, tax policies, tax accounting changes, or tax procedure changes.²⁷⁶⁹ In the 2018 GRC, the Commission ordered that the 2018 TAMA "shall remain open and the balance in the account shall be reviewed in every subsequent GRC until a Commission decision closes the account."²⁷⁷⁰

²⁷⁶⁸ See D.21-08-036 at 504.

²⁷⁶⁹ D.19-05-020 at 358.

²⁷⁷⁰ D.19-05-020 at OP 5.a.

Continuation of the 2018 TAMA will continue to aid the Commission's review of the reasonableness of SCE's election of various tax changes. Therefore, we adopt SCE's unopposed proposal to continue the 2018 TAMA.

41. SCE Asset Depreciation Study

The purpose of depreciation is to recover the original cost of fixed capital assets less the estimated net salvage over the useful life of the property.

Depreciation accounting is intended to systematically and rationally allocate the service value over the life of the asset, in a manner that ensures that customers pay for the portion of the asset's cost from which they receive benefit.

Depreciation expense is a legitimate cost of service.²⁷⁷¹

The depreciation system SCE uses is the straight-line remaining life method based on the Commission's SP U-4.²⁷⁷² This method is "designed to ratably recover the cost of plant, less net salvage and less depreciation reserve, over the remaining life of plant."²⁷⁷³ The straight-line remaining life method can be represented by the following formula:²⁷⁷⁴

²⁷⁷¹ Ex. SCE-07, Vol. 3 at 5-6.

²⁷⁷² Ex. SCE-07, Vol. 3 at 11-12. All citations to SP U-4 in this decision are to the version available at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M042/K177/42177433.PDF> (last accessed March 4, 2025).

²⁷⁷³ SP U-4, ch. 2 at 5.

²⁷⁷⁴ SP U-4, ch. 4 at 11.

$$\text{Annual Depreciation Accrual} = \frac{\text{Plant Balance} - \text{Gross Salvage} + \text{Cost of Removal} - \text{Depreciation Reserve}}{\text{Remaining Life of Asset(s)}}$$

SCE also uses the broad group, average life procedure to determine depreciation, which groups certain categories of plant and depreciates them as a single group.²⁷⁷⁵

SCE's currently authorized depreciation expense based on year-end (YE) 2022 CPUC plant balances is \$2.253 billion.²⁷⁷⁶ Overall, SCE proposes to increase depreciation expense by \$313 million based on 2022 plant balances, which equates to a total proposed depreciation expense of \$2.566 billion.²⁷⁷⁷ SCE's requested changes are summarized in the following table:²⁷⁷⁸

Item	Proposed Change (in \$ Millions)
T&D Net Salvage	212
T&D Life	82
Small Hydro Decommissioning	42
Other Generation	0
General and Intangible	(23)
Total	313

41.1. T&D Net Salvage

Net salvage is "gross salvage realized from resale, re-use, or scrap disposal of the retired units less cost of removal."²⁷⁷⁹ Net salvage can be expressed either

²⁷⁷⁵ Ex. SCE-07, Vol. 3 at 6, 11-12.

²⁷⁷⁶ Ex. SCE-18, Vol. 3 at 1.

²⁷⁷⁷ This amount understates SCE's proposed depreciation expense for 2025 because it is based on YE 2022 plant balances and does not account for subsequent plant growth.

²⁷⁷⁸ Ex. SCE-18, Vol. 3, Table I-1 at 1. Dollar impacts are based on YE 2022 plant balances.

²⁷⁷⁹ SP U-4 at 12.

as a dollar amount or as a percent of the original plant cost (the net salvage rate (NSR)), and is a key element in determining depreciation expense and rates. Salvage and removal costs are based on current dollars (when the assets are removed from service), while retirements are based on historical dollars. Often, the net salvage for utility assets is a negative number (or percentage) since the cost of removing the assets from service exceeds any proceeds received from selling the assets.²⁷⁸⁰

SCE proposes annual net salvage accruals that would result in a \$211.6 million increase over currently authorized rates based on 2022 year-end plant balances. SCE's proposals for net salvage accruals are higher (more negative) for 12 accounts, and the same as authorized for eight accounts.²⁷⁸¹ SCE explains that its proposals are consistent with the straight-line remaining life methodology prescribed in SP U-4. SCE also states that the gap between authorized and recorded net salvage rates has continued to increase over past GRC cycles, driven in part by longer average service lives, and argues that failure to address this gap will result in future generations of customers bearing an increasingly higher share of costs to remove assets used by prior generations of customers.²⁷⁸²

TURN and Cal Advocates argue that SCE's proposed increases do not reflect the principle of gradualism endorsed by the Commission in PG&E's 2014 GRC decision, D.14-08-032.

²⁷⁸⁰ Ex. SCE-07, Vol. 3 at 14-27.

²⁷⁸¹ Ex. SCE-18, Vol. 3, Table II-2 at 3.

²⁷⁸² Ex. SCE-07, Vol. 3 at 13-64; Ex. SCE-18, Vol. 3 at 2-12.

In its testimony and briefs, TURN recommended limiting net salvage increases for the 12 accounts at issue to 25 percent of SCE's proposed increase, consistent with the gradualism approach used by the Commission in PG&E's 2014 GRC decision and subsequent GRC decisions. Subsequently, TURN revised its recommendation to require SCE to retain its current net salvage accruals.²⁷⁸³ In addition, TURN highlights that the Commission has found SCE's deficit argument to be self-fulfilling, since it presumes SCE's assumptions in prior GRC requests were correct, even though some assumptions were not adopted by the Commission or borne out by actual retirements.²⁷⁸⁴ Citing data SCE presents in rebuttal testimony on the changes in average service lives and net salvage rates from the 2009 GRC through the 2025 GRC,²⁷⁸⁵ TURN asserts the directional pattern of composite depreciation rates in prior GRC decisions reflects SCE's requested depreciation rates in those proceedings, and TURN highlights that, even with the application of gradualism in SCE's 2021 GRC decision, the resultant increases significantly closed the gap.²⁷⁸⁶

Cal Advocates also recommends a reduction from SCE's proposed increase, citing the principle of gradualism, but rejects a large portion of SCE's request by completely denying increases in accounts with large increases (Accounts 362, 365, 366, 367, and 368). Cal Advocates' recommendation is based on the significant expenditures recently made for wildfire mitigation and

²⁷⁸³ RT, Vol. 18 at 1600:15-1601:4; TURN Opening Comments on the PD at 23-24.

²⁷⁸⁴ See D.12-11-051 (SCE's 2012 GRC) at 658-659 and D.15-11-021 (SCE's 2015 GRC) at 394-395.

²⁷⁸⁵ Ex. SCE-18, Vol. 3, Figure II-1 and Figure II-2 at 6 and 8.

²⁷⁸⁶ Ex. TURN-16 at 11-19; TURN OB at 457-466; TURN RB at 155-159.

hardening the system, and is intended to provide a moderate increase as plant is added.²⁷⁸⁷

The following table provides a summary of the currently authorized and parties' proposed accruals for the 12 contested accounts:²⁷⁸⁸

FERC Acct No.	Description	Auth. NSR	SCE NSR	SCE Impact (\$ Million)	TURN NSR	Cal Adv NSR
TRANSMISSION PLANT						
353	Station Equipment	15%	30%	12.8	19%	30%
354	Towers and Fixtures	65%	80%	0.2	69%	80%
355	Poles and Fixtures	77%	90%	4.1	80%	90%
356	Overhead Conductors and Devices	85%	100%	1.4	89%	100%
358	Underground Conductors and Devices	19%	30%	1.2	22%	19%
DISTRIBUTION PLANT						
361	Structures and Improvements	29%	40%	2.6	32%	40%
362	Station Equipment	29%	40%	7.3	32%	29%
365	Overhead Conductors and Devices	134%	190%	39.4	148%	134%
366	Underground Conduit	43%	80%	25.1	52%	43%
367	Underground Conductors and Devices	70%	100%	62.3	78%	70%
368	Line Transformers	28%	50%	51.5	34%	28%
373	Street Lighting and Signal Systems	35%	50%	3.7	39%	50%
Total Impact (in \$ millions)				211.6	52.4	26.1

²⁷⁸⁷ Cal Advocates OB at 459-465.

²⁷⁸⁸ Ex. SCE-18, Vol. 3, Table II-2 at 3.

SCE's NSR proposals are based on an account-by-account analysis of 10 years of recorded plant retirements and net salvage, from which SCE calculates yearly, three-year rolling average, five-year average, and 10-year average NSRs. Neither TURN nor Cal Advocates dispute SCE's underlying data or analysis. While Cal Advocates proposes to retain the current negative net salvage rates for five FERC accounts, this recommendation is based on the principal of gradualism rather than any specific analysis or data on the future cost of removal. Similarly, TURN does not provide an alternative net salvage analysis, while TURN acknowledges that "[i]ncreasing labor costs associated with asset removal, combined with the fact that original costs are fixed at their historical recorded level, have contributed to increasing negative net salvage over time."²⁷⁸⁹

SCE has adequately demonstrated that the currently authorized net salvage rates for the identified 12 accounts are insufficient to recover future costs of removal, and we find some increase to net salvage for these 12 accounts to be warranted. As we found in SCE's 2021 GRC, "[a]lthough we are concerned about the overall rate impacts of SCE's requests for this GRC cycle, we are also mindful of the need to balance the equities of current and future ratepayers. SCE will ultimately need to recover the cost of removal associated with its capital expenditures."²⁷⁹⁰ Given the evidence presented by SCE regarding increasingly negative net salvage rates, we find some increase to these 12 accounts is warranted to avoid a disproportionate share of these removal costs being shifted to future ratepayers.

²⁷⁸⁹ Ex. TURN-16 at 35.

²⁷⁹⁰ D.21-08-036 at 511.

However, in recognition of the magnitude of SCE's net salvage rate increase and larger GRC capital request, we limit any net salvage increases to 20 percent of SCE's requested increases. As noted by TURN and Cal Advocates, the principle of gradualism is well established and has been consistently applied in numerous GRCs.²⁷⁹¹ As the Commission explained in PG&E's 2014 GRC:²⁷⁹²

The principle of gradualism applies where there is a recognized need to revise estimated parameters, but where the change is allowed to occur incrementally over time rather than all at once. Applying gradualism thus limits the approved increase that would otherwise be warranted, all else being equal, and mitigates the short-term impact of large changes in depreciation parameters. Also, it is advisable to be cautious in making large changes in estimates of service lives and net salvage for property that will be in service for many decades, as future experience may show the current estimates to be incorrect.

To balance customers' respective cost burden between current and subsequent GRC cycles, the Commission found it reasonable in PG&E's 2014 GRC to "adopt no more than 25% of the estimated net increase from current [net salvage] rates."²⁷⁹³ Elsewhere, the Commission has held that a limit of "no more than 25%" was never intended to become a target for any increase in negative net salvage accruals.²⁷⁹⁴

We continue to endorse the concept of gradualism with respect to net salvage rates for this rate case cycle given that the overall cost increases at issue in this GRC are substantial. SCE's proposed annual net salvage accruals would

²⁷⁹¹ See D.14-08-032 at 597, D.21-08-036 at 511-512, D.23-11-069 at 674-675.

²⁷⁹² D.14-08-032 at 598.

²⁷⁹³ D.14-08-032 at 600.

²⁷⁹⁴ D.24-12-074 at 818-819.

result in a \$211.6 million increase, which even SCE recognizes as significant.²⁷⁹⁵ Our endorsement of gradualism over this GRC cycle is also made in recognition of the significant level of wildfire mitigation and grid hardening capital expenditures approved in SCE's current and prior GRCs, and the magnitude of the 2025 TY revenue requirement increase authorized in this decision. In consideration of these factors and consistent with past Commission precedent, we find it reasonable to limit any net salvage increases to 20 percent of SCE's requested increases.

SCE asserts its depreciation rate history gives context for the need to increase net salvage rates.²⁷⁹⁶ However, as noted by TURN, the directional pattern of depreciation rates in SCE's 2009 GRC to 2021 GRC reflects the depreciation rates requested by SCE in prior GRCs, including instances when SCE sought a rate decrease. Moreover, as acknowledged by SCE, the increase approved in SCE's 2021 GRC represented "meaningful progress" as compared to the prior downward trend.²⁷⁹⁷ The authorized net salvage increases in SCE's 2021 GRC were based on the same principle of gradualism that is being applied here.

Cal Advocates proposes to completely deny increases in accounts with large increases (Accounts 362, 365, 366, 367, and 368). While Cal Advocates' position is premised on the principle of gradualism, its recommendation results in total NSR increases of \$26.1 million, or approximately 12 percent of SCE's request, which is well below the amounts historically applied under the principle

²⁷⁹⁵ Ex. SCE-18, Vol. 3 at 2.

²⁷⁹⁶ Ex. SCE-18, Vol. 3 at 4-8.

²⁷⁹⁷ SCE OB at 519.

of gradualism where the utility's underlying data or analysis are undisputed. Absent further showing, we agree with SCE that Cal Advocates' proposal is both unsupported and regressive.

41.2. T&D Average Service Life

SCE engaged the firm Gannet Fleming Valuation and Rate Consultants, LLC to perform a service life study related to the depreciable electric transmission, distribution and general plant as of December 31, 2021 (Gannet Fleming Study). The Gannet Fleming Study considered statistical analyses of data, current SCE policies and outlook, and survivor curve estimates from prior depreciation studies for SCE and other electric utilities.²⁷⁹⁸ Based on the study, SCE proposes to increase the average service life (ASL) for five accounts (Accounts 352, 354, 356, 366, and 359); decrease the ASL for eight accounts (Accounts 367, 355, 361, 362, 364, 365, 373, and 390); and proposes an average service life for one account for which an average service life is not currently approved (Account 363). SCE proposes to retain the ASL adopted in the prior GRC for the remainder of its T&D accounts.²⁷⁹⁹ SCE's proposals result in a total of \$81.5 million less depreciation expense per year based on 2022 plant balances.²⁸⁰⁰

TURN proposes service life adjustments to seven of SCE's T&D accounts, resulting in \$23.8 million less per year compared to present accruals based on 2022 plant balances. Similar to the Gannet Fleming Study, TURN's analysis relies on a "retirement rate method" and uses data provided by SCE to develop

²⁷⁹⁸ Ex. SCE-07, Vol. 3 at 68.

²⁷⁹⁹ Ex. SCE-07, Vol. 3E at 76; Ex. SCE-18, Vol. 3, Table III-6 at 13; SCE OB at 528.

²⁸⁰⁰ Ex. SCE-18, Vol. 3, Table III-6 at 13.

an observed life table (OLT) curve for each T&D plant account, then engages in a curve fitting process to select the Iowa curve that best fits the OLT curve.²⁸⁰¹

However, unlike the Gannet Fleming Study which uses statistical aging to estimate the vintage years of “unaged” retirements, TURN’s proposed service lives are based solely on SCE’s “aged” data from 2002-2021.²⁸⁰²

The following table summarizes the service lives and retirement frequency distributions authorized in the 2021 GRC and parties’ proposed service lives and retirement frequency distributions for the seven contested accounts in this proceeding:²⁸⁰³

FERC Acct No.	Description	2021 GRC	SCE Proposal	TURN Proposal
TRANSMISSION PLANT				
352	Structures & Improvements	L 1.0 55	R 2.0 60	R 1.0 67
354	Towers & Fixtures	R 5.0 65	R 4.0 70	R 4.0 76
356	Overhead Conductors & Devices	R 3.0 61	R 3.0 65	R 2.5 74
357	Underground Conduit	R 3.0 55	R 4.0 55	R 4.0 61
DISTRIBUTION PLANT				
366	Underground Conduit	R 3.0 59	R 3.0 60	R 2.5 66

²⁸⁰¹ The OLT shows the percentage of property surviving at each age interval. This pattern of property retirement is described as a “survivor curve.” The survivor curve derived from the OLT, however, must be fitted and smoothed with a complete curve in order to determine the ultimate average life of the group. The most widely used survivor curves for this curve fitting process were developed at Iowa State University and are commonly known as the “Iowa curves.” (Ex. TURN-16 at 11-12). A copy of the Gannet Fleming Study is provided in Ex. SCE-07, Vol. 3, Appendix A, while a detailed description of TURN’s curve fitting process and analysis is described in Ex. TURN-16, Appendix C.

²⁸⁰² In “aged” data, the vintage year of retirements is recorded, whereas “unaged” data does not include the recorded vintage year of retirements. Of the historical 1909-2021 SCE data used in the Gannet Fleming Study, “aged” data was only available for the years 2002-2021. (Ex. SCE-07, Vol. 3 at 68-69; TURN OB at 468).

²⁸⁰³ Ex. SCE-07, Vol. 3E, Table IV-26 at 76; Ex. SCE-18, Vol. 3, Table III-6 at 13.

367	Underground Conductors & Devices	L 1.0 47	R 1.5 45	L 1.0 50
369	Services	R 1.5 55	R 2.0 55	R 2.5 62

Although parties dispute whether it is appropriate to use statistically aged data in determining service lives, the use of statistically aged data in the Gannett Fleming Study does not have a significant impact on SCE's results in this case.²⁸⁰⁴ As noted by SCE, the one account where TURN asserts that statistically aged data has a particularly large impact is Account 369.²⁸⁰⁵ However, for this account, SCE recommends retaining the same service life estimate – 55 years – adopted by the Commission in its 2021 GRC, which was not based on statistically aged data.²⁸⁰⁶

In contrast, both SCE's and TURN's recommendations rely to a large degree on expert judgment and other policy considerations. In addition to mathematical curve fitting, final estimates are often based on visual and mathematical techniques in combination with professional judgment.²⁸⁰⁷ Additionally, parties dispute whether the principle of gradualism is consistently applied,²⁸⁰⁸ while SCE highlights the impact that California's "Net Zero by 2045" goal will have on the appropriate service lives for utility plant.²⁸⁰⁹

Given the above considerations, we evaluate SCE's and TURN's proposals for each contested account in light of observed retirement activity, composition

²⁸⁰⁴ Ex. SCE-07, Vol. 3 at 70.

²⁸⁰⁵ TURN OB at 471.

²⁸⁰⁶ SCE RB at 272.

²⁸⁰⁷ Ex. TURN-16, Appendix C at 14.

²⁸⁰⁸ SCE OB at 530; TURN OB at 475.

²⁸⁰⁹ SCE OB at 531-532.

of the accounts, and other available information to determine the reasonableness of the proposals.

**41.2.1. Account 352
(Structures and Improvements)**

This account addresses the cost of structures and improvements for electric transmission operations, including the cost of all buildings and fixtures permanently attached to the structures and improvements.²⁸¹⁰

SCE recommends increasing the ASL from 55 to 60 years, whereas TURN recommends increasing the ASL by 12 years.²⁸¹¹ We adopt SCE's more modest proposed increase in the ASL to 60 years. SCE's methodology puts greater emphasis on data through age 49.5, while TURN's proposed curve provides a closer fit throughout the most relevant portions of the OLT curve. For this account, the exposures (*i.e.*, dollars exposed to retirement) fall below one percent of the overall account at age 49.5.²⁸¹² For its part, TURN acknowledges the merit of generally focusing on the top 99 percent of exposures.²⁸¹³

**41.2.2. Account 354
(Transmission Towers and Fixtures)**

This account includes the cost of towers and appurtenant fixtures used for supporting overhead transmission conductor in electric transmission.²⁸¹⁴

SCE recommends increasing the authorized ASL by five years, whereas TURN recommends increasing the ASL by 11 years.²⁸¹⁵ We adopt SCE's more

²⁸¹⁰ Ex. SCE-07, Vol. 3, Appendix A at 163.

²⁸¹¹ Ex. SCE-18, Vol. 3 at 42-44; Ex. TURN-16 at 19-21.

²⁸¹² Ex. SCE-18, Vol. 3 at 43.

²⁸¹³ Ex. TURN-16 at 14.

²⁸¹⁴ Ex. SCE-07, Vol. 3, Appendix A at 166.

²⁸¹⁵ Ex. SCE-18, Vol. 3 at 44-45; Ex. TURN-16 at 22-24; SCE OB at 535.

modest proposed increase of five years. Both SCE and TURN identify issues with fitting a curve to this data, with SCE noting that historical negative net salvage rates exhibit extreme fluctuations, and TURN noting that the best fitting Iowa curve to the OLT data would lead to an ASL of 170 years.²⁸¹⁶ Since the OLT data does not reach 80 percent surviving, it is also not clear how well a curve can be fit for this account at this point in time. Given these limitations, we find it appropriate to approve a more modest increase.

**41.2.3. Account 356
(Transmission Overhead
Conductors and Devices)**

This account includes the cost of overhead conductors and devices used for electric transmission.²⁸¹⁷

SCE recommends increasing the authorized ASL by four years, whereas TURN recommends increasing the authorized ASL by 13 years.²⁸¹⁸ We adopt SCE's proposed ASL of 65 years. As noted by SCE, neither estimate fits all the data particularly well, with differences between the OLT curve and parties' proposed curves being clearly visible.²⁸¹⁹ This assertion is aligned with TURN's higher reported distances between parties' proposed Iowa curves and the OLT curve for this account.²⁸²⁰

Considering these limitations, and given the fact the original life tables only decline to around 80 percent surviving for this account, we find it

²⁸¹⁶ Ex. SCE-07, Vol. 3 at 33; TURN-16 at 22-23.

²⁸¹⁷ Ex. SCE-07, Vol. 3, Appendix A at 168.

²⁸¹⁸ SCE OB at 534; Ex. TURN-16 at 24.

²⁸¹⁹ Ex. SCE-18, Vol. 3, Figure III-5 at 41.

²⁸²⁰ Ex. TURN-16 at 26.

reasonable to adopt a more modest ASL adjustment for this account and adopt SCE's proposed ASL of 65 years.

**41.2.4. Account 357
(Transmission Underground Conduit)**

This account includes the cost of underground conduit and tunnels for housing of transmission cables and conductors.²⁸²¹

SCE recommends retaining an ASL of 55 years for Account 357, whereas TURN recommends extending the ASL to 61 years.²⁸²² Most of the assets in this account are relatively new, with over 85 percent of investment installed since 2010.²⁸²³ Over the entire life of the underground conduit plant, less than 10 percent of all conduit has been retired to date.²⁸²⁴ We do not find TURN's recommendation based on past retirement activity, which goes beyond the industry average of 55 to 60 years, to be persuasive given the minimal retirements recorded to this account. Similarly, we do not find SCE's analysis to be persuasive. SCE also highlights that most of the assets in this account are relatively new, and acknowledges that an actuarial analysis does not provide definitive results. We do not find evidence of any major factors that would change the appropriateness of the ASL adopted in the last GRC, and therefore, retain the previously authorized ASL of 55 years and Iowa curve for this account.

²⁸²¹ Ex. SCE-07, Vol. 3, Appendix A at 169.

²⁸²² Ex. SCE-18, Vol. 3 at 45-47; Ex. TURN-16 at 26-28.

²⁸²³ Ex. SCE-07, Vol. 3, Appendix A at 169.

²⁸²⁴ Ex. SCE-18, Vol. 3 at 46.

41.2.5. Account 366 (Distribution Underground Conduit)

This account includes the cost of electric underground conduit and tunnels used for housing distribution cables or lines.²⁸²⁵

SCE recommends increasing the authorized ASL by one year, whereas TURN recommends increasing the authorized ASL by seven years.²⁸²⁶ We adopt TURN's proposed curve with an ASL of 66 years. Both of the selected Iowa curves provide relatively close and similar fits to the OLT curve through age 40, after which the higher mode of SCE's selected curve causes it to diverge from the OLT curve relative to the Iowa curve TURN recommends.²⁸²⁷

SCE asserts TURN's recommendation does not consider the principle of gradualism;²⁸²⁸ however, elsewhere SCE proposes to decrease the authorized ASL for Account 362 by seven years (*i.e.*, the same level of change TURN proposes here), which purportedly takes gradualism into account.²⁸²⁹ SCE also asserts TURN's recommendation does not take energy transition factors into account, but makes no specific recommendations to shorten the ASL for Account 366 due to these factors.²⁸³⁰

Since SCE has not presented any meaningful evidence beyond its historical retirement data for this account, TURN's proposed curve, which achieves a better mathematical fit to the OLT, is more supported by the evidence.

²⁸²⁵ Ex. SCE-07, Vol. 3, Appendix A at 177.

²⁸²⁶ Ex. SCE-18, Vol. 3 at 47-48; Ex. TURN-16 at 28-30.

²⁸²⁷ Ex. TURN-16, Figure 9 at 29.

²⁸²⁸ SCE OB at 533.

²⁸²⁹ SCE OB at 530.

²⁸³⁰ Ex. SCE-07, Vol. 3 at 73-74.

**41.2.6. Account 367
(Distribution Underground
Conductors and Devices)**

This account includes the cost of electric underground conductors and devices used for electric distribution purposes.²⁸³¹

SCE recommends a decrease in the ASL from 47 to 45 years, whereas TURN recommends an increase in the ASL of three years.²⁸³² Despite proposing a two-year ASL decrease, SCE acknowledges the actuarial analysis could support a moderate increase in ASL and that there is an expectation that ASL could increase based on improved cable materials and installation practices.²⁸³³ TURN asserts both parties' proposed Iowa curves result in relatively closer fits to the OLT curve, and both are within a reasonable range for this account.²⁸³⁴

We do not find evidence of any major factors that would change the appropriateness of the ASL adopted in the last GRC. Given the absence of strong evidence to support either party proposal, we retain the previously authorized ASL of 47 years.

**41.2.7. Account 36
(Distribution Services-Overhead)**

This account includes the cost of electric distribution overhead conductor leading from a point where the wires leave the last pole of the overhead system to the point of connection with the customer's outlet or wiring.²⁸³⁵

²⁸³¹ Ex. SCE-07, Vol. 3, Appendix A at 178.

²⁸³² Ex. SCE-18, Vol. 3 at 38-40; Ex. TURN-16 at 30-32.

²⁸³³ Ex. SCE-07, Vol. 3, Appendix A at 178.

²⁸³⁴ Ex. TURN-16 at 31.

²⁸³⁵ Ex. SCE-07, Vol. 3, Appendix A at 180.

SCE recommends retaining an ASL of 55 years for Account 369, whereas TURN recommends an increase in the ASL of seven years.²⁸³⁶ For this account there is a more pronounced difference between the OLT curve reflecting SCE's actual retirement experience, which TURN relied upon, and the OLT curve to which SCE has added its statistically aged data to its actual retirement experience.²⁸³⁷

SCE argues there is minimal retirement experience from which to draw conclusions about the ASL for this account, and that TURN's proposal to increase the ASL even further than it recommended in the 2021 GRC is even more unrealistic today than it would have been four years ago.²⁸³⁸ TURN asserts its proposed Iowa curve is a much closer fit with SCE's actual retirement experience than SCE's proposed 55-year life, and that it is not enough to simply assert, as SCE does here, that TURN's recommendation should be rejected simply because TURN's position was not adopted in the 2021 GRC.²⁸³⁹

We do not find either party analysis based on curve fitting to the OLT to be persuasive. While TURN's proposed Iowa curve is a closer fit to the 2002-2021 experience band, OLT data for this curve is limited, ranging from 100 percent to ~80 percent surviving.²⁸⁴⁰ Additionally, between 2012 and 2021, SCE retired only \$27 million of plant, representing two percent of the average plant balance.²⁸⁴¹ For its part, SCE acknowledges that its statistical analysis could support a longer

²⁸³⁶ Ex. SCE-18, Vol. 3 at 48-49; Ex. TURN-16 at 32-34.

²⁸³⁷ Ex. SCE-18, Vol. 3, Figure III-10 at 49.

²⁸³⁸ Ex. SCE-18, Vol. 3 at 48-49.

²⁸³⁹ TURN OB at 471; TURN RB at 161-162.

²⁸⁴⁰ Ex. SCE-18, Vol. 3, Figure III-10 at 49.

²⁸⁴¹ SCE OB at 534.

service life, although some of the better fitting curves have longer lives than is typical for the mortality characteristics for this type of property.²⁸⁴² Absent evidence of any major factors that would change the appropriateness of the ASL adopted in the last GRC, we retain the previously authorized ASL of 55 years.

41.2.8. Uncontested Accounts

SCE's proposals to extend the ASL for Account 359, and decrease the service lives for Accounts 355, 361, 362, 364, 365, 373, and 390, are not contested. Additionally, no party contests SCE's proposed service life for Account 363, for which an ASL is not currently approved. We find that SCE has made a *prima facie* showing of the reasonableness of these proposals and approve them.

SCE's proposals to retain the service lives for the remainder of the T&D accounts are uncontested and are approved. There is no evidence that there have been any major changes since the last GRC that would warrant changes to these previously adopted parameters.

41.3. Generation Plant

SCE has a mix of generating facilities, including larger generating plants that are expected to retire at a single point in time, such as Palo Verde Nuclear Generating Station and Mountainview Generating Station (Mountainview), as well as separate generating facilities that share a common accumulated depreciation, such as SCE's solar photovoltaic (Solar PV) and hydroelectric generating stations. At all these facilities, smaller components (such as pumps, motors, and other individual components) are expected to retire earlier during

²⁸⁴² Ex. SCE-07, Vol. 3, Appendix A at 180.

the service life of the plant. The retirement of these shorter-lived components are referred to as interim retirements.²⁸⁴³

SCE performed a depreciation study for generation plant assets to forecast remaining life and removal costs. To account for shorter-lived interim retirements, the life span for a generating facility (or group of facilities) is adjusted downward by the level of annual interim retirements expected over the life of the plant.²⁸⁴⁴ In this GRC, SCE estimates decommissioning costs at the cost level expected to be incurred at the time of the retirement.²⁸⁴⁵ SCE's proposals and party positions are discussed in detail below.

41.3.1. Small Hydro Decommissioning

Beginning in 2025, SCE requests \$52.8 million in annual accruals for future decommissioning of the 22 small hydro plants in its portfolio. SCE uses the U.S. Bureau of Reclamation's Risk Management Best Practices and Risk Methodology to assign each small hydro plant a decommissioning probability of one percent (for virtually impossible), 10 percent (for very unlikely), 50 percent (for equally likely), 90 percent (for very likely) or 99 percent (for virtually certain). SCE proposes small hydro decommissioning accruals based on a probability-weighted calculation that assigns each facility a likelihood of being decommissioned, a future year in which the decommissioning would commence, and an estimated decommissioning cost. SCE then escalates the probability-adjusted decommissioning cost estimate to the year's dollars in

²⁸⁴³ For generating facilities that have similar life characteristics and share a common accumulated depreciation (*i.e.*, Peaker plants, Solar PV, *etc.*), the interim retirement may result from the retirement of one or more of the individual generating stations that are part of the group. (Ex. SCE-07, Vol. 3 at 77-78).

²⁸⁴⁴ Ex. SCE-07, Vol. 3 at 77-78.

²⁸⁴⁵ Ex. SCE-07, Vol. 3 at 80-83.

which the decommissioning is assumed to begin and determines annual accruals beginning in 2025.²⁸⁴⁶ SCE estimates a 90-100 percent probability of decommissioning three plants (San Gorgonio, Borel, and Rush Creek (Agnew, Rush M)), and 50 percent probability of decommissioning three plants (Rush Creek (Gem), Lower Tule River, and Kaweah 3), and a 10 percent probability of decommissioning for the remainder of its small hydro plants.²⁸⁴⁷

TURN proposes to limit SCE's requested increase in hydro decommissioning accruals to plants with a 90-100 percent chance of commencing decommissioning during this GRC, limiting accruals to the San Gorgonio, Borel, and Rush Creek (Agnew, Rush M). TURN's recommendation would result in annual accruals of \$30.8 million, or a \$22 million reduction relative to SCE's proposal. TURN asserts that SCE repeats the same arguments that were rejected by the Commission in SCE's 2021 GRC decision, D.21-08-036. TURN also highlights that several of the facilities included in SCE's probability matrix for decommissioning are currently undergoing federal license renewal.²⁸⁴⁸

Cal Advocates also proposes to limit SCE's requested increase in hydro decommissioning accruals to only those plants with a greater than 90 percent probability of decommissioning. In addition, Cal Advocates recommends applying a 50 percent reduction to the total cost of decommissioning based on "the omission of considering future sales, the general lack of urgency associated with decommissioning SCE's small hydro portfolio, the previously-discussed principle of gradualism, and the use of broad group depreciation for sharing

²⁸⁴⁶ Ex. SCE-05, Vol. 1 at 139-143; Ex. SCE-07, Vol. 3 at 86-88; Ex. TURN-13E at 111.

²⁸⁴⁷ Ex. SCE-07, Vol. 3, Table V-30 at 88.

²⁸⁴⁸ Ex. TURN-13E at 112; TURN OB at 477-480.

accruals between plants,” as well as assertions that SCE’s small hydro decommissioning requests “are almost entirely and exclusively based on hypotheticals” that lack “specific timelines or clear plans.”²⁸⁴⁹ Cal Advocates also asserts that SCE’s plans for Borel and Rush Creek have not been updated and largely are the same assumptions as were made in the 2021 GRC. Overall, Cal Advocates proposes an annual small hydro decommissioning accrual of \$26.95 million compared to SCE’s \$62.1 million request.²⁸⁵⁰

In response, SCE asserts it is difficult to know with full certainty which plants will be decommissioned and when. However, given the high costs associated with relicensing and/or major repairs, SCE states decommissioning of some small hydro plants is likely a matter of when, not if they will be decommissioned. By recovering hydro decommissioning on a collective basis across the entire small hydro portfolio, SCE asserts its proposal: (1) addresses timing uncertainty; (2) is designed to collect from customers who benefit from the plants while they are operational; and (3) is designed to avoid a “rate shock” effect that would otherwise occur if SCE were to collect those high costs incurred in the future within a compressed period of time. Moreover, SCE asserts its probability adjusted forecast takes into account any uncertainty. Lastly, in response to Cal Advocates, SCE states its testimony includes updated scope and forecast information on Borel and Rush Creek.

As noted by intervenors, SCE made a similar request in the 2021 GRC that was considered and rejected by the Commission.²⁸⁵¹ As in the prior GRC, for

²⁸⁴⁹ Ex. CA-24 at 13-14; Cal Advocates OB at 467-468.

²⁸⁵⁰ Cal Advocates OB at 465 and 469-470.

²⁸⁵¹ See D.21-08-036 at 522-525.

plants assigned a 50 percent probability, SCE explains that the financial and economic analyses of the costs to decommission versus the costs to continue operations do not point strongly in either direction.²⁸⁵² For some of these plants, SCE is currently undergoing federal license renewal, and is seeking the O&M costs associated with relicensing in this GRC.²⁸⁵³ Similarly, with regard to the plants assigned a 10 percent probability, “SCE generally anticipates that relicensing will be economically preferable to decommissioning.”²⁸⁵⁴

SCE asserts that, unlike the 2021 GRC, it now expects all its hydro facilities to be decommissioned at some point, and that there is a significant likelihood of facilities being decommissioned in the near future.²⁸⁵⁵ As detailed above, for plants assigned a 50 and 10 percent probability, SCE fails to present new and persuasive evidence that there is a significant likelihood of these facilities being decommissioned in the near future. SCE also asserts its proposal is designed to avoid a “rate shock” effect; however, as argued by TURN, this concern is overblown, since only \$19.2 million (or 31 percent) out of \$62.1 million in annual collections sought in this GRC involve projects with a decommissioning probability of 50 percent or lower, while \$8.4 million of the \$19.2 million is associated with one facility (Rush Creek Gem) that is expected to receive a new federal license in 2029.²⁸⁵⁶

Therefore, we continue to find that SCE does not present sufficient justification to begin recovery of decommissioning costs for plants with a

²⁸⁵² Ex. SCE-05, Vol. 1 at 142.

²⁸⁵³ TURN OB at 479.

²⁸⁵⁴ Ex. SCE-05, Vol. 1 at 143.

²⁸⁵⁵ SCE RB at 274.

²⁸⁵⁶ TURN OB at 479-480.

probability of decommissioning below 90 percent. SCE is authorized to begin recovery for the San Geronio, Borel, and Rush Creek (Agnew, Rush M) facilities given the high probability that decommissioning of these plants will commence within the next few years and the significant costs of decommissioning. SCE estimates a 100 percent probability that it will initiate decommissioning of San Geronio (in progress) and Borel (in 2026), and a 90 percent probability that it will initiate decommissioning of Rush Creek (Agnew, Rush M) (in 2027).²⁸⁵⁷ We approve SCE's probability-adjusted decommissioning cost estimates (\$2022) of \$78 million for San Geronio, \$56 million for Borel, and \$73 million for Rush Creek (Agnew, Rush M).²⁸⁵⁸ For the reasons discussed below, the accrual shall be based on constant dollars at the end of the GRC cycle (*e.g.*, 2028 in this GRC) rather than SCE's nominal dollar calculation. We do not find any basis for Cal Advocates' recommendation to apply an additional 50 percent reduction to the decommissioning estimates for Borel and Rush Creek. SCE's workpapers and testimony contain sufficient and updated timelines, milestones, and capital expenditure forecasts for both Borel and Rush Creek.

41.3.2. Generation Decommissioning Escalation

SCE proposes to escalate generation decommissioning estimates to the estimated end of the service life. SCE argues its proposal is consistent with SP U-4, which recognizes that straight-line recovery assumes that accruals are pinned to the date of retirement. While recognizing the Commission reached a different conclusion about escalation in SCE's last two GRC decisions, D.19-05-020 and D.21-08-036, SCE argues that failure to achieve a standard

²⁸⁵⁷ Ex. SCE-05, Vol. 1, Table II-26 at 141.

²⁸⁵⁸ Ex. SCE-07, Vol. 3, Table V-30 at 88.

straight-line allocation as outlined in SP U-4 results in deferring a portion of the cost recovery to future customers. Further, in affirming its SP U-4 approach to include future cost escalation in the decommissioning estimate, SCE states the Commission indicated a number of intergenerational equity concerns that arise from deferring inflation, including the impact on rate base and future rates.²⁸⁵⁹

TURN recommends reductions to SCE's proposed decommissioning to remove inflation beyond 2028 (end of current rate cycle) by stating decommissioning estimates in constant 2028 dollars. TURN asserts its proposal mirrors the approach adopted in D.19-05-020 and D.21-08-036, and correctly balances the interests of current and future ratepayers. TURN also asserts that SCE relies on the same arguments that were used in prior GRCs to support its estimated end of the service life escalation, which were considered and rejected by the Commission.

SCE asserts TURN's proposal is a deferral method that does not appropriately allocate decommissioning costs over the life of the asset, resulting in "much lower accruals early in the asset's life that are made up for with much higher accruals at the end of the asset's life."²⁸⁶⁰ Additionally, SCE argues that TURN's approach would result in accrual escalation growing "at many times the rate of inflation" in the final years prior to asset retirement."²⁸⁶¹ In rebuttal testimony, SCE provides an illustrative example of the escalation methods presented by SCE and TURN for the Mountainview Generating Station.²⁸⁶²

²⁸⁵⁹ Ex. SCE-07, Vol. 3 at 80-81.

²⁸⁶⁰ Ex. SCE-18, Vol. 3 at 58.

²⁸⁶¹ Ex. SCE-18, Vol. 3 at 57.

²⁸⁶² Ex. SCE-18, Vol. 3, Table V-10 at 57.

As highlighted by TURN, the principal arguments presented by SCE in this case have already been considered and rejected by the Commission. In response to SCE's assertion that TURN's approach would result in exponential growth and excessive deferral to future customers, the Commission found that, due to differences in real dollar impacts, "SCE incorrectly assumes that the total amount to be collected over a 20-year period under TURN's method would be the same as under the straight-line method."²⁸⁶³ Since future ratepayers will be paying in cheaper nominal dollars, as compared to current ratepayers, the Commission reasoned that it is reasonable to require future ratepayers to pay more than current ratepayers to account for the time value of money.²⁸⁶⁴ Additionally, the Commission noted that SCE's illustration of TURN's proposal does not account for the fact that the Commission recalculates the accrual every GRC cycle.²⁸⁶⁵

In the absence of any new and persuasive arguments to the contrary, we agree with TURN that the approach adopted in D.19-05-020 and D.21-08-036 should be retained, and adopt TURN's proposal to calculate SCE's decommissioning accrual using constant dollars at the end of the current GRC cycle (*i.e.*, \$2028).

Although no party presented this approach, an inflation-matched methodology that increases accruals linearly at an assumed rate of inflation, with the modification that accruals are constant for each GRC period, may also achieve an equitable, intergenerational allocation of decommissioning costs.

²⁸⁶³ D.21-08-036 at 527.

²⁸⁶⁴ D.21-08-036 at 527.

²⁸⁶⁵ D.21-08-036 at 527.

Parties may want to consider this or other escalation approaches in a future GRC filing.

41.3.3. Decommissioning Accruals and Contingency

SCE proposes revised decommissioning costs for Mountainview (\$14.036 million) and the Peakers²⁸⁶⁶ (\$6.02 million) based on two new studies performed by 1898 & Company (1898), a subsidiary of Burns & McDonnell, in late 2021. Both decommissioning studies use a 20 percent contingency.²⁸⁶⁷

TURN recommends the use of a 15 percent contingency which would reduce the decommissioning estimates for Mountainview and the Peakers to \$13.167 million and \$6.020 million (2021\$), respectively.²⁸⁶⁸ TURN states its proposal for a 15 percent contingency factor recognizes the fact that decommissioning is not expected to occur for many years. In support of its position, TURN provides the following arguments: (1) SCE's proposed contingency factor is inconsistent with the 15 percent contingency factor approved by the Commission in SCE's last GRC for decommissioning costs relating to fuel cell projects; (2) a 15 percent contingency factor is comparable to assumptions used by PG&E and SDG&E; (3) in the California Water Company (Cal Water) GRC decision (D.24-04-042), the Commission rejected the majority of contingency factors proposed by Cal Water for capital projects and instead assigned no contingency to that work;²⁸⁶⁹ (4) SCE uses a contingency of

²⁸⁶⁶ SCE owns and operates five General Electric Land/Marine 00 aeroderivative gas-fired Peaker power plants, of which two are battery/combustion turbine Hybrid Peakers.

²⁸⁶⁷ Ex. SCE-16 at 55 and Appendix A at A40-A41.

²⁸⁶⁸ TURN also recommends that the accrual should be based on constant dollars at the end of the GRC cycle (*i.e.*, 2028) rather than nominal dollars, which we address elsewhere.

²⁸⁶⁹ D.24-04-042 at 25-27.

10 percent or less for almost all of its other electric generation-related capital projects; (5) SCE's own experience demonstrates that decommissioning contingencies have rarely been used for generation projects;²⁸⁷⁰ (6) there is no evidence that alternative contingency factors were considered in the studies conducted by 1898; and (7) SCE's reliance on a trade industry publication article to support its proposed contingency factor includes a series of decommissioning cost risks relating to the environmental remediation of coal facilities, none of which apply to the gas-fired plants at issue in this case.²⁸⁷¹

In response, SCE asserts: (1) TURN incorrectly assumes that a single contingency percentage should be used across any project, regardless of the type (*e.g.*, decommissioning, construction), scope (*e.g.*, small, large), and timing of the project (*e.g.*, near term, future); (2) contingencies are typically higher for decommissioning projects compared to construction and other activities due to the higher level of uncertainty (unexpected site conditions, changes in scope, changes in material costs, environmental mitigation requirements, delays, *etc.*); (3) Mountainview and Peakers are large generating facilities that are scheduled to be decommissioned decades into the future; (4) TURN itself recognizes the timing of a project can affect the appropriate contingency level, recommending the contingency for a different project be lowered because it will occur just two years in the future; and (5) SCE's requested contingency of 20 percent is

²⁸⁷⁰ In four of the five generating projects that have been decommissioned since 2000, the recorded costs used no contingency and were under the cost estimate. (Ex. TURN-704 at 18).

²⁸⁷¹ Ex. TURN-13E at 17 and 109; Ex. TURN-704 at 18-19; TURN OB at 237-239; TURN RB at 76-78.

supported by the decommissioning study performed by 1898, a consultant with extensive industry experience, as well as a third-party report.²⁸⁷²

Parties do not dispute whether the decommissioning estimates for Mountainview and the Peakers should include a contingency factor, or that the level of contingency may vary by project.²⁸⁷³ Rather, SCE and TURN primarily disagree on the appropriate level of contingency.

We find SCE has sufficiently justified the inclusion of a 20 percent contingency factor for the decommissioning cost estimates for Mountainview and the Peakers. SCE's proposed 20 percent contingency factor is supported by 1898, a consultant with experience in decommissioning over 200 power generating facilities of various technologies.²⁸⁷⁴ In addition, the Mountainview and Peaker plants are not scheduled to be decommissioned for almost two decades.²⁸⁷⁵ In contrast, the lower 15 percent contingency adopted for fuel cell decommissioning in SCE's last GRC was expected to occur during the 2021 GRC period.²⁸⁷⁶ TURN itself recognizes that the timing of a project can affect the appropriate contingency level, recommending the contingency for the solar SPVP projects be lowered because it will occur just two years in the future.²⁸⁷⁷ Generally, we agree with SCE that higher contingency factors are more appropriate for estimates made further into the future. As these projects get

²⁸⁷² Ex. SCE-16 at 63-68; SCE OB at 292-293; SCE RB at 143.

²⁸⁷³ In contrast to the 15 percent contingency factor recommended for Mountainview and the Peakers, TURN recommends the use of a 10 percent contingency factor for SPVP projects scheduled for decommissioning in the near future. (TURN RB at 76-77).

²⁸⁷⁴ SCE RB at 293.

²⁸⁷⁵ SCE OB at 292.

²⁸⁷⁶ D.21-08-036 at 536-537.

²⁸⁷⁷ TURN OB at 237.

closer to their respective decommissioning dates, we anticipate fewer unknowns, leading to a lower contingency factor.

41.3.4. Miscellaneous/Uncontested Proposals

Decommissioning cost issues relating to SCE's solar photovoltaic and fuel cell facilities are presented and addressed in Section 25 (Generation). The remainder of SCE's depreciation generation plant proposals are uncontested. We find SCE has made a *prima facie* showing of the reasonableness of these proposals and approve them.

41.4. General and Intangible Plant

SCE's general and intangible accounts contain low-value, relatively short-lived individual items. These include most general plant (*e.g.*, office furniture, computers, equipment), intangible plant (*e.g.*, radio frequencies, software), and easements. Non-structural items in these accounts are amortized by vintage group over the specified service life and retired at the end of the life span.²⁸⁷⁸

SCE determined service lives for its General and Intangible Plant based on discussions with SCE engineers familiar with the assets, prior company procedure, and industry practice. SCE proposes to retain the currently authorized average service lives for all of its general and intangible accounts with the exception of Account 391.4 (DDSMS – Power Management System), where SCE proposes to shorten the currently authorized composite life from 10 to seven years.²⁸⁷⁹ No party contests SCE's average service live proposals for its general and intangible accounts.

²⁸⁷⁸ Ex. SCE-07, Vol. 3 at 94-95.

²⁸⁷⁹ Ex. SCE-07, Vol. 3 at 94-100.

We find reasonable and approve SCE's proposed depreciation service lives for General and Intangible Plant accounts.

42. Post-Test Year Ratemaking

42.1. SCE's Proposals

SCE requests a Post-Test Year Ratemaking (PTYR) mechanism to adjust the revenue requirement in 2026, 2027, and 2028.²⁸⁸⁰ For O&M, SCE proposes to continue using the escalation rate methodology adopted by the Commission in its last four GRCs. For capital, SCE proposes: (1) application of S&P Market Intelligence utility capital escalation factors to all capital additions (except wildfire mitigation capital and certain capital projects) associated with capital expenditures authorized in the 2025 TY; (2) a budget-based forecast for wildfire mitigation capital; and (3) budget-based forecasts for four long-lead time projects with uneven forecast capital additions during the GRC cycle. SCE also includes a new proposal to escalate capital additions associated with capital expenditures authorized in the TY. After the conclusion of update testimony, SCE's proposed PTYR mechanism would result in increases of \$668 million (or 6.37 percent) in 2026, \$749 million (or 6.71 percent) in 2027, and \$732 million (or 6.15 percent) in 2028.²⁸⁸¹ SCE states its proposed PTYR mechanism would provide SCE with sufficient funds during the attrition year period to provide service to customers in a safe, reliable, and affordable manner, while providing shareholders with a reasonable opportunity to earn the authorized rate of return.²⁸⁸² SCE's specific proposals are discussed below.

²⁸⁸⁰ Pursuant to D.20-01-002, SCE's GRC filing covers a four-year cycle. (D.20-01-002, Ordering Paragraphs 1-2).

²⁸⁸¹ SCE OB at 2-3.

²⁸⁸² Ex. SCE-07, Vol. 4 at 22.

42.1.1. O&M Escalation

SCE proposes to escalate O&M expenses using the same utility-specific price indexes (*i.e.*, S&P Global Market Intelligence escalation factors) it uses to escalate its O&M expenses from the recorded year 2022 to the TY 2025, and which the Commission has adopted for O&M escalation in SCE's last four GRCs.²⁸⁸³ In its Q4 2025 advice letter submittal, SCE proposes to compute the authorized level of O&M expense for 2026 by applying the latest available 2026 escalation factors (as of November 1, 2025) to the authorized level of O&M expense for 2025. SCE proposes a similar approach for 2027 and 2028. SCE asserts this procedure will help ensure O&M escalation adjustments capture the latest information available. SCE also proposes using various escalation factors for other employee benefit costs as follows:²⁸⁸⁴

Table 43-1: Benefit Escalation Rates (2026–2028)

Category	2026	2027	2028	Comments
Medical Programs	5.50%	5.50%	5.50%	Medical cost escalation rate
Dental Programs	4.50%	4.50%	4.50%	Dental escalation rate
Vision Service Plan	3.00%	3.00%	3.00%	VSP escalation rate
Disability Programs	2.85%	2.81%	2.78%	Labor escalation rate
Group Life Insurance	0.00%	0.00%	0.00%	Group life insurance trend rate
Misc. Benefit Programs	1.87%	1.97%	2.00%	A&G nonlabor escalation rate
Executive Benefits	0.00%	0.00%	0.00%	Labor escalation rate
401(k)	2.85%	2.81%	2.78%	Labor escalation rate

²⁸⁸³ Ex. SCE-07, Vol. 4 at 26-27; Ex. SCE-18, Vol. 4 at 1.

²⁸⁸⁴ Ex. SCE-07, Vol. 4E, Table III-13 at 29.

42.1.2. Capital Cost Increases

For capital, SCE proposes to escalate capital additions using an SCE-specific weighting of regional construction cost indices provided by S&P Global Market Intelligence, except for wildfire mitigation capital and certain long-lead time projects with uneven forecast capital additions,²⁸⁸⁵ where SCE proposes using a budget-based forecast. In addition, SCE proposes an adjustment to escalate attrition year capital additions directly tied to the capital expenditures that the Commission will authorize for the 2025 TY. As explained by SCE, capital expenditures for the 2025 TY are approved based on a portfolio of projected spend. For attrition years, however, the Commission traditionally approves capital *additions* based on the capital additions recorded to plant in the TY multiplied by an escalation factor.²⁸⁸⁶ SCE asserts that, due to the lag between when capital expenditures are made and when they are recorded to plant, the traditional PTYR capital mechanism does not reflect expenditures authorized in the TY.²⁸⁸⁷ SCE proposes to mitigate the impact of this lag by escalating only those capital additions associated with expenditures approved in this GRC.²⁸⁸⁸

²⁸⁸⁵ The four long-lead time projects that SCE identifies for budget-based forecasts include: three sub-transmission projects (Cal City DSP, Gorman-Kern River 66 kV, and Del Valle DSP) and the Edison Training Academy. (Ex. SCE-07, Vol. 4 at 37).

²⁸⁸⁶ Capital expenditures are the amounts actually spent in a given year, while capital additions are the amounts that close to plant for accounting purposes in a given year, regardless of when the expenditures were made. (SCE OB at 545).

²⁸⁸⁷ Ex. SCE-07, Vol. 4 at 29-38; SCE OB at 544-546.

²⁸⁸⁸ For example, instead of 2026 capital additions equaling 2025 capital additions escalated at S&P Global Market Intelligence forecast escalation rates (as under the traditional PTYR mechanism), 2026 capital additions would be comprised of escalated Test-Year capital additions associated with authorized TY capital expenditures plus certain un-escalated 2026 capital additions.

SCE's total proposed capital additions are as follows:²⁸⁸⁹

Table 43-2: Capital Additions (2026–2028)

Proposed Capital Additions (\$ Millions)			
	2026	2027	2028
Non-Wildfire	4,370	4,571	4,534
Wildfire Risk Mitigation	1,109	1,199	1,122
Long-Lead Time Projects	1	225	660

42.1.3. Annual Advice Letter

Consistent with current procedure, SCE proposes to submit its 2026, 2027, and 2028 attrition requests via advice letter by December 1 of the prior year. The advice letter would specify the revenue requirement adjustment for O&M escalation and changes in capital-related costs.²⁸⁹⁰

42.1.4. Treatment of Major Exogenous Cost Changes

SCE proposes to continue and expand the existing Z-Factor mechanism, which allows SCE to seek to recover costs associated with exogenous events that result in a major cost impact for SCE. SCE's proposal is addressed in Section 38 (Results of Operations).

42.2. Cal Advocates' Proposals

Cal Advocates does not oppose a PTYR mechanism that provides SCE with a reasonable level of revenue increases in 2026, 2027, and 2028, but opposes SCE's requested increases. Cal Advocates asserts utilities are not automatically entitled to attrition rate increases between rate cases, that its recommendation is consistent with recent Commission decisions, and that, given the increased

²⁸⁸⁹ Ex. SCE-07, Vol. 4, Table III-15 and III-16 at 35, Table III-17 and III-18 at 37.

²⁸⁹⁰ Ex. SCE-07, Vol. 4 at 38.

pressure on rates, SCE's management should be expected to operate more efficiently.²⁸⁹¹

Cal Advocates recommends lower post-test year base revenue increases of \$479 million for 2026, \$502 million for 2027, and \$507 million for 2028.

Cal Advocates' recommendation is based on applying a "productivity adjustment" equal to one percent of O&M to the TY and each attrition year. Cal Advocates states SCE spent below 2021 GRC's authorized levels in many accounts, and asserts this underspending demonstrates that "SCE reassessed proposed projects, controlled its expenses, and determined that it could spend less than authorized and nevertheless met its operational and compliance requirements."²⁸⁹² Cal Advocates also highlights the ongoing financial benefits flowing to SCE employees and its shareholders.²⁸⁹³

For attrition year capital, Cal Advocates recommends adopting budget-based forecasts for five categories of projects and that all other capital additions be escalated at zero percent. The five categories Cal Advocates recommends budget-based forecasts for are: (1) Wildfire Management; (2) Energy Storage; (3) Load Growth, Transmission Projects, and Engineering; (4) Transmission Grid and Substations; and (5) Generation.²⁸⁹⁴

Cal Advocates does not oppose SCE's proposals to escalate O&M according to S&P Global Market Intelligence utility cost escalation factors, continue with the budget-based PTYR mechanism for wildfire mitigation costs,

²⁸⁹¹ Cal Advocates OB at 472-473.

²⁸⁹² Cal Advocates OB at 480.

²⁸⁹³ Ex. CA-28 at 14-17; Cal Advocates OB at 480-482.

²⁸⁹⁴ Cal Advocates OB at 483-485.

as well as SCE's proposed procedure for requesting attrition adjustments for 2026, 2027, and 2028 via advice letter.²⁸⁹⁵

42.3. TURN's Proposals

Similar to Cal Advocates, TURN does not oppose a PTYR mechanism that provides SCE with a reasonable level of revenue to offset rising costs, but TURN maintains that any increase should be balanced against the burden that higher rates place on ratepayers. TURN asserts attrition year adjustments are not updates to cost of service and do not make a utility indifferent to inflation; rather, as held by the Commission, the adjustments are intended "to mitigate economic volatility between test years to a reasonable degree so that a well-managed utility can provide safe and reliable service while maintaining financial integrity."²⁸⁹⁶

TURN recommends a two-part PTYR mechanism that separately escalates O&M expenses and capital-related costs. Specifically, TURN recommends O&M be escalated by the Consumer Price Index – Urban (CPI-U) in the attrition years, which TURN asserts will reasonably address inflation-related cost pressures while providing SCE with an incentive to manage its operations as efficiently as possible. For capital, TURN recommends budget-based forecasts for wildfire mitigation (including specific proposed budgets) and a trended seven-year historic (2016–2022) average for all other capital.²⁸⁹⁷

TURN opposes SCE's requests to use a budget-based forecast for the four long-lead time projects identified; SCE's proposal to use regionally-based, rather

²⁸⁹⁵ SCE OB at 483 and 486.

²⁸⁹⁶ TURN OB at 489-494; D.20-01-002 at 41; D.14-08-032 at 652-653.

²⁸⁹⁷ Ex. TURN-17 at 14-18; TURN OB at 489-497.

than national-based, capital indices; and SCE's proposal to mitigate the "lag" in capital expenditures closing to plant. Among other arguments, TURN asserts the bulk of the long-lead projects (\$660 million) are scheduled as capital additions in 2028, leaving the real possibility for delays in construction schedules, and that the Commission has historically disallowed budget-based attrition. TURN also asserts SCE is a large enough utility to influence the level of the regional S&P Global Market Intelligence indices, that SCE's RO Model already reflects the lag in capital expenditures when it calculates capital additions for the TY, and that SCE's reported "lag" in capital expenditures closing to capital additions is driven by SCE's proposal to dramatically increase capital expenditures in the 2025 TY.²⁸⁹⁸

TURN supports or does not oppose SCE's proposals to continue with the budget-based PTYR mechanism for wildfire mitigation costs and SCE's proposed procedure for requesting attrition adjustments for 2026, 2027, and 2028 via advice letter.

42.4. Discussion

Under the Energy Rate Case Plan, applicants may request an attrition allowance as part of their application for the test year revenue requirement.²⁸⁹⁹ However, the Commission has made clear that it has the discretion to grant or deny such requests, and that utilities are not automatically entitled to an attrition mechanism between rate cases.²⁹⁰⁰

²⁸⁹⁸ TURN OB at 498-505.

²⁸⁹⁹ D.07-07-004, Attachment A at A-19; D.21-08-036 at 546.

²⁹⁰⁰ See, e.g., D.21-08-036 at 546; D.19-05-020 at 280; D.17-05-013 at 132-133 quoting D.93-12-043, 52 CPUC2d 471, 492.

We find it reasonable to authorize a PTYR mechanism during this GRC cycle to give SCE an opportunity to offset some O&M inflationary price increases and to recover costs for wildfire mitigation capital investments. Since O&M expenses and capital costs affect the revenue requirement differently, it is reasonable to adopt a two-part PTYR mechanism that separately escalates O&M expenses and capital-related costs. Specifically, we authorize SCE to adjust its O&M expenses as a percent based on the most recent CPI attrition increase/decrease each year for 2026, 2027, and 2028, plus additional increases for budget-based wildfire mitigation capital additions. Attrition year O&M increases from the CPI adjustment shall be no higher than five percent each year, corresponding to the percentage increases associated with the PTYR mechanism presented by SCE in update testimony, less the amount associated with budget-based wildfire capital additions. We adopt zero escalation for all of SCE's non-wildfire related capital additions.

The Commission has held that utility-specific indices more accurately reflect how utilities incur costs as compared to consumer retail price changes reflected through the CPI.²⁹⁰¹ While we continue to find utility-specific indices provide an accurate measure of how utilities incur costs — and, as discussed in Section 38 (Results of Operations), adopt SCE's proposal to use S&P Global Market Intelligence utility cost escalation factors to project SCE's cost of service revenue requirements for the 2025 TY²⁹⁰² — we also agree with TURN that use of utility-specific indices during the attrition period will “simply pass along the costs of business-as-usual activities . . . providing little incentive for SCE to keep

²⁹⁰¹ D.23-11-069 at D.21-08-036 at 547; D.15-11-021 at 391; D.14-08-032 at 653.

²⁹⁰² Ex. SCE-07, Vol. 1 at 108-117; Ex. SCE-40 at 9-13.

its costs down.”²⁹⁰³ From 2019 to 2023, SCE’s system average bundled residential electricity rate increased by approximately 46 percent, more than double the cumulative rate of CPI-U over this same time period,²⁹⁰⁴ while SCE’s TY request in this proceeding represents a 22.52 percent increase over current base rates.²⁹⁰⁵ As we found in Sempra Utilities’ 2024 GRC, continuing to allow automatic escalation of post-test year O&M and capital costs in the attrition years using utility-specific indices “would allow rates to continue to increase unsustainably at an unjust and unreasonable pace, contrary to statutes requiring greater scrutiny of rates.”²⁹⁰⁶

SCE asserts the CPI is not an appropriate index to use for escalating utility O&M costs, that its use would deny SCE the opportunity to recover the costs of its operations, and that the use of two different escalation factors for the TY and post-test years essentially amounts to Cal Advocates’ productivity factor proposal.²⁹⁰⁷ SCE also asserts escalation of capital additions is necessary for SCE maintain safe and reliable electric service for its customers, and should be based on reasonable expectations of future cost of service.²⁹⁰⁸

As held by the Commission, and generally acknowledged by parties, an attrition rate adjustment is not intended to replicate a test year analysis or cover all potential cost changes so as to guarantee a rate of return,²⁹⁰⁹ while SCE’s

²⁹⁰³ TURN OB at 489.

²⁹⁰⁴ Ex. SCE-07, Vol 4, Figure II-2 at 11; Ex. TURN-02E at 3.

²⁹⁰⁵ SCE OB at 2.

²⁹⁰⁶ D.24-12-074 at 900.

²⁹⁰⁷ SCE OB at 278-279; SCE RB at 279.

²⁹⁰⁸ Ex. SCE-07, Vol. 4 at 25; SCE-18, Vol. 4 at 12-13.

²⁹⁰⁹ D.21-08-036 at 548; D.14-08-032 at 652; TURN OB at 486-489; SCE RB at 278.

overall post-test year operation spending needs have not been vetted in this proceeding. Rather, the general purpose of the PTYR mechanism is to cover some inflationary price increases and to provide shareholders with a reasonable opportunity to earn the authorized rate of return.²⁹¹⁰

Considering the significant wildfire mitigation and distribution-related capital expenditures approved in this and prior SCE GRC decisions, in addition to the authorization for CPI attrition year O&M adjustments plus budget-based wildfire mitigation capital additions, we find the adopted PTYR mechanism in this decision will continue to provide SCE shareholders with a reasonable opportunity to earn their authorized rates of return. At the same time, since SCE's residential ratepayers have already shouldered significant electricity rate increases, it is reasonable to incentivize SCE to manage its operations as efficiently as possible so that ratepayers are not further burdened with high inflationary indices that could outpace the CPI.

For the foregoing reasons, we authorize SCE to adjust its O&M expenses as a percent based on the most recent CPI attrition increase/decrease each year for 2026, 2027, and 2028, plus additional increases for budget-based wildfire mitigation capital additions. Attrition year O&M increases from the CPI adjustment shall be no higher than five percent each year, corresponding to the percentage increases associated with the PTYR mechanism presented by SCE in update testimony, less the amount associated with budget-based wildfire capital additions. For the purposes of this decision, we assume a three percent increase to O&M each attrition year corresponding to the reported average annual CPI-U

²⁹¹⁰ D.04-05-055 at 26 (citing D.85-12-076, Finding of Fact 1, 9 CPUC 2d 453,476); D.20-01-002 at 41; D.14-08-032 at 652-653.

increase from December 2023 to December 2024. In order to mitigate the impacts of large wildfire capital additions in the post-test years, and in consideration of the overall magnitude of the 2025 TY revenue requirement increase approved in this decision, we adopt zero escalation for all of SCE's non-wildfire related capital additions. This approach is consistent with the approved escalation rate for non-wildfire related capital additions in SCE's 2021 GRC decision where the Commission similarly recognized the need to mitigate the impacts of large wildfire capital additions in the post-test years.²⁹¹¹

SCE's unopposed request to submit its annual attrition request via advice letter is approved; however, instead of using the latest available utility-specific indices, SCE shall use the latest available CPI escalation rate to calculate the authorized O&M expense for each attrition year. As discussed above, the PTYR mechanism adopted in this decision is intended to recognize the significant wildfire mitigation and distribution-related capital expenditures approved in this decision - which we anticipate will provide SCE shareholders with a reasonable opportunity to earn their authorized rates of return - while adjusting by the most recent available CPI escalation rate is expected to help account for unexpected price increases/decreases.

Additionally, we adopt SCE's uncontested proposal to use a budget-based forecast for wildfire mitigation capital additions. This approach is consistent with SCE's 2021 GRC decision, and recognizes the important safety aspects of SCE's wildfire grid hardening work and the robust record on wildfire mitigation issues in this proceeding.

²⁹¹¹ D.21-08-036 Finding of Fact 769.

We reject all other proposals by SCE and intervenors. SCE's proposed benefit escalation rates are obviated by the two-way Medical Programs Balancing Account (MPBA), which records the difference between: (1) the medical, dental, and vision expenses authorized by the Commission; and (2) recorded medical, dental, and vision expenses, after capitalization.²⁹¹²

Concerning SCE's proposal to adopt a budget-based forecast for the four non-wildfire related capital additions, as acknowledged by SCE, the Commission has generally been disinclined to authorize a budget-based methodology for attrition year capital additions,²⁹¹³ since an attrition rate adjustment is not intended to replicate a test year analysis and since budgets are not always implemented as planned.²⁹¹⁴ As explained by the Commission:

As we repeatedly observed in prior decisions, there is a fundamental problem with budget-based ratemaking that boils down to the fact that budgets are not always implemented as planned. In addition, no party other than SCE provided or analyzed detailed post-TY plant addition forecasts in determining increases. We cannot fault other parties for not recommending detailed PTYR budgets . . . [it] imposes a significant burden on resources.²⁹¹⁵

Therefore, we reject the SCE proposal to adopt a budget-based forecast for the four non-wildfire related capital additions.

We also reject SCE's proposed adjustment to mitigate the "lag" in capital expenditures closing to plant. As argued by TURN, SCE's RO Model already reflects the lag in capital expenditures when it calculates capital additions for the

²⁹¹² Ex. SCE-07, Vol. 1 at 36.

²⁹¹³ Ex. SCE-07, Vol. 4 at 29-30.

²⁹¹⁴ D.14-08-032 at 652; D.12-11-051 at 606.

²⁹¹⁵ D.12-11-051 at 606, quoting D.09-03-025.

TY, and we are not persuaded that the additional complexity involved in SCE's PTYR capital mechanism adjustment is warranted at this time. Further, it is not clear how the magnitude of SCE's reported lag figures will change after accounting for the various capital reductions adopted in this decision.

Given the specific PTYR mechanism adopted in this decision and overall attrition year increases that are in-line or below the recommendations provided by Cal Advocates and TURN, the remaining proposals provided by Cal Advocates and TURN are deemed moot.

43. Residential Disconnections and Arrearages

In this section of the decision, we discuss SCE's compliance with Section 718 which requires the Commission in every GRC for gas and electrical corporations to "[d]esignate the impact of any proposed increase in rates on disconnections for nonpayment as an issue in the scope of the proceeding" and to "[c]onduct an assessment of and properly identify the impact of any proposed increase in rates on disconnections for nonpayment, which shall be included in the record of the proceeding."

No party commented on SCE's compliance with its reporting requirements in this GRC pursuant to Section 718.

43.1. Disconnections and Customer Arrearages Compliance Report

As stated above, Section 718(b) directs the Commission to consider the impact of any proposed increase in rates on disconnections for nonpayment and to incorporate a metric for residential nonpayment disconnections in each energy utility's general rate case proceeding.

Here, SCE's initial disconnections regression analyses that focused solely on rate and bill variables over the time period 2018 through October 2022 found

little relationship between bills and rates and the number of disconnections.²⁹¹⁶ SCE attributes this, in large part, to the 31-month pause on disconnections from April 2020 through October 2022 due to the policies put in place to limit disconnections in response to the COVID-19 pandemic.

In contrast, SCE's regression analysis for arrearages did find a relationship between bills and the monthly amount of arrearages. However, SCE states that the model did not take into account the fact that the sharp increase in arrearages seen from 2020 to 2022 was primarily tied to a change in customer behavior in response to the disconnections moratorium. Based on these regression results, SCE states it finds that attempting to predict disconnections and arrearages based solely on changes in bills and rates is ineffective during periods in which there are policies in place limiting disconnections.²⁹¹⁷ SCE argues that this is consistent with the Commission's prediction in the 2021 GRC decision.²⁹¹⁸

After SCE supplemented the initial disconnections regression models to account for the disconnections moratorium, SCE states that it found that, for the population of all residential customers, there was a statistically significant relationship between the second lag of the nominal average bill and the number of monthly disconnections for the period of January 2018 through October 2022.²⁹¹⁹ SCE argues that given the fact that the disconnections moratorium is no longer in effect, this finding suggests that SCE's proposed rate increases may

²⁹¹⁶ Ex. SCE-07, Vol. 5 at 9 -13.

²⁹¹⁷ Ex. SCE-07, Vol. 5 at 13.

²⁹¹⁸ SCE OB at 553 citing to D.21-08-036 at 30.

²⁹¹⁹ Ex. SCE-07, Vol. 5 at 10-11 and 14.

have a limited effect on disconnections and arrearages during the 2025 GRC period.²⁹²⁰

SCE also asserts that there are still extensive limitations on disconnections that have been put in place since 2018.²⁹²¹ These include a cap on the percentage of residential customer accounts that SCE can disconnect from utility service at five percent as of January 1, 2023 and four percent as of January 1, 2024.²⁹²² SCE contends that any impact that SCE's rates and bills will have on disconnections during the 2025 GRC period is likely to be muted by these Commission-adopted limitations on disconnections. SCE recommends that future assessments of disconnections should include consideration of the impact of such Commission policies and limitations on disconnections, rather than focusing solely on rates and bills.²⁹²³

43.2. Discussion

As stated above, no party commented on SCE's Section 718 Compliance Report. We find that SCE complied with the Section 718 Compliance Report requirement because it submitted an analysis on the number and percentage of residential utility disconnections and amount of arrearages during the 2021 GRC cycle, as well as its analysis of the impacts that any proposed rate increases would have on disconnections and arrearages.

In order to ensure continued compliance with Section 718's requirements in SCE's next GRC, SCE shall continue to include in its next GRC filing a report on the number and percentage of residential utility disconnections and amount

²⁹²⁰ Ex. SCE-07, Vol. 5 at 1-3.

²⁹²¹ Ex. SCE-07, Vol. 5 at 1-3.

²⁹²² SCE OB at 553 citing to D.20-06-003, Ordering Paragraph 1(a).

²⁹²³ Ex. SCE-07, Vol. 5 at 14.

of arrearages during this GRC cycle, and an analysis of the impacts that any proposed rate increases would have on disconnections and arrearages. SCE's report shall remain consistent with D.21-08-036's requirements and SCE is not precluded from presenting any additional analyses of its choosing.

44. Compliance Requirements

In Exhibit SCE-08, SCE submitted a list of compliance action items that impact the 2025 GRC. SCE's list identifies the Commission decision or Public Utilities Code that gave rise to the compliance item, the action required, and the compliance action taken and/or where to find the compliance action taken in SCE's testimony. No party challenged or expressed any concerns with SCE's compliance requirements showing. Cal Advocates has reviewed SCE's list of compliance action items and makes no further recommendations at this time.²⁹²⁴ We have reviewed SCE's compliance showing and find that SCE has adequately demonstrated compliance with the items listed in its compliance exhibit.

45. Accessibility Issues

In this section of the decision, we discuss SCE's and CforAT's joint proposal (Joint Proposal) to address accessibility issues for SCE's customers with disabilities. No party contested the Joint Proposal.

45.1. Joint Proposal

The Joint Proposal calls for SCE to spend approximately \$1.250 million on average per year over the 2025 GRC cycle for activities supporting and enhancing the accessibility of SCE's facilities, programs, communications, and services for customers with disabilities.²⁹²⁵ This spending is embedded within

²⁹²⁴ Ex. CA-29 at 16-17.

²⁹²⁵ Ex. SCE-09 at 1.

the O&M and Capital forecasts of the respective BPEs performing the eligible activity and is not separately requested for recovery in the Joint Proposal.²⁹²⁶ The proposal includes the following elements: (1) annual reporting to CforAT discussing SCE's accessibility improvement activities; (2) annual consultation with CforAT to discuss planned accessibility improvement activities; (3) designated access coordinator; and (4) accessibility activities for customers with disabilities in the SCE service territory.²⁹²⁷

45.2. Discussion

The Joint Proposal is uncontested. The Joint Proposal builds off similar proposals adopted in prior GRCs and the proposed spending is in line with previously authorized amounts. We find that CforAT and SCE have justified both the reasonableness of the Joint Proposal and the \$1.250 million on average per year, during the 2025 GRC cycle, for activities supporting and enhancing the accessibility of SCE's facilities, programs, communications, and services for customers with disabilities. Therefore, we authorize and adopt the Joint Proposal, which is identified as Ex. SCE-09, and we find reasonable and approve its activities and forecasted costs.

Going forward, if SCE continues this program, SCE should continue to submit the annual reports prepared during this GRC cycle for the next GRC cycle so that the Commission can assess the accomplishments of the program and whether the spending is incremental and not duplicative of other approved funding.

²⁹²⁶ Ex. SCE-09 at 2.

²⁹²⁷ Ex. SCE-09 at 2-6.

46. Results of Financial Examination by Cal Advocates

Cal Advocates conducted an examination of SCE's financial and accounting records of O&M expenses, A&G expenses, and capital expenditures.²⁹²⁸ The scope of this examination covered 2018–2022, and focused on SCE's compliance with Commission-established rules and regulations as well as the ratemaking effects of SCE's proposed revenue requirement.

Cal Advocates also reviewed various GRC-related balancing and memorandum account proposals presented by SCE in this GRC. Based on its examination, Cal Advocates provides the following adjustments and recommendations:

- (1) A reduction to SCE's recorded Audit labor expenses for 2018–2022. This issue is addressed in Section 33 (Audit Services).
- (2) An adjustment of \$3.088 million to 2021 recorded A&G non-labor expenses to SCE's Employee and Contractor Safety activity. This issue is addressed in Section 35 (Safety Programs).
- (3) Limiting the Z-factor recovery mechanism to the post-test years. This issue is addressed in Section 42 (Post-Test Year Ratemaking).

Various recommendations concern SCE's GRC-related memorandum account and balancing account proposals. These recommendations are addressed in Section 38 (Results of Operations).

²⁹²⁸ Ex. CA-29 contains Cal Advocates' Financial Examination Report.

47. GRC Update Phase**47.1. GRC Update Phase Summary****47.1.1. Escalation Rate Changes Testimony**

During the update phase, SCE provided updated cost escalation rates to reflect the most current inflationary environment.²⁹²⁹ The updated O&M labor, O&M non-labor, and capital escalation rates are based on the S&P Global Market Intelligence projections for the first quarter of 2024, and reflect actual, measured inflation through the first quarter of 2024 and updated projections for the second quarter of 2024 through 2028.²⁹³⁰ The updated escalation factors between 2024 and the 2025 Test Year are 3.27 percent for labor, -1.14 percent for O&M non-labor, and 2.10 percent for capital.²⁹³¹

SCE also presented updated non-labor escalation rates for the Palo Verde nuclear generating station.²⁹³² The O&M labor, non-labor, and capital escalation rates will be updated in late 2025, 2026, and 2027 to provide escalation factors for the 2026, 2027, and 2028 Post-Test Year advice letters.²⁹³³

47.1.2. Memorandum Account Balances

SCE also provided updated balances for certain amounts tracked in the following memorandum accounts: CSRPMA, SCMPMA, DDACMA, ECPMA, RDICMA, NEMOASMA, CCPAMA, ACCMA, and WMPMA.²⁹³⁴ The updated balances are a total of \$115.957 million.²⁹³⁵

²⁹²⁹ Ex. SCE-40 at 9-13.

²⁹³⁰ Ex. SCE-40 at 9-10.

²⁹³¹ Ex. SCE-40 at 9-10.

²⁹³² Ex. SCE-40 at 12-13.

²⁹³³ Ex. SCE-40 at 13.

²⁹³⁴ Ex. SCE-40 at 14-19.

²⁹³⁵ Ex. SCE-40 at 14.

47.1.3. Postage Rate Increase

SCE's updated postage forecast is \$13.346 million, an increase of \$0.730 million over SCE's rebuttal testimony.²⁹³⁶ The increase is the result of netting a \$1.050 million increase in postal rate changes and \$0.320 million in additional initiative savings.²⁹³⁷ SCE's proposed paper bill fees will increase from \$0.61 per paper billing statement (for residential and non-residential) to \$0.66, resulting in a TY revenue forecast of \$8.173 million for the Residential Paper Bill Fee and \$2.017 million for the Non-Residential Paper Bill Fee, a total of \$10.190 million.²⁹³⁸

47.1.4. Uncollectible Expenses

SCE also updated its uncollectible expenses to reflect an updated 10-year average that includes year 2023 (2014-2023).²⁹³⁹ The result is an uncollectible expense factor of 0.209 percent, as compared with 0.191 percent in direct testimony (for 2013-2022).²⁹⁴⁰ SCE states it will update the uncollectible expenses factor 10-year average in an annual advice letter pursuant to D.22-10-004, Ordering Paragraph 6.

47.1.5. Review of Potential Tax Law Changes

SCE states that the California Legislature has proposed net operating loss (NOL) suspensions for corporations from 2024 to 2026.²⁹⁴¹ SCE also states that pursuant to SB 167, SCE's NOLs would not be utilized to reduce income tax

²⁹³⁶ Ex. SCE-40 at 20.

²⁹³⁷ Ex. SCE-40 at 21.

²⁹³⁸ Ex. SCE-40 at 21.

²⁹³⁹ Ex. SCE-40 at 23-24.

²⁹⁴⁰ Ex. SCE-40 at 23-24.

²⁹⁴¹ Ex. SCE-40 at 25.

liability for 2025 and 2026, the first two years of this GRC cycle.²⁹⁴² SCE asserts that this potential tax law change supports SCE's position that regardless of its NOL position, SCE will be a net California income tax payor during this GRC cycle.²⁹⁴³

47.2. Discussion

The Commission's Rate Case Plan allows for certain limited, known cost changes to be reflected through update testimony.²⁹⁴⁴ SCE's update testimony includes a revised Postage Expense, revised cost escalation rate changes testimony, memorandum account balances, uncollectible expenses, and a review of potential tax law changes.

Except for SCE's proposed Residential and Non-Residential Paper Bill Fee, which is rejected for the reasons discussed in Section 18 (Customer Service Operations), we find these uncontested portions of SCE's update testimony to be reasonable, consistent with the limited cost changes appropriate for update testimony, and in ratepayers' best interest. Therefore, these updates are approved and are reflected in the final approval amounts throughout this decision.

48. Total Compensation Study

48.1. Total Compensation Study Summary

The TCS evaluates the competitiveness of total compensation provided by SCE to its employees based on a selection of SCE jobs, called benchmark jobs. To

²⁹⁴² Ex. SCE-40 at 25.

²⁹⁴³ Ex. SCE-40 at 25.

²⁹⁴⁴ Including known changes in cost of labor, changes in non-labor escalation factors based on the same indexes used in the original presentation, and known changes based on governmental action. (See D.89-10-040, Appendix B at B-26.)

conduct its TCS, SCE selected an independent expert, Willis Towers Watson (WTW), to perform the 2025 GRC TCS.²⁹⁴⁵ According to SCE, WTW performed the TCS and conducted detailed analyses regarding benchmarking, job matching, and selection of comparator companies. Specifically, SCE states that benchmark jobs are those positions that are common across comparable organizations and for which total compensation data are available from published surveys.²⁹⁴⁶ SCE's TCS covers 393 benchmark jobs at SCE representing 8,165 SCE employees or 63.1 percent of SCE's 12,930 total employees as of December 31, 2022. The employee categories represented by the benchmark jobs are: (1) Executive; (2) Manager/Supervisor; (3) Professional/Technical; (4) Physical/Technical; and (5) Clerical.²⁹⁴⁷

SCE testifies that the results of the TCS show SCE's target total compensation to be 0.5 percent below the market average and actual total compensation to be 0.6 percent below the market average.²⁹⁴⁸ SCE also testifies that given the sampling error inherent in such studies, this result shows that SCE's total compensation is statistically equivalent to the market average.²⁹⁴⁹

48.2. Discussion

As stated above, no intervenor took a position on SCE's TCS. Therefore, based on the results of the TCS, we find that the total compensation paid by SCE to its workforce is at market and is reasonable.

²⁹⁴⁵ Ex. SCE-06, Vol. 04 at 35.

²⁹⁴⁶ Ex. SCE-06, Vol. 04 at 40-41.

²⁹⁴⁷ Ex. SCE-06, Vol. 05 at 2.

²⁹⁴⁸ Ex. SCE-06, Vol. 04 at 44.

²⁹⁴⁹ Ex. SCE-06, Vol. 04 at 44-45.

49. Motions

All previous rulings made during this proceeding are affirmed. All motions not ruled on are deemed denied.

50. Comments on Proposed Decision

The proposed decision of ALJs Colin Rizzo and Ehren D. Seybert in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3. Comments were filed on August 18, 2025 and August 19, 2025 by the following parties: (1) Cal Advocates; (2) CalCCA; (3) CUE; (4) EPUC; (5) Joint Ratepayers; (6) MGRA; (7) NRDC; (8) PG&E; (9) SCE; (10) Sempra Utilities; (11) Terawatt; (12) TURN; and (13) SBUA. Reply comments were filed on August 25, 2025 by the following parties: (1) Sempra Utilities; (2) SCE; (3) TURN; (4) CalCCA; (5) Cal Advocates; (6) EPUC; (7) MGRA; (8) CUE; (9) Joint Ratepayers; and (10) SBUA.

Pursuant to Rule 14.3(c), “[c]omments shall focus on factual, legal or technical errors in the proposed decision and in citing such errors shall make specific references to the record or applicable law. Comments which fail to do so will be accorded no weight.” Pursuant to Rule 14.3(d), replies to comments “shall be limited to identifying misrepresentations of law, fact or condition of the record contained in the comments of other parties.”

We have carefully reviewed and considered the parties’ comments and made appropriate changes to the proposed decision where warranted. We find that all further comments not specifically addressed by revisions to the proposed decision do not raise any factual, legal, or technical errors that would warrant modifications to the proposed decision.

During the oral argument and in its comments on the proposed decision, SCE revised its wildfire mitigation TUG request from 685 miles to 350 miles from

2025-2028 based on the assertion that the revised amount is more realistic and feasible for SCE to execute, more cost-effective for customers, and more practical than the number of TUG miles contained in the proposed decision.²⁹⁵⁰ SCE also argues the proposed decision should be revised in light of SCE's commitments and rebuild efforts following the January 2025 fires.²⁹⁵¹ SCE's revised TUG recommendation and ongoing rebuild efforts are not in the evidentiary record of this proceeding, and are not appropriate for revisions to the proposed decision. As discussed elsewhere in this decision, SCE already has existing authority under Pub. Util. Code Section 454.9 to track, via the CEMA, incremental costs incurred to repair, restore, or replace utility facilities in connection with a declared disaster. In the event SCE records additional undergrounding costs in its CEMA that are above what is authorized in this decision, SCE will have the burden of demonstrating the incremental activities and associated costs comply with Pub. Util. Code Section 454.9 and are necessary, just, and reasonable.

51. Assignment of Proceeding

Karen Douglas is the assigned Commissioner and Colin Rizzo and Ehren D. Seybert are the assigned ALJs 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 opinion.

Affordability and Equity

2. SCE presented AR and HMW metrics in compliance with D.22-08-023.

²⁹⁵⁰ RT, Vol. 18 at 1588:6-1590:5, 1669:11-23; SCE Opening Comments on the PD at 6-9.

²⁹⁵¹ SCE Opening Comments on the PD at 9-11.

3. The AR20 and HMW metrics SCE presents in this proceeding show a relative decline in the projected affordability during the 2025 TY.

4. SCE's requested TY revenue requirement increase of approximately 22.5 percent would be a substantial increase for customers to absorb at one time.

5. Although there are no established thresholds as to when a rate becomes unaffordable, SCE's requested revenue increase would result in rates that are relatively more unaffordable than in the recent past.

6. From 2019 to 2023, SCE's system average bundled electricity rate rose faster than general inflation.

7. TURN presented data showing that household incomes for Californians, particularly low-income Californians, have not kept pace with inflation or the rise in SCE's rates and bills.

8. Affordability issues are driven by factors such as wages not keeping pace with the costs of housing and other essential utility and non-utility expenses.

9. The affordability data and analyses presented by parties provide a useful backdrop against which to evaluate SCE's requests in this proceeding.

Risk-Informed Strategy and Business Plan

10. On May 13, 2022, SCE filed its 2022 RAMP report in A.22-05-013, and subsequently integrated its 2022 RAMP risk assessment work within its 2025 GRC Application and testimony.

11. The following top nine safety risks were identified through SCE's 2022 RAMP Report: wildfire/Public Safety Power Shutoffs; contact with energized equipment; underground equipment failure; seismic; physical security; cyber attack; hydro dam failure; employee safety; and contractor safety.

12. In accordance with D.14-12-025 and D.21-08-036, in this GRC SCE includes responses to the feedback provided by SPD and intervening parties addressing

SCE's 2022 RAMP Report, and proposes programs and investments that correspond to the controls identified in SCE's 2022 RAMP Report to mitigate the top nine safety risks.

13. SCE's direct testimony clearly indicates whether the work performed within a GRC activity relates to a control, mitigation, or foundational activity as described in SCE's 2022 RAMP Report, while SCE's "RAMP Integration" section presents a comparison and reconciliation between what SCE estimated in its RAMP Report and what SCE forecast in this GRC.

14. The Commission has held that RSEs provide a useful point of comparison regarding the cost-effectiveness of proposed mitigations belonging to the same risk tranche, and are critical for determining whether utilities are effectively allocating resources to initiatives that provide the greatest risk reduction benefits per dollar spent, but that a utility is not bound to select its mitigation strategy based solely on RSE rankings.

15. TURN's recommendation to apply a uniform discount rate in the RSE calculation has already been addressed in R.20-07-013, the Commission's Risk Decision-Making Framework.

16. SCE's CAVA filing was the first of its kind amongst the California electric IOUs, and constitutes a more thorough approach to how the utilities plan and prepare for increased operational risks due to changing climate conditions and events.

17. In compliance with D.20-08-046, the vulnerability assessment SCE presents in this GRC identifies the challenges SCE will face due to climate change, and includes a suite of potential mitigation options for consideration.

18. SCE's Climate Change Policy testimony was not directly challenged by any party in this proceeding.

19. SCE's guiding principles for the adaptation options considered in this GRC, including the direction to focus on near-term risks, are reasonable.

20. SCE's recommendation concerning the timing of the CAVA report was addressed in D.24-08-005.

21. SCE's testimony identifies several clean energy programs and initiatives that focus specifically on ESJ communities, including the Energy Savings Assistance Program, Self-Generation Incentive Program, San Joaquin Valley Pilot, and California Clean Fuel Reward program, among others.

22. The uncontested portions of SCE's Application and testimony are consistent with the goals, objectives, and action items included in the Commission's ESJ Action Plan.

Distribution Grid

23. SCE's DIR Program encompasses thirteen programs SCE intends to leverage to inspect and maintain its electric distribution system.

24. The primary drivers for SCE's DIR Programs are safety, service reliability, capacity needs, and aging infrastructure.

25. SCE's underground infrastructure distribution system is comprised of cable and cable components, typically installed within systems of underground ducts between structures such as vaults or manholes.

26. SCE's Underground Cable Replacement Program targets proactive replacement of mainline underground cables and cable components.

27. SCE Underground Cable Replacement Program intends proactively to replace 1,600 conductor miles of four mainline underground cable from 2025-2028 to adequately mitigate the safety and reliability risks associated with underground cable and component failure.

28. Cal Advocates presents a prudent, cost-effective approach for SCE's Underground Cable Replacement Program where 300-miles-per-year, totaling 1,200 miles, occurs from 2025-2028.

29. SCE's Cable Life Extension Program seeks to prolong the life of cable segments between 25 and 50 years of age by injecting a silicone-based fluid along the strands of the cable to fill voids in the cable-in-conduit insulation.

30. SCE's uncontested Cable Life Extension Program is a prudent approach to prolong the life of cable segments.

31. SCE's Cable-in-Conduit Replacement Program is used to replace radial (cable segments older than 50 years of age that do not meet the criteria for the CLE silicone injection program or where attempted rejuvenation fails.

32. SCE's Cable-in-Conduit Program intends to replace 480 conductor miles of cable-in-conduit older than 50 years of age to mitigate approximately 58 percent of the risk over this GRC cycle.

33. Cal Advocates presents a prudent approach for SCE's Cable-in-Conduit Program where SCE would replace 120 miles per year over the 2025-2028 period, totaling 480 conductor miles.

34. SCE's Underground Switch Replacement Program replaces switches, approaching or exceeding the end of their service life, in underground structures to reduce risk to system reliability and public and employee safety.

35. SCE's Underground Switch Replacement Program scope proposes to replace 900 higher risk mainline and radial switches over this GRC period to mitigate approximately 27 percent of the risk associated with underground switches.

36. Cal Advocates presents a prudent approach for SCE's Underground Switch Replacement Program to lower costs for ratepayers by reducing the unit costs through the forecasted totals.

37. SCE's Underground Structure Replacement Program consists of an array of activities, including the following: (a) structure replacements to install new structures where significant deterioration is observed; (b) structure shoring to extend the life of deteriorating structures; and (c) the Cover Pressure Relief and Restraint (CPRR) program to reduce the consequences from vault explosions.

38. SCE's uncontested Underground Structure Replacement Program is a prudent approach to remediate structures that are deteriorating.

39. SCE's overhead infrastructure distribution system is predominantly configured with overhead apparatus which play a critical role in maintaining safety and reliability.

40. SCE's Overhead Conductor Program targets higher-risk overhead conductors in non-high fire risk areas and in high fire risk areas that are not included in SCE's Wildfire Covered Conductor Program.

41. SCE's Overhead Conductor Program would deploy covered conductor for 420 circuit miles annually, totaling 1,680 circuit miles.

42. Cal Advocates and TURN propose prudent reductions to SCE's Overhead Conductor Program so ratepayer costs are reduced.

43. For SCE's Overhead Conductor Program, it is prudent to authorize a mileage scope of 1,040 miles from 2025-2028, which is 260 miles annually, with no more than 400 miles total of large-gauge conductor being proactively replaced between 2025-2028.

44. For SCE's Accelerated Overhead Conductor Program, Cal Advocates presents prudent reductions for the capital expenditures so ratepayer costs are reduced.

45. SCE's Overhead Switch Replacement Program targets the removal and replacement of 540 technologically obsolete overhead distribution gang-operated air-break switches and removes 1,000 idle switches installed in 2025-2028.

46. SCE's Overhead Switch Replacement Program is necessary to mitigate service reliability impacts and operational challenges.

47. SCE's uncontested approach for its Overhead Switch Replacement Program is a prudent approach to mitigate the risks associated with idle switches.

48. SCE's Capacitor Bank Replacement Program plans to replace or remove 1,236 failed and obsolete distribution capacitor banks in 2025-2028.

49. SCE's uncontested approach for its Capital Bank Replacement Program is a prudent approach to reduce the risks associated with capacitor bank failures.

50. SCE's Automatic Reclosers Replacement Program targets the replacement of 17 oil-filled Distribution Automatic Reclosers and 15 oil-filled Vacuum Fault Interrupters.

51. SCE's uncontested approach for its Automatic Reclosers Replacement Program is a prudent approach to bring the recloser equipment up to current standards while decreasing the risk of in-service failures.

52. SCE's 4-kV Remediation Program addresses aged and obsolete distribution and substation equipment that are in poor health or which have outdated system design limits, system load capacity, and/or impede operational flexibility.

53. Cal Advocates presents a prudent, cost-effective approach to address emergent customer and system load growth capacity needs against rate affordability for the 4-kV Remediation Program.

54. SCE's Polychlorinated Biphenyls Transformer Removal Program intends to replace approximately 440 distribution line transformers suspected of being contaminated with polychlorinated biphenyls oil greater than 50 ppm.

55. SCE presents an uncontested and prudent approach to replace polychlorinated biphenyls.

56. SCE's Worst-Performing Circuit Program targets circuits with the poorest historical reliability.

57. SCE's Worst-Performing Circuit Program intends to remediate approximately 71 circuits annually beginning in 2025.

58. SCE presents an uncontested and prudent approach to address its circuits with the poorest historic reliability.

59. SCE's recent Climate Adaptation and Vulnerability Assessment filing documents address how projected changes in climate may impact utility assets, operations, and services.

60. SCE's proposed CAVA Distribution Infrastructure Replacement projects will be in identified areas where infrastructure is expected to experience increasing heat- and flooding-related events, both of which adversely impact distribution infrastructure in ways that can cause outages.

61. SCE presents an uncontested and prudent approach to address its CAVA distribution projects.

62. SCE's DIM Program focuses on SCE's distribution lines and equipment located outside of substations.

63. SCE's DIM Program maintenance work includes both expense repairs and capital replacements performed on the distribution grid.

64. SCE's Distribution Ground Inspections Program performs a close-proximity, in-depth evaluation of SCE's overhead electrical facilities that: (a) identifies hazardous conditions or non-conformances with GO 95 as well as conditions that could potentially result in system failure if left as-is. Examples include leaking transformers, broken or damaged equipment, encroachment of line clearances, deteriorated cross arms, and missing or damaged high voltage signs; (b) determines what corrective action is required and prioritizes follow-up corrective action; (c) performs minor repairs at the location; (d) performs a comprehensive risk and data collection inspection utilizing the risk-informed survey; (e) documents inspection findings, including pending and completed repairs; and (f) validates equipment records and identifies corrections as needed.

65. SCE's Underground Detail Inspections Program covers inspecting SCE's underground distribution electrical system in accordance with GO 165 and SCE's DIM Program.

66. SCE's Underground Detail Inspections Program provides close-proximity examination of underground and pad-mounted distribution equipment.

67. SCE's Distribution Preventive and Breakdown Maintenance includes the project scope and costs needed for SCE to make repairs to its distribution equipment.

68. SCE's Distribution Preventative and Breakdown Maintenance capital program includes costs to replace distribution equipment with a scope of work that includes removing idle facilities.

69. SCE's Patrolling and Locating Trouble Program is performed by SCE's trouble men who act as first responders that offer around-the-clock coverage for

electrical-service problems resulting from a wide range of events on the distribution system.

70. SCE's trouble men respond to emergency situations, customers, outages, partial lights, damaged equipment, and voltage fluctuation issues.

71. SCE's Distribution Apparatus Inspection and Maintenance Program includes the costs associated with inspecting, testing, and maintaining overhead and underground distribution apparatuses used for remote monitoring and control.

72. SCE's Distribution Claim program is aimed toward the costs incurred by SCE to repair damage to the distribution system caused by a third party.

73. SCE's Streetlight Operations, Inspections, and Maintenance Program includes all operation and maintenance expenses for SCE's streetlight system.

74. SCE's Streetlight Maintenance and LED Conversion program includes five main activities: (a) steel pole replacements; (b) luminaire replacements; (c) conversion of high-pressure sodium vapor to LED streetlights; (d) Series Streetlights; and (e) minor capital maintenance.

75. SCE's Distribution Support Activities focus on work activities that are necessary to support SCE's construction crews working on the distribution system.

76. SCE's Distribution Support Activities include the following:
(a) Information Technology chargebacks; (b) Field Accounting Organization Activities; (c) Electric Asset Data; (d) Stand-by Time; (e) Underground Civil Inspection Activities; (f) Real Properties Activities; (g) Equipment Data Maintenance; (h) Informational Meetings; and (i) Reliability Operations Center.

77. SCE's Tools and Work Equipment capital expenditure program includes expenses to purchase portable tools and specialized test equipment that are used by distribution personnel when performing work on SCE's distribution grid.

78. SCE's Prefabrication activities provide distribution crews with the materials needed for daily construction or maintenance work.

79. SCE's testimony presents a prudent approach for its Distribution Transformer program to calculate the growth of its need for transformers.

80. SCE's Safety and Reliability Investment Incentive Mechanism is a Commission adopted mechanism to incentivize SCE to spend authorized dollars on programs that support safety and reliability, and to maintain a workforce of field employees to support the safe and reliable operation of the electric grid.

81. CUE presents prudent increases to the SRIIM headcount target to ensure SCE has sufficiently sized and qualified workforce.

Meter Activities

82. SCE's unopposed meter O&M forecasts are reasonable.

83. SCE's assertion that the significant increase in meter replacements in 2020 was due to SCE's aging meter population is contradicted by the equivalent decrease in recorded routine meter costs the following year.

84. SCE fails to address or explain why there was a significant decrease in routine meter work costs in 2021.

85. In its rebuttal testimony, SCE identifies an accounting error in SCE's direct testimony concerning a set of O&M routine meter cost objects that should have been assessed for capitalization.

86. SCE's proposals to incorporate 2023 recorded routine meter costs and to perform an O&M-to-capital accounting transfer are unopposed.

87. Absent any explanation for the decrease in routine meter work costs in 2021, and given the annual fluctuation in costs, it is reasonable to utilize a four-year average of costs from 2019–2022 as the basis to forecast 2023–2025 routine meter capital expenditures, with adjustments to include 2023 recorded costs and SCE’s proposed O&M-to-capital accounting transfer.

88. SCE recorded \$0.066 million from 2020–2022 for non-routine meter-related work related to RTEM replacements, the Catalina Meter Replacement Program, and the Complex Meter Replacement Program, compared to the \$18.550 million SCE was authorized to spend in its 2021 GRC for these projects.

89. SCE’s non-routine meter-related projects are necessary to support customer safety and reliability.

90. SCE attributes the decreased level of 2021–2022 capital expenditures for non-routine meter-related projects to the lack of material and significant supply chain issues experienced during COVID.

91. SCE fails to provide any evidence or documentation demonstrating when meter supply chain circumstances are expected to return to normal.

92. To protect against further, potential deferral of the non-routine meter-related projects, it is reasonable for SCE to track non-routine meter-related project costs in a one-way balancing account.

93. SCE has underspent its authorized Meter System Maintenance Design budget every year for the last 10 years, including recorded 2013–2020 costs that were independent of any supply chain constraints due to COVID.

94. No party contests SCE’s proposal to adjust its forecast for the Meter System Maintenance Design activity to include recorded 2023 expenditures.

95. SCE’s 2024–2027 capital expenditure forecast for Advanced Metering Infrastructure is unopposed and is reasonable.

Transmission Grid

96. SCE's TLRR is based on a compliance requirement for completing all BES discrepancies by 2025 and all radial system discrepancies by 2030.

97. Most TLRR projects and associated costs are FERC-jurisdictional but each project in the remediation plan is reviewed under GO 131-D, which defines the rules relating to the planning and construction of electric facilities.

98. SCE's TIRR addresses its major transmission assets and infrastructure that are nearing the end of their useful lives.

99. SCE has not shown that the Gorman-Kern River project is prudent to adopt in this GRC cycle because of the project's cost and the project's delays.

100. Aside from the Gorman-Kern River project, SCE has shown that its TLRR program is prudent for its Transmission Grid operation.

101. SCE's TIR is a centralized, risk-informed approach to monitor and, as necessary, replace aging infrastructure before detrimental in-service failures occur.

Substation

102. SCE's transmission, sub-transmission, and distribution grids require constant oversight and control to provide safe, reliable, and continuous electrical service to customers which is achieved through SCE's Grid Monitoring and Operability programs.

103. SCE's Grid Monitoring Program is operated by utility personnel that manage the day-to-day operations of the transmission, substation, and distribution systems.

104. SCE's Grid Monitoring personnel perform the following specific tasks:
(a) remotely monitoring and operating the portion of the transmission, sub-transmission, and distribution system within their geographic control area;

(b) performing routine switching to support planned work that requires an outage and emergency switching to respond to any unplanned events that affect the grid; and (c) de-energizing and isolating equipment that requires maintenance or capital work.

105. SCE's Bulk Power System Program is monitored by personnel that operate the Grid Control Center and the Grid Network Solutions.

106. SCE's inspections and maintenance for substations include relay inspections and maintenance.

107. The Relay Inspections and Maintenance Program for SCE substations includes tasks to ensure proper performance, functionality, and availability of the protection systems.

108. SCE has not presented a prudent forecast for its Relay Inspections and Maintenance Program because it has continuously underspent in this program during prior GRC cycles.

109. Cal Advocates presents a prudent approach to account for the declining trends and historic underspending of the Relay Inspections and Maintenance Program.

110. Other substation maintenance includes ensuring substation equipment is operating efficiently and properly controlling the movement of electricity.

111. SCE's Preventive Maintenance Program addresses issues identified by substation engineering, asset management, substation program managers, or field employees that threaten safety, reliability, or cybersecurity.

112. SCE's Substation Infrastructure Replacement Program proactively replaces aging, obsolete, and at-risk substation equipment and structures in order to prudently maintain SCE's substation system.

113. SCE's Substation Transformer Bank Replacement Program identifies and replaces substation power transformers based on the asset's health condition and risk of in-service failure.

114. SCE's Circuit Breaker Replacement Program identifies and replaces circuit breakers based on asset health condition and risk of in-service failure.

115. SCE's Substation Rebuild Program is designed to address substation issues such as structural degradation, switchrack upgrades, equipment in poor condition (*i.e.*, switchgear, transformer, circuit breaker, *etc.*), capacity, capability, and geological (*i.e.*, foundation) issues.

116. SCE's Relays Protection and Control Replacement Program identifies and proactively replaces substation protective relays, controls, automation, monitoring, and event recording equipment.

117. SCE's Circuit Breaker Inspection and Maintenance Program ensures proper performance and availability of the electrical grid.

118. SCE's Power Transformer Inspection and Maintenance Program ensures proper performance and availability for the electrical grid.

119. SCE's Minor Equipment and Supplies Program supports non-switching control and operation of a substation.

120. SCE's Equipment Washing Program prevents contamination of high-voltage insulators.

121. SCE's Substation Breakdown Maintenance Program covers repairs from breakdown and reactive maintenance on all major and minor equipment types.

122. SCE's Substation Inspections and Maintenance Hydro Program addresses substation inspection and maintenance activities for SCE's hydroelectric plants.

123. SCE's Substation Capital Maintenance Breakdown Program addresses substation breakdown maintenance work on critical substation equipment.

124. SCE's Substation Claim Program supports repairing damage to a substation caused by a third-party.

125. SCE's Capital-Related Expenses Program supports indirect works such as substation maintenance oversight, informational meetings, substation emergency equipment, tools, and work equipment.

126. SCE's Capital-Related, Grid Monitoring and Operability program supports SCE's communications network, Grid Data Center, copper wire replacement program, data and voice network replacements, and fiber optic replacement.

Grid Modernization, Grid Technology, and Energy Storage

127. SCE's Grid Modernization O&M activities, T&D Deployment Readiness and IT Project Support, support the new technologies and operations associated with SCE's Grid Modernization Plan.

128. SCE's Grid Modernization Capital programs, including Engineering & Planning Software Tools, Grid Management System, Communications, and DER Hosting Capacity Reinforcement, will help SCE deliver enhanced planning capabilities and address challenges with an increasingly dynamic grid that relies on DER technologies.

129. SCE's Grid Reliability-driven Automation program will improve SCE's ability to monitor and respond to real-time conditions on the distribution system.

130. SCE's Grid Technology O&M program tests advanced systems to help SCE better understand and identify solutions for improving grid planning and operations.

131. Cal Advocates presents a prudent labor forecast for implementing the O&M activities associated with the Grid Technology Program.

132. SCE's Grid Technology Laboratories' activities are prudent activities for enhancing grid reliability.

133. SCE's Smart City Pilot Project is duplicative of prior Commission microgrid efforts at a time when rates are increasing.

134. SCE has not demonstrated that the Smart City Pilot Program is a prudent use of ratepayer funds.

135. SCE has demonstrated that the Virtual Programmable Automation Controller Pilot Project enhances substation automation.

136. SCE's Virtual Programmable Automation Controller Pilot Project establishes standards for substation automation.

137. SCE has not demonstrated that the Virtual Protection Pilot Project and Adaptive Protection pilots will benefit ratepayers to meet or exceed the costs of these proposed pilots.

138. SCE's DC Link pilot brings value to the SCE grid because it will implement one or more battery energy storage systems capable of connecting to two adjacent circuits.

139. SCE's Service Center of the Future will enable SCE to develop a new standard for providing service to large transportation load centers, which are emerging as transportation electrification moves toward alignment with California's goals.

140. SCE's Energy Storage O&M activities will help support grid reliability.

141. SCE's Energy Storage capital forecasts support capital upgrades for SCE's operational systems.

142. SCE's LDES pilot aims to utilize energy storage technology beyond lithium-ion to achieve energy storage for longer durations and/or at lower cost.

Load Growth, Transmission Projects, and Engineering

143. SCE has demonstrated that its TEGR will help improve air quality and reduce GHG emissions, particularly within disadvantaged communities.

144. SCE's TEGR identifies and develops grid infrastructure plans that ready the grid for imminent growth of light-, medium-, and heavy-duty zero emissions vehicles which will increase demand for electricity.

145. SCE's TEGR forecast supplements the 2020 IEPR (used for SCE's "base" load growth forecasts in this GRC), which omitted transportation electrification forecasts that have subsequently been included in the 2022 IEPR.

146. SCE's TEGR forecast is based on analysis that considers local system needs and provides a prudent assessment of the areas that are most practically expected to experience transportation electrification load growth impacts (*e.g.*, near and along major transportation corridors).

147. Reducing SCE'S TEGR request by 50 percent for an authorized amount of \$100.021 million is prudent because of the evolving transportation electrification market conditions.

148. Annually, on March 1, it is prudent for SCE to file an annual Tier 1 advice letter with the Commission's Energy Division reporting on its capital expenditures for projects identified through its TEGR forecast through the GRC Period, with the final report due March 1, 2029.

149. In the TEGR Tier 1 advice letter SCE shall provide: (a) the project name; (b) project number (consistent with SCE's testimony); (c) description and project scope, location, status, the current planned operating date; (d) the forecasted operating date in the 2025 GRC; and (e) capital expenditures by year and to date, and forecasted cost in the 2025 GRC. SCE shall also report in this advice letter if: (a) energization request(s) are dependent on the project's completion; (b) how much the expected hosting capacity on the substation and its circuits are expected to increase; and (c) what customer types are anticipated to benefit from

the project (*e.g.*, Light Duty public charging, Medium- and Heavy Duty public charging, port customers).

150. For any additional expenses in excess of 100 percent of the TEGR capital expenditure amounts authorized in this decision, SCE may file an application for after-the-fact reasonableness review of any recorded costs.

151. If SCE files an application for after-the-fact reasonableness review for any additional expenses in excess of 100 percent of the TEGR capital expenditure amounts, the Commission will take into consideration SCE's most current TEGR load growth activities; and SCE may request an expedited schedule to review its request pursuant to Rule 2.9.

152. SCE's base load growth forecast is established through the disaggregation of the CEC's 2020 IEPR load growth forecast.

153. SCE's disaggregation methodology of the IEPR base load growth forecast encompasses specific local-area knowledge from the system planning engineers on developers' new projects, as well as econometric data relative to each planning area.

154. For 2023-2025, SCE's DSP and TSP Base Load Growth Forecast encompasses all of SCE's proposed projects under its base load growth forecast for its Distribution Substation Plan and Transmission Substation Plan except for DSP Distributed Energy Resources.

155. Aside from SCE's PIN TSP ABank project, SCE has demonstrated that its DPS and TSP Base Load Growth forecast is prudent and predictive of future distribution and transmission.

156. System Improvement Programs include Distribution Plant Betterment, New Capacitors, Distribution Volt-Var Control and Programmable Capacitor

Controller Replacement Program, and Substation Equipment Replacement Program.

157. SCE has demonstrated that its System Improvement Programs forecasts are prudent infrastructure investments.

158. SCE's DSP DER forecast has not demonstrated its value for ratepayers because SCE has not presented evidence that this investment is made at least cost.

159. SCE's Climate Driven Distribution Circuit Ties for Reliability program is based on its CAVA filing.

160. SCE's Climate Driven Distribution Circuit Ties for Reliability program identifies areas that are at risk of flooding and wildfire impacts and estimates the potential outages for customers from those climate change impacts.

161. Customers who depend on radial distribution circuits, which have only one power source for a group of customers, are at-risk of experiencing climate-related outages if they are served by equipment that is either directly impacted by flooding or fire or is located downstream from directly impacted equipment.

162. The CAVA identifies the need to construct additional circuit ties to enable the transfer of unaffected equipment to adjacent circuits to maximize the number of customers remaining energized during a wildfire or flood event.

163. SCE has demonstrated that its Climate Driven Distribution Circuit Ties for Reliability program contains prudent reliability infrastructure preparedness measures for ratepayers.

164. SCE's \$2.896 million Land Rights Management forecast is uncontested.

165. The Historic Sporting Events Cost Tracking Memorandum Account (HSECTMA) will enable SCE to record actually incurred incremental costs for the

2028 Summer Olympics occurring in July 2028 and the 2026 World Cup taking place in June and July 2026.

166. The HSECTMA is a prudent ratemaking measure since SCE was not able to estimate these costs with reasonable certainty at the time when SCE developed its GRC forecast.

167. The DER-Driven Grid Reinforcement Program Memorandum Account (DER-DGRPMA) enables SCE to continue to track costs for future reasonableness review and recovery associated with SCE's DER-Driven Grid Reinforcement Program.

168. SCE will demonstrate that the costs recorded in the DER-DGRPMA are reasonable for rate recovery if SCE makes use of a DER-driven need analysis that is conducted as part of SCE's distribution planning process.

169. The Renewable Transmission Projects Memorandum Account will enable SCE to track the Commission-jurisdictional capital-related revenue requirement and capital-related expense associated with costs spent on Renewable Transmission Projects that are incremental to the amounts authorized in the 2025 GRC based upon SCE's March 2023 forecast.

170. SCE's Engineering O&M forecast for TY 2025 is \$13.845 million and is uncontested.

New Service Connections and Customer Requested Modifications

171. New service connections are necessary for new customers to receive electrical service from SCE.

172. SCE's new residential service connections forecast for 2023-2025 is based upon a blend of Moody's forecast of housing starts and the more-conservative IHS Markit forecast of housing starts.

173. TURN's new residential connections forecast is prudently based upon a calculation of the most recent 10-year average growth rate in meters.

174. SCE's 2023-2025 new commercial service connections forecast is composed of the following components: (a) Rule 15 commercial line extension work driven by commercial EV service extension work performed pursuant to Rule 29; and (b) all other Rule 15 commercial line extension work and all Rule 16 commercial service extension work.

175. TURN's new commercial service connections forecast prudently reflects declining trends in the number of new commercial meters.

176. SCE's new agricultural service connections forecast is based upon a recorded five-year average of the agricultural meter sets installed from 2018-2022 to calculate an annual gross meter set forecast multiplied by the five-year average of the recorded cost per unit.

177. TURN's new agricultural service connections forecast credibly shows a decline in new agricultural meters because of the following: (a) decreased availability of land and agricultural land in SCE's service territory; (b) challenges with droughts; and (c) urban population growth.

178. SCE's Rule 20A forecasting is prudent and is applicable to undergrounding projects for which the governing body of the city or county in which such electric facilities are, and will be, located has determined that such undergrounding is in the general public interest.

179. SCE converts existing distribution, transmission, and telecommunication overhead facilities to underground facilities pursuant to SCE's Tariff Rule 20.

180. SCE's Rule 20B forecast and capital expenditures are prudent and include the costs to convert distribution, telecommunication, and transmission overhead

facilities to underground facilities under SCE Tariff Rule 20B at the request of governmental agencies, developers, and customers.

181. SCE's Rule 20C forecast is prudent and these projects generally arise when an individual property owner or small developer of a new project wishes to remove existing overhead lines less than 600 feet in total length, or on one side of the street, or overhead lines on private property.

182. SCE's Streetlights New Service Connections is prudently based on the five-year average of recorded expenditures.

183. SCE's Commercial Electric Vehicle Service Extensions Pursuant to Rule 29 includes the installation or upgrade of electrical service facilities to support utility-side commercial electric vehicle charging infrastructure pursuant to SCE's Tariff Rule 29.

184. SCE's Relocations, Added Facilities, and Wholesale Distribution Access Tariff (WDAT)/Transmission Owner Tariff (TOT)/Gen-Tie forecasts are uncontested.

Poles

185. No party challenges SCE's Pole O&M forecast expense of \$1.289 million for the 2025 Test Year.

186. No party challenges SCE's 2023 and 2025 Poles capital expenditure forecast and methodology.

187. Cal Advocates challenges SCE's 2024 Poles capital expenditure forecast and methodology only for the 2024 Transmission Deteriorated Pole Replacement Program.

188. The Transmission Deteriorated Pole Replacement Program supports pole remediation activities required by GO 95 to identify and remediate pole safety hazards, pole deterioration, and safety risks.

189. The scope of SCE's 2024 Transmission Deteriorated Pole Replacement Program activities has a variance to account for compliance due dates and field findings that prompt pole replacements.

190. SCE's 2024 Deteriorated Pole Replacement Program forecast reflects variances that include compliance due dates for a specific year and efficiency opportunities for some poles and project delays for others.

191. The Pole Loading Program is ending and, therefore, there is no longer a need for the Pole Loading and Deteriorated Pole Programs Balancing Account.

Vegetation Management

192. SCE proposes to transition from primarily ground-based inspections to primarily remote sensing over the 2025-2028 GRC period.

193. Remote sensing differs from traditional ground-based inspections in that it relies on technology to determine the distance between SCE's electrical equipment and nearby vegetation.

194. Although remote sensing has the potential to deliver significant long-term benefits, as compared to traditional ground-based inspections, at this time the magnitude of benefits and overall cost savings from SCE's proposed remote sensing program are largely speculative.

195. It is not clear, based on the record of this proceeding, whether a phased approach to remote sensing will result in fewer or greater overall efficiencies and cost savings, as compared to full network remote sensing.

196. A phased approach to remote sensing will help further inform whether full scope redundancy is necessary to validate all remoting sensing data, or whether validation can be accomplished through smaller, more cost-effective, sample sizes.

197. It is prudent to fully evaluate the potential benefits, cost savings, and accuracy of remote sensing technologies prior to full network implementation.

198. SCE does not provide any evidence to support its assertion that a phased approach to remote sensing is unworkable, and it is not clear, based on the evidence presented in this proceeding, why verification of data under a phased remote sensing approach would be more complex than full network remote sensing.

199. SCE's remote sensing forecast unit cost reflects additional anticipated work, and is significantly higher than SCE's recorded 2022 costs for both LiDAR and satellite.

200. SCE's arguments that it observed a 20 percent increase in the initial 2022 inspection contract bids, and that a higher escalation factor is needed for retention and upskilling, are contravened by the fact that SCE entered into a new contract cycle in January 2024 reflecting an approximate six percent increase over the 2023 contracts.

201. SCE does not include potential increased costs from unionization in its vegetation management cost escalation.

202. No party presented evidence demonstrating the potential magnitude of vegetation management cost increases following possible unionization.

203. SCE has not sufficiently justified its proposed 10 percent escalation rate for Routine Line Clearing.

204. SCE's most recent round of Routine Line Clearing contracts have now been completed and the actual amounts are known.

205. SCE's 2023 Routine Line Clearing contracts reflect a four percent escalation over 2022 contractual trim and removal unit and T&E rates.

206. For 2024, the average standard maintenance trim rates for Routine Line Clearing vendors were approximately 7.1 percent higher than 2023 rates as of May 1, 2024, while SCE observed a 65 percent increase in the average removal rates for 12–24 inches and 24–36 inches DBH trees under its current contracts effective January 1, 2024.

207. SCE fails to provide any evidence demonstrating the degree to which the reported 65 percent increase for certain types of removals impacts the blended removal unit cost or the total costs for Routine Line Clearing work.

208. Actual, observed vegetation rate increases in SCE's territory provide a more accurate measure of forecast escalation than the Federal Reserve Inflation Target.

209. It is reasonable to adjust SCE's Vegetation Management Program forecasts to reflect the anticipated scope and savings from SCE's TUG program.

210. The minimum recommended time-of-trim clearances in D.17-12-024 are based on potential vegetation contact with bare line conductor, and were adopted prior to the deployment of covered conductor and other advanced technologies in SCE's HFRAs.

211. At the time of this decision, the Commission has not revised or updated the minimum recommended clearances in GO 95 to account for the deployment of covered conductor.

212. The record of this proceeding demonstrates that covered conductor does not, by itself, completely protect circuits in the case of a tree fall-in or branch blow-in during heavy wind conditions.

213. In the absence of other technologies, expanded line clearing can help address a particular risk driver in locations where covered conductor is installed.

214. There is insufficient record addressing the incremental risk reduction benefit of combining fast curve settings with covered conductor.

215. There is currently limited deployment of REFCL combined with covered conductor in SCE's service territory.

216. SCE has already conducted deeper trims to achieve expanded line clearances, and is now largely focused on maintaining the expanded line clearances that have already been achieved.

217. The RSE calculation for Expanded Line Clearing does not fully capture the impact of the lost risk reduction that would occur if vegetation were allowed to grow back to previous trim distances.

218. It is reasonable for SCE's crews to account for vegetation growth rates when complying with the minimum required clearance distance between trims in GO 95.

219. No party contests that Expanded Line Clearing has been effective at reducing TCCIs.

220. SCE will largely be maintaining expanded line clearances that have already been achieved over this GRC period.

221. It is reasonable for SCE to continue to maintain expanded line clearances.

222. SCE's blended unit cost forecast for expanded line clearing is based on recent contracts, and reflects the same rate for both maintenance and deeper trims.

223. SCE's recent vegetation management contracts have not been reviewed by the Commission for reasonableness.

224. SCE's use of a single blended unit trim cost does not enable parties or the Commission to evaluate whether the cost premiums for deeper trims have declined over time.

225. SCE's uncontested forecasts for Weed Abatement and Fuel Management activities are reasonable.

226. Cal Advocates' TY forecast for Seasonal Patrols, AOC, and Emergent Work activities is based on a three-year average of recorded 2020-2022 costs, and does not account for the approximately \$11 million in new Priority 2 distribution work orders expected to begin in 2025 or the recent increases in SCE's observed trim rates.

227. Compared to Cal Advocates' alternative forecast, SCE's itemized forecast for Seasonal Patrols, AOC, and Emergent Work activities more accurately reflects the conditions expected in the 2025-2028 forecast period.

228. SCE's TY forecast for Seasonal Patrols Inspections includes \$4.045 million in normalized savings associated with the reduced workload from SCE's full network remote sensing request.

229. Since this decision approves significant funding to perform remote sensing inspections covering half of SCE's network, it is reasonable to assume there will be a corresponding 50 percent reduction to the forecast Seasonal Patrols inspections costs from 2026-2028.

230. The HTMP work activity is not necessary to ensure compliance with the requirements in Pub. Util. Code Section 8386.

231. The live trees addressed by the HTMP are not at risk of growing into the Commission's compliance clearance distances.

232. SCE's REFCL pilots have demonstrated the ability to reduce the energy release from ground faults by more than 99.9 percent, and to reduce the probability of ignition from single phase-to-ground faults by at least 90 percent.

233. When REFCL technologies are combined with covered conductor and spacer cable, the combination of these technologies can approximate the

effectiveness of undergrounding, and address the same ignition risks that SCE is seeking to mitigate through the HTMP.

234. SCE plans to install REFCL protections covering 20 percent of SCE's HFRA locations (approximately 2,000 miles) by the end of 2028.

235. SCE is expected to replace approximately 8,000 circuit miles of bare overhead electric wire in HFRA with covered conductor or undergrounding by the end of 2028, or approximately 83 percent of the overhead distribution conductor circuit miles in SCE's HFRA.

236. In locations where a suite of covered conductor, REFCL technologies, and spacer cable are deployed, it would be duplicative and an inefficient use of ratepayer dollars to address the same risk drivers through the HTMP.

237. SCE's recorded and forecast expenses for the HTMP do not show a declining trend over time.

238. The HTMP has a low RSE score and cost-benefit ratio.

239. It is reasonable to reduce the forecast volume of HTMP removals and mitigations by the expected percentage of HFRA circuits covered by REFCL technologies through this GRC cycle (*i.e.*, a five percent reduction in 2025, a nine percent reduction in 2026, a 14 percent reduction in 2027, and an 18 percent reduction in 2028).

240. Cal Advocates' alternative forecast for the HTMP is based on a relatively favorable year in terms of vendor stability, weather, and access, while Cal Advocates fails to consider recent, known contract increases.

241. SCE's itemized, weighted average cost methodology for the HTMP is reasonable.

242. The majority of work under the HTMP and Dead, Dying, and Diseased Tree Removal Program consists of tree removals.

243. SCE has sufficiently justified its proposed 10 percent escalation rate in 2024 for the HTMP and Dead, Dying, and Diseased Tree Removal Program.

244. SCE does not present any evidence to support its position that an increasing number of trees will need to be removed under the Dead, Dying, and Diseased Tree Removal Program each year due to anticipated drought conditions, nor does SCE demonstrate how the anticipated drought conditions will impact tree mortality.

245. TURN's recommended adjustment to reflect the maintenance level of removals observed in 2023 under the Dead, Dying, and Diseased Tree Removal Program is reasonable.

246. SCE's granular, itemized forecast reasonably reflects the costs SCE is likely to incur under the Structure Brushing Program.

247. The new Structure Brushing contracts effective Q2 2024 show an approximately 33 percent cost increase compared to the previous contract, when substituting new vendor rates by zone.

248. SCE's projected market escalation rates for the Structure Brushing Program are reasonable.

249. Cal Advocates' alternative forecast for the Structure Brushing Program does not account for the work added in 2021–2023, nor does it reflect the higher rates included in SCE's recently executed contracts.

250. SCE's uncontested forecast for quality control activities is reasonable.

251. The Commission has held that ratemaking is not an exact science that guarantees perfect results from all perspectives.

252. While SCE has the burden to prove its vegetation management requests are reasonable at the time of its request, the mere occurrence of future ESD cost

increases — particularly cost increases that are outside the utility's control — does not, in and of itself, support a finding of unreasonableness.

253. SBUA does not recommend an alternative forecast or provide specific adjustments to SCE's forecast for Environmental Support for Vegetation Management Programs activities.

254. SCE's TY forecast of \$48.978 million in expenses for Environmental Support for Vegetation Management activities is reasonable.

255. EPUC's alternative forecast for SCE's Vegetation Management work does not consider any of the specific proposals and new activities that are embedded in SCE's vegetation management request in this GRC, nor does it account for more recent, executed contract increases.

256. SCE's uncontested O&M and capital expenditure forecasts for Vegetation Management Technology Solutions are reasonable.

257. Since 2018, SCE has implemented expanded vegetation management activities as a wildfire mitigation, and has developed the use of risk-based models to prioritize vegetation management inspection and quality control work.

258. This decision approves funding for a significant expansion of SCE's existing remote sensing work, as well as the development of a new digital inventory baseline.

259. There are uncertainties regarding the potential vegetation management cost increases associated with possible unionization.

260. No party contests SCE's proposal to expand the scope of the VMBA to include vegetation management-related ESD costs.

261. SCE has implemented expanded vegetation management activities as a wildfire mitigation since at least 2018.

262. Elimination of the 115 percent threshold for review of costs recorded in the VMBA would ensure that all above-authorized costs are subject to reasonableness review.

263. SCE's 2022 under-collection balance was heavily influenced by the passage of SB 247 and labor contract re-negotiations.

Wildfire Management

264. The WCCP has been SCE's principal wildfire grid hardening program to date.

265. During the 2025-2028 period, SCE proposes to change its wildfire mitigation strategy by increasing its reliance on targeted undergrounding to address risk in SRAs.

266. Consistent with the RDF, SCE's proposed wildfire risk mitigation activities in this GRC include quantitative and cost-effectiveness analyses at the circuit level.

267. SCE incorporates qualitative factors through the IWMS framework and subject matter experts to guide its wildfire mitigation strategy and define the scope of SCE's proposed TUG program.

268. SCE's IWMS methodology relies on a different definition of risk than the established RDF.

269. Of the 588 miles SCE classifies as SRAs, 554 miles are in the bottom 50 percent of calculated risk, according to the requirements of the RDF, while 404 miles are in the bottom 10 percent.

270. SCE already incorporates both egress risk and PSPS risk into its wildfire risk modeling and risk scores, two of the key criteria SCE uses to define SRAs.

271. SCE largely fails to demonstrate why its IWMS framework is necessary or an efficient use of party and Commission resources, especially given the extensive, ongoing refinements made to the RDF.

272. SCE does not attempt to identify and explain any of the potential RDF data gaps in this proceeding, while evidence of SCE's subject matter input is limited to one-page, high-level descriptions of local conditions at select SRA locations along with pictures of the corresponding proposed TUG projects.

273. The specific criteria SCE uses to define SRAs (*e.g.*, population egress constraints, significant fire consequence, high winds, and communities of elevated fire concern) could all be mitigated through a variety of alternative wildfire mitigations.

274. No party disputes that TUG is an effective wildfire mitigation or an appropriate area of focus for SCE during this GRC cycle.

275. Undergrounding is one of the most expensive wildfire mitigations available.

276. SCE's TUG cost-benefit analysis was presented for the first time in its rebuttal testimony.

277. SCE's TUG cost-benefit analysis does not provide a true apples-to-apples comparison of project costs and benefits.

278. The RSE analyses presented by both SCE and TURN in this proceeding show that covered conductor is more cost-effective, on average, than targeted undergrounding.

279. Covered conductor has been a highly effective wildfire mitigation that SCE has heretofore deployed in the areas it perceived as having the highest risk.

280. By 2024, SCE will have reduced approximately 72 percent of its calculated wildfire risk in HFRAs, mostly as a result of its covered conductor deployment.

281. Covered conductor can be deployed more quickly than undergrounding.

282. In areas where covered conductor has been deployed, SCE has been able to reduce the need for PSPS events, and has dramatically reduced SCE's PPS activations, minutes, and affected customers.

283. When paired with supplemental measures such as REFCL and spacer cable, the mitigation effectiveness of covered conductor is comparable to that of undergrounding.

284. HFTD areas are defined as inherently being at elevated or extreme risk of wildfire.

285. In addition to its high risk-reduction effectiveness, undergrounding provides other benefits in the form of reduced vegetation management expenses and potential savings associated with SCE's wildfire self-insurance.

286. SCE fails to present sufficient evidence demonstrating that its 685-mile undergrounding proposal is the superior mitigation for the locations identified, or that its TUG request is just and reasonable.

287. TURN recommends a wildfire grid hardening forecast for the 2025-2028 period of 177 overhead miles converted to undergrounding and 1,651 miles insulated with covered conductor.

288. TURN's 177-mile undergrounding proposal corresponds with the number of miles in the top 50 percent of risk.

289. TURN's grid hardening recommendations would produce the same risk reduction as SCE's proposal, according to the RDF requirements, at approximately \$2 billion lower cost.

290. Some amount of rerouting is necessary to convert overhead circuits to undergrounding for each TUG project.

291. SCE's proposed 20 percent rerouting factor for undergrounding high difficulty miles is uncontested.

292. It is reasonable to limit the scope of SCE's TUG program to address the highest risk miles, with remaining risk reductions achieved through more cost-effective grid hardening measures, mainly the deployment of covered conductor.

293. Applying the larger 20 percent re-routing factor on top of TURN's recommendation results in a total approved 212 undergrounding miles between 2025-2028.

294. SCE's TUG weighted average approach skews the forecast unit cost per mile towards the highest bracket of construction costs.

295. Incorporating an updated difficulty level of construction and breaking down undergrounding costs by year provides a more accurate methodology for forecasting TUG costs, as compared to SCE's weighted average approach.

296. Cal Advocates' TUG unit cost approach does not account for escalation or SCE's environmental cost multiplier.

297. Dividing SCE's annual undergrounding costs by the approved annual undergrounding miles for each year to get annual unit costs will better represent the work being authorized as compared to SCE's weighted unit cost.

298. It is reasonable to use SCE's most up to date information on the level of construction difficulty based on percentage for the undergrounding SCE plans to perform in 2023-2028.

299. TURN and Cal Advocates recommend SCE be required to submit an annual accountability report, similar to the report required for PG&E in D.23-11-069.

300. This decision approves \$2 billion for TUG and WCCP activities between 2025-2028, which is in addition to the approximately \$3 billion approved for TUG and WCCP capital expenditures in SCE's 2021 GRC.

301. Utility-caused ignitions have and can lead to catastrophic wildfires resulting in significant property damage, economic losses, and fatalities.

302. Given the important safety impact of grid hardening programs to reduce wildfire risks, and the considerable ratepayer costs involved, it is reasonable to require heightened transparency and tracking and reporting of work, costs, and risk reduction achieved.

303. No party recommends a reduction to SCE's request to deploy 1,250 circuit miles of covered conductor in HFRA's over the 2025-2028 period, or opposes SCE's capital forecast as it relates to tree attachment remediations, vibration damper retrofits, and fire-resistant wrap retrofits.

304. No party contests SCE's TY O&M forecast for Construction Standards Remediation.

305. Settlements reflect a compromise of various litigation positions, and no single element of the settlement is necessarily dispositive of issues in other proceedings.

306. Cal Advocates does not justify why covered conductor unit costs dating back to 2018 are representative of the unit costs expected to be incurred under the WCCP during the 2023-2028 timeframe, nor does Cal Advocates respond to SCE's point that more recent contract rate increases are not reflected in SCE's prior work orders.

307. SCE's proposed WCCP unit cost is reasonable.

308. SCE's WCCP forecast in its direct testimony includes approximately \$42 million in covered conductor cost savings (2025-2028) associated with

various process improvements or implementation of time-saving measures to improve project time and costs.

309. SCE's WCCP forecast in its direct testimony includes approximately \$42 million in covered conductor cost savings (2025-2028) associated with various process improvements or implementation of time-saving measures to improve project time and costs.

310. Assuming an additional 403 circuit miles of covered conductor are deployed uniformly throughout the GRC period, and applying SCE's other WCCP forecast inputs plus the covered conductor cost savings from 2025-2028 results in a total approved capital expenditure amount of \$2,777 million for WCCP activities over the 2023-2028 period.

311. MGRA does not provide an alternative forecast or proposed adjustment (in either timing or number of projects) for the REFCL activity.

312. It is generally accepted among the parties that covered conductor paired with REFCL technologies can provide significant risk reduction benefits.

313. SCE's TY O&M and 2023-2028 capital expenditure forecasts for the REFCL activity are reasonable.

314. In light of the risk reduction benefits of REFCL when combined with covered conductor, and considering the reductions made to SCE's proposed TUG program in this decision, it is reasonable to provide SCE some flexibility to install additional REFCL technologies above the amounts requested by SCE.

315. SCE's uncontested O&M and capital expenditure forecasts for HFRA Sectionalizing Devices are reasonable.

316. SCE's uncontested capital expenditure forecast for Generation System Hardening Legacy Facilities is reasonable.

317. SCE's uncontested capital expenditure and O&M forecasts for the Long Span Initiative are reasonable.

318. By the end of 2028, over 90 percent of the distribution circuits in SCE's HFRAs are expected to be hardened through a combination of covered conductor and targeted undergrounding.

319. SCE installed potentially defective fuses at approximately 5,300 locations during the 2018-2020 period.

320. SCE began replacing the potentially defective fuses in 2020, and the replacement process is ongoing.

321. In D.22-06-032, the Commission found that SCE failed to meet its burden of demonstrating that the fusing mitigation capital costs incremental to the authorized GSRP budget are reasonable and should be recovered from ratepayers.

322. In this GRC, SCE again requests reasonableness review of the \$24.62 million (nominal dollars) incremental to amounts authorized in the GSRP settlement for fusing mitigation program capital expenditures from 2018-2020.

323. D.22-06-032 does not refer to a "permanent" disallowance, or explicitly prohibit SCE from attempting to establish the prudence of these recorded fusing mitigation costs in a future GRC proceeding.

324. It is not an effective use of party, Commission, and ultimately ratepayer resources to allow a utility to continuously seek rate recovery for recorded costs that have been denied, especially when the applicant bears the burden of affirmatively establishing the reasonableness of its application in the first instance.

325. This proceeding is not scoped to consider potential penalties associated with the additional time and resources incurred to evaluate SCE's second rate recovery request related to recorded fusing mitigation costs.

326. SCE first encountered the CLF failures in December of 2018, but continued to install CLFs at around 4,800 locations in the subsequent months before initiating a material quarantine of the fuse products in August of 2019.

327. SCE did not act in a prudent manner after discovering the CLF design defects.

328. It is reasonable to disallow \$2.03 million associated with the material costs of the fusing replacements, plus the \$9.09 million SCE estimates that it spent in incremental installation-related O&M for those replacements.

329. SCE's remote grid study workpapers contain adequate cost information (including the location and per study costs), and are based on SCE's statement of work for the remote grid feasibility study.

330. Unlike microgrids, remote grids are completely disconnected from the electric grid.

331. It is reasonable for SCE to consider a variety of constraints (including available space and customer load) when choosing the remote grid feasibility study locations.

332. SCE does not explain how it intends to evaluate the cost-effectiveness of remote grids under the remote grid feasibility study.

333. SCE's 2025 TY O&M forecast of \$166,000 to conduct the remote grid feasibility study is reasonable.

334. No party recommends reductions or specific adjustments to SCE's O&M or capital forecasts for Grid Operations Monitoring Emergent Technologies.

335. SCE's GRC request includes funding to install a significant number of EFD units covering approximately half of SCE's distribution HFRA's.

336. It is not clear, based on the record of this proceeding, how much time could be saved in evaluating the effectiveness of Hi-Z or DOPD technologies if either of the pilots were expanded, or the associated cost and pilot size corresponding with the reduction in time.

337. Final evaluation of the DOPD pilot is largely dependent upon the availability of the FAN used for high-speed communication, which is unrelated to the pilot size.

338. SCE's TY O&M and capital requests for Grid Operations Monitoring Emerging Technologies activities are reasonable.

339. SCE's uncontested TY O&M request for Organizational Support is reasonable.

340. No party contests SCE's capital expenditure forecast for High Fire Risk Inspections and Remediations, or its O&M forecast for High Fire Risk Inspections.

341. Cal Advocates' proposed O&M adjustment for High Fire Risk Remediations is based on reductions to SCE's forecast number of units and the unit cost contained in the Distribution O&M Preventive Maintenance sub-component of SCE's Remediations forecast.

342. It is reasonable to expect a higher forecast number of remediations in 2025, as compared to SCE's recorded 2022 levels, given SCE's higher number of inspections forecast during 2025 in combination with recent increases in actual find rates.

343. The number of repairs/remediations in SCE's forecast for Distribution O&M Preventative Maintenance is based on a combination of inspection-driven

notifications, additional units found by crews, and currently known notifications (*i.e.*, notifications from prior years).

344. The repair intervals in GO 95 represent maximum time periods not to be exceeded, and are distinct from SCE's actual, planned work activities associated with Priority 2 notifications, which should be the basis of any GRC forecast.

345. Since SCE's internal procedures indicate HFRA Priority 2 Notifications are typically resolved within 6-12 months, it is reasonable to expect Priority 2 notifications identified in 2023 to be resolved prior to 2025.

346. Cal Advocates' Distribution O&M Preventative Maintenance unit cost recommendation is undermined by the lack of justification provided as well as the higher unit costs SCE recorded at year-end 2022 (\$2,609) and in year-to-date February 2024 (\$2,645).

347. It is reasonable to base the Distribution O&M Preventative Maintenance unit cost on the full-year average unit cost for distribution remediations in 2022, plus the two percent increase SCE applies to account for projected contractor rate increases.

348. Certain sub-components of SCE's TY O&M forecast for High Fire Risk Inspections and Remediations include cost savings associated with a reduction in anticipated inspection/remediation work due to SCE's TUG program.

349. Since this decision approves an equivalent amount of covered conductor circuit miles in lieu of SCE's full TUG request, it is reasonable to assume the same level of work reduction and cost savings included in SCE's inspection and remediation forecasts.

350. SCE's uncontested forecasts of \$2.816 million in TY O&M for Technology Support Tools, and \$47.945 million in capital expenditures for Technology Solutions (2023-2028), are reasonable.

351. Certain Data Platform and Governance capital costs will be reclassified as O&M costs in 2025 once they have been operationalized.

352. SCE provides sufficient information to support its TY O&M and capital expenditure forecasts for Technology Solutions.

353. 2022 was an abnormally mild weather year, involving appreciable amounts of precipitation which helped to mitigate fire activity.

354. Certain PSPS Execution sub-activities did not exist in 2019 (*i.e.*, the In-Event Battery Loan Pilot, PSPS Operations, and PSPS Response and Compliance).

355. SCE experienced the highest number of PSPS activations and associated costs in 2020.

356. SCE's 2025 forecast methodology for PSPS Execution is reasonable and well-supported.

357. De-energizations are not the same as PSPS activations.

358. Several of SCE's proposed PSPS Customer Support Activities are not directly tied to the number of PSPS activations or de-energizations.

359. Over 80 percent of SCE's proposed PSPS Customer Support expenses in this GRC are to support AFN activities associated with customer identification, outreach, marketing, and communication.

360. SCE's proposed AFN activities are consistent with the types of services contemplated by the Commission in D.21-06-034.

361. In D.19-05-042, the Commission found that a primary goal in the adoption of an AFN definition was to standardize the definition across utilities and to integrate it within emergency management frameworks and structures.

362. SCE's refined AFN definition of 'Electricity Dependent' individuals was developed in collaboration with a diverse set of AFN stakeholders, including

representatives from all the IOUs, various state agencies, and interested CBOs, which supports the Commission's goal of wide-spread standardization.

363. No party argued in this proceeding that there are inconsistencies between SCE's refined AFN definition and the definition of the AFN population in Government Code Section 8593.3(f)(1).

364. Further refinements to the definition of AFN customers are more appropriately considered and addressed in R.18-12-005, where they may benefit from broader stakeholder review and participation.

365. The acceptance of SCE's refined AFN definition in this decision does not preclude the Commission from rejecting or refining this definition in R.18-12-005.

366. SCE's funding request for the Disability Disaster and Access Resources program is duplicative and unnecessary.

367. SCE's uncontested forecasts for PSPS Customer Support sub-activities are reasonable.

368. SCE's uncontested TY O&M and capital expenditure forecasts for PSPS Technology Solutions are reasonable.

369. The Commission has already considered and found reasonable the merits of SCE's Aerial Suppression QRF arrangement.

370. SCE's Aerial Suppression program is prudent and beneficial to ratepayers.

371. SCE's use of the most recent 2023 executed QRF funding agreements for the 2025 Aerial Suppression forecast is reasonable.

372. Cal Advocates does not provide any evidence to support its claim that the terms for the 2025 Aerial Suppression funding agreements could be different, or result in lower costs, while Cal Advocates misconstrues the terms of the stand-by costs included in the aerial suppression contract arrangement.

373. SCE has provided sufficient justification to support its forecast Weather Stations O&M expenses for the 2025 TY.

374. Historical 2022 weather station unit cost data is not representative of the costs SCE is likely to incur in 2025.

375. SCE's 2025 TY forecast of \$5.069 million in O&M expenses to maintain 1,808 weather stations is reasonable.

376. SCE's uncontested forecast of \$4.737 million in capital expenditures to install an additional 170 weather stations during the 2023-2028 period is reasonable.

377. Since the HD cameras are procured, installed, and maintained in partnership with UCSD, it is reasonable for SCE to base the HD camera unit cost on the most recent Statement of Work provided by UCSD.

378. In 2022, SCE installed 16 out of the planned 20 HD cameras.

379. SCE installed 10 HD cameras as of September 1, 2023.

380. SCE's ability to install additional HD cameras is dependent upon the availability of third-party towers.

381. SCE did not present any information on the availability of third-party towers, and it is unclear, based on the record of this proceeding, whether the tower leasing arrangement will constrain SCE's ability to install the projected 226 cameras by 2025.

382. SCE's uncontested \$0.388 million capital expenditure request for the HD camera activity (2023-2024) is reasonable.

383. SCE's uncontested 2025 TY O&M forecast of \$0.673 million for Wildfire Response, Modeling, Analysis, and Weather Forecasting is reasonable.

384. SCE's uncontested O&M and capital expenditure forecasts for Fire Science and Advanced Modeling activities are reasonable.

385. SCE's uncontested TY O&M forecast for Environmental Programs activities is reasonable.

386. In D.21-08-036, the Commission authorized SCE to establish the two-way WRMBA to track the difference between the WCCP capital expenditures authorized by the Commission and SCE's recorded expenses for these activities.

387. Over 6,200 circuit miles of covered conductor is expected to be deployed through the WCCP by the end of 2024.

388. There is insufficient evidence of "uncertainty" to warrant continuation of the WRMBA in its current format.

389. The amount of undergrounding approved in this decision reflects a significant increase in SCE's historic level of TUG work.

390. The weighted unit TUG cost adopted in this decision is based on a mix of anticipated low-to-high level difficulty projects, while actual TUG costs will vary from project to project.

391. Pub. Util. Code Section 8386.4 authorizes SCE to track, via the WMPMA, incremental costs incurred to implement its approved WMP for fire risk mitigation activities that are not otherwise covered in SCE's revenue requirements.

392. Pub. Util. Code Section 454.9 authorizes SCE to track, via the CEMA, incremental costs incurred to repair, restore, or replace utility facilities in connection with a declared disaster.

393. Any above-authorized costs recorded in the GHBA should be subject to reasonableness review via application.

T&D Other Costs and Other Operating Revenue

394. SCE's unopposed 2025 TY O&M forecast of \$128.029 million for T&D Other Costs is reasonable.

395. SCE's unopposed 2025 TY O&M forecast of \$150.564 million for T&D OOR is reasonable.

Customer Service Operations

396. SCE's unopposed forecasts for Postage and Uncollectible Expenses are reasonable.

397. The uncontested stipulation between SCE, TURN, and Cal Advocates addressing the revenue requirement amounts for several activities within the Billing and Payments BPE (including Billing Services, Credit and Payment Services, and Billing and Payments Capital) is reasonable in light of the whole record, consistent with law, and in the public interest.

398. The uncontested stipulation between SCE, TURN, and Cal Advocates addressing the revenue requirements for the Customer Contacts BPE is reasonable in light of the whole record, consistent with law, and in the public interest.

399. In D.23-03-019, the Commission approved SCE's request to consider the 2022-2024 CSRP cost review and recovery as part of SCE's TY 2025 GRC, but did not rule on SCE's specific advice letter proposal or SCE's proposed process for updating the GRC record to reflect the most recent CSRPMA recorded activity.

400. The Commission has found that costs recorded in a memorandum account must be reviewed for reasonableness before they are approved for rate recovery.

401. No party contests the reasonableness of SCE's 2022-April 2024 recorded costs in the CSRPMA.

402. SCE's 2022-April 2024 recorded costs in the CSRPMA are reasonable.

403. SCE's uncontested customer service fees are reasonable.

404. SCE's proposed Paper Bill Fee constitutes a significant shift from the utility's traditional, standard operational service.

405. SCE fails to present any data or analysis on the potential, unavoidable burden of its proposed Paper Bill Fee on SCE customers that receive paper bills.

406. SCE did not perform a cost-benefit analysis or study to assess the financial impacts and burden relative to the expected benefits of a new Paper Bill Fee for residential and nonresidential customers.

407. SCE has failed to justify why paperless bills should be considered the new standard operational service.

408. Cal Advocates' alternative proposal to impute the forecast OOR from the proposed Paper Bill Fee, while prohibiting SCE from charging the fee to recover the OOR, would deny SCE a necessary cost of providing service with no ability to recover that cost.

409. SCE has not sufficiently supported its proposed 425 percent increase to the current MAMF.

410. SCE's MAMF exception data indicates that the number of exceptions processed per month in 2023 is below the number of exceptions processed in 2019, even though SCE had significantly more CCA SAs and increased visibility to the CCA account exception work by 2023.

411. SCE's proposed increase to the MAMF is not adequately supported by SCE's time studies and its time estimates.

412. SCE's proposed 54 percent reduction of the ED VAN Charge represents a significant reduction to this charge, and is consistent with the 2021 GRC Settlement Agreement.

413. SCE's proposed EDI VAN Charge of \$0.02 per SA per month is reasonable.

414. SCE does not dispute that the EDI VAN Charge can be eliminated altogether once an alternative to the VAN is put into place.

415. Over seven years will have passed between the adoption of the 2021 Settlement Agreement and SCE's next GRC TY in 2029.

416. SCE's practice of applying the Rule 17 backbilling limitations to unbundled generation charges only when SCE is authorized to do so runs counter to the goals outlined in D.86-06-035 and D.07-09-041.

417. The Commission has not considered the revenue impacts associated with the consistent application of the Rule 17 limitations to CCA and ESP charges, which impacts SCE's ability to implement these tariffs.

418. There is insufficient record in this proceeding upon which to address the prospective revenue implications associated with the backbilling limitations in Rule 17.

419. Pub. Util. Code Section 366.2(a)(4), Section 366.3, and Section 365.2 prohibit cost shifting between unbundled and bundled customers.

420. With respect to the Rule 17 backbilling limitations for bundled customers, SCE's and PG&E's current practice is to recover any resulting undercollections through a rate adjustment applied to all bundled customers.

421. It is not clear, based on the record of this proceeding, whether the additional complexities involved with CCA/DA customer billing have an impact on the current three-month billing limitation, or what, exactly, is driving the accounting corrections for CCA customers.

422. In this proceeding, CalCCA presents examples of accounting errors and associated backbills received by CCA customers.

423. Some of the CCA-specific billing issues raised in this proceeding are tied to the current functionality of SCE's billing system.

424. SCE does not currently track the underlying reasons for its billing account corrections.

Business Customer Services

425. The Business Customer Services Stipulation between SCE, TURN, Cal Advocates, and Walmart, addressing the revenue requirement amounts for the Business Customer Services BPE and the Communications, Education, and Outreach BPE, is reasonable in light of the whole record, consistent with law, and in the public interest.

426. SBUA does not directly contest the O&M and capital amounts stipulated to in the Business Customer Services Stipulation, present alternative forecasts for Commission consideration, or otherwise argue that SCE has historically underserved small business customer needs.

427. The Commission has indicated it is reasonable to rely on historical data to forecast future costs, while GRC forecasts are commonly based on last year recorded data.

428. Many of SBUA's Business Customer Services recommendations are premised on the idea that SCE needs to individually forecast all components for each non-residential segment.

429. In its reply brief, SCE confirms that the Business Customer Services Stipulation reflects SCE's point-in-time belief that it can adequately perform Business Customer Service activities with the lowered, stipulated O&M forecast for all non-residential customers, including small business customers.

Customer Programs and Service

430. The uncontested CEM Stipulation between SCE and Cal Advocates is reasonable in light of the whole record, consistent with law, and in the public interest.

431. The CPM Stipulation between SCE, TURN, and Cal Advocates is reasonable in light of the whole record, consistent with law, and in the public interest.

432. SBUA does not contest the O&M and capital amounts agreed to in the CPM Stipulation.

433. SBUA's small business pilot proposal does not include relevant information on the specific pilot parameters, goals, and evaluation metrics, and would benefit from additional buy-in from relevant stakeholders.

Business Continuation

434. SCE's uncontested TY O&M forecast of \$1.013 million for Planning, Continuity, and Governance is reasonable.

435. SCE's uncontested TY O&M forecast of \$1.808 million for All Hazards Assessment, Mitigation, and Analytics is reasonable.

436. SCE's uncontested 2023-2025 capital forecast for the Severe Weather Program is reasonable.

437. Except for SCE's seismic non-electric workstream, no party contests SCE's 2023-2025 capital expenditure forecasts for the Seismic Resiliency Program.

438. Parties do not dispute the underlying need for SCE's non-electric facilities seismic work.

439. In the updated NIST model, there are two different average cost figures that apply to SCE's portfolio of buildings, including \$91 per square foot to retrofit buildings to the "life safety" standard, and \$147 per square foot to retrofit buildings to the "immediate occupancy" standard.

440. Approximately one-third of SCE's non-electric seismic retrofit projects between 2023-2028 are associated with the "immediate occupancy" standard.

441. In its seismic non-electric forecast, SCE assumes an average seismic retrofit cost of \$147.00 per square foot.

442. SCE's workpapers describe the limitations of the NIST model.

443. SCE's testimony and workpapers do not include any material or supporting evidence explaining the basis for each of SCE's project-specific forecasts.

444. SCE's 2023 recorded expenditures for the non-electric workstream is \$15,221,885.

445. SCE's recorded 2023 costs for seismic non-electric facilities work are below SCE's forecast and are slightly below TURN's 2023 forecast.

446. The \$57 per square foot unit cost for seismic non-electric facilities work approved in this decision is almost double the amount approved in D.21-08-036.

447. SCE's spending during the 2021-2024 period is expected to stay within the Commission-authorized amounts for seismic non-electric facilities work.

448. TURN's average cost per square foot calculation includes a lower level of projects with an "immediate occupancy" performance standard compared to SCE's project forecasts for the 2023-2028 period.

Emergency Management

449. The Training, Drills, and Exercise Programs of SCE's Emergency Management Plan are uncontested.

450. Training, Drills, and Exercise Programs enhance SCE's emergency response integration with its customers and communities through collaboration with local, county, state, and federal government agencies, and other utilities.

451. The Emergency Preparedness & Response Program of SCE's Emergency Management Plan is uncontested.

452. SCE's Emergency Preparedness & Response Program provides capabilities to SCE's essential personnel, processes, technologies, and overall capabilities to effectively prepare for and mitigate risk and respond to emergencies.

453. SCE's Distribution, Transmission, Substation, and Telecommunications Storm Response Program is uncontested.

454. SCE's Distribution, Transmission, Substation, and Telecommunications Storm Response Program ensures assembly of personnel for situation assessment, service restoration, and communication within SCE and with external agencies.

455. SCE's Customer Service Storm Response Program is uncontested.

456. SCE's Customer Service Storm Response Program ensures its Customer Contact Center responds, 24 hours a day, seven days a week, to emergency calls regarding outages and damaged equipment.

457. \$0.884 million of SCE's Generation Storm Response Emergency Management O&M expenditures is contested by Cal Advocates.

458. In D.21-08-024, the Commission held that if a utility has an understanding of the amount of work needed to address a specific condition that may be subject to CEMA recovery, a utility needs to justify why it was unable to estimate these costs for recovery in a GRC.

459. SCE explains that \$0.884 million is a proxy for the amount of work that will be needed to remediate the effects of significant debris flows near its generation facilities following heavy rains.

460. SCE uses the August 2022 monsoon event as a proxy for likely future storm-related costs.

461. Cal Advocates' position regarding CEMA use is incongruent with D.21-08-024.

Cybersecurity

462. SCE and Cal Advocates stipulated to a 2025 TY forecast of \$37.527 million for Cybersecurity O&M, which represents a \$4.027 million reduction to SCE's initial TY request.

463. The uncontested TY forecast of \$37.527 million for Cybersecurity O&M stipulated to by SCE and Cal Advocates is reasonable.

464. SCE's unopposed 2023 recorded and 2024-2025 forecast Cybersecurity capital expenditures are reasonable.

465. The costs associated with CMMC 2.0 are outside of SCE's control, appear to be substantial in the amount of money involved, and, due to delays and uncertainties surrounding this program, cannot be reasonably forecast at this time.

466. Waiting to track associated CMMC 2.0 costs until SCE's next GRC would deprive SCE of the fair opportunity to recover the costs associated with new regulatory obligations, and might prevent SCE from complying with the new regulations or derail the existing cybersecurity projects described in SCE's testimony.

467. SCE's recorded 2021 and 2022 costs are not relevant to the new regulatory compliance costs and activities SCE proposes to track in the CCMA.

Physical Security

468. SCE's 2025 TY forecast of \$23.127 million for Physical Security O&M is uncontested and is reasonable.

469. SCE's unopposed 2023 recorded and 2024-2025 forecast Physical Security capital expenditures are reasonable.

Generation

470. SCE operates and maintains 32 Hydro generating facilities, which include 33 dams, 43 stream diversions, and approximately 143 miles of tunnels, conduits, flumes, and flow lines.

471. Cal Advocates and TURN present prudent five-year averages for SCE's TY Non-Labor forecast methodology as opposed to SCE's TY Non-Labor forecast methodology.

472. SCE presents prudent forecasts for completing and complying with FERC's Dam and Public Safety Regulations requirements as well as the FER license compliance activities for its Dam projects.

473. SCE presents prudent forecasting for its labor costs regarding hydro b using its 2022 recorded labor costs as the best predictor of future labor needs.

474. SCE presents sufficient progress toward completing the San Gorgonio decommissioning project despite delays from the 2020 Apple Fire and 2023 Tropical Storm Hilary.

475. SCE and TURN present a prudent escalation rate of 4 percent for the Big Creek Generator Rewinds.

476. Given the certainty around projects with a 90 percent probability of being decommissioned, it is prudent for SCE to request recovery of those decommissioning costs.

477. Given the uncertainty around projects with a lower probability of being decommissioned, it is not prudent for SCE to receive recovery of those hydro decommissioning costs.

478. SCE owns and operates the gas-fired Mountainview Generating Station combined-cycle power plant.

479. SCE presents uncontested and prudent TY O&M expenses for the Mountainview Generating Station.

480. TURN presents prudent alternative reductions to SCE's Mountainview Generating Station capital expenses.

481. SCE's Turbine Improvement Program is a prudent project to enhance turbine generation.

482. SCE does not present sufficient justification for its catalyst replacement forecast.

483. TURN's testimony reflects that it is prudent to reduce the recoverable cost for the Inlet Flow Distribution Grids by 25 percent.

484. SCE owns and operates five General Electric Land/Marine ("LM") 6000 aeroderivative gas-fired Peaker power plants, of which two are battery/combustion turbine Hybrid Peakers, providing an aggregate of 245 MW.

485. Peakers serve the electrical grid by starting quickly and ramping to meet the demand of the California Independent System Operator market.

486. SCE presents prudent and uncontested 2025 TY O&M expenses for its Peakers.

487. SCE presents prudent capital expenditures forecasts for its Peakers in 2023-2025.

488. SCE owns and operates two fuel cell generating plants with a combined total capacity of 1.6 MW.

489. The 0.2 MW fuel cell project at University of California Santa Barbara has been operational since September 6, 2012 and utilizes an electric-only fuel cell technology.

490. The Commission has declined the ability for utilities to receive a rate of return on assets that are no longer used and/or useful, and therefore, SCE does

not present sufficient reasons for allowing it to receive such a rate of return on its fuel cell projects.

491. The 1.4 MW fuel cell at California State University San Bernardino has been operational since October 3, 2013 and utilizes a combined heat and power fuel cell technology.

492. SCE's Solar Photovoltaic Program (SPVP) portfolio currently consists of 23 commercial and industrial rooftop solar power sites and one ground mounted site totaling 80.6MW direct current output power.

493. SCE's SPVP Program includes 320,862 panels spanning 248 total acres at 23 rooftop sites and has successfully operated for 15 years.

494. While SCE is decommissioning its remaining SPVP sites in 2025 and 2026, SCE will continue to incur O&M expenses, primarily due to remaining lease payments that are required through the end of the contract terms.

495. TURN presents prudent reductions to SCE's SPVP rooftop lease payments.

496. TURN presents prudent reductions to SCE's SPVP capital expenditures, which include a reduction of SCE's project contingency to 10 percent, no rate of return on unrecovered rate base, and a 50 percent disallowance on unrecovered rate base and decommissioning costs.

497. SCE demonstrates that decommissioning the SPVP facilities is in the best interests for ratepayers.

498. Since 1962, SCE has provided electric service to Santa Catalina Island (Catalina).

499. SCE's Catalina system is a closed electrical system, where reliability, safety, and resiliency are part of SCE's resource planning challenges for the island.

500. SCE's generation maximum nameplate capacity in Catalina totals 11.8 MW.

501. SCE's nameplate capacity is comprised of: (1) six diesel generators (9.3 MW); (2) 23 propane-fueled microturbines (1.5 MW); and (3) one energy storage battery (1.0 MW).

502. SCE's Catalina Repower Project refers to SCE's efforts to replace six diesel generators.

503. SCE initially presented its request for the Catalina Repower Project in its 2021 GRC proceeding, which led to the Commission's approval of the Catalina Repower Memorandum Account in D.21-08-036.

504. The Southern California Air Quality Management District has not approved the replacement for some of these diesel generators.

505. SCE presents uncontested and prudent TY 2025 labor and non-labor forecasts for Catalina's O&M.

506. SCE must consider third-party ownership for its Catalina – Solar Carports project to comply with the express terms of the settlement agreement adopted in D.22-11-007.

507. SCE owns 15.8 percent of Palo Verde Nuclear Generating Station (Palo Verde) Units 1, 2, and 3 – one of the nation's largest nuclear installations.

508. Palo Verde is located approximately 50 miles west of Phoenix, Arizona.

509. The Arizona Public Service Company operates Palo Verde.

510. The Commission has consistently removed half of the costs for NEI dues in recent GRC cases, recognizing the organization's dual role of promoting nuclear power through public relations and lobbying, while also working to cut industry costs.

511. It is prudent to continue to authorize ratepayer funding of 50 percent of SCE's shares of the NEI dues.

512. A balancing account for SCE to account for Palo Verde's Non-Labor O&M expenses is prudent and limiting automatic recovery of no more than 110 percent of forecast costs in any year is in the best interests of ratepayers.

513. SCE presents uncontested and prudent nuclear capital expenditure forecasts.

Energy Procurement

514. SCE's Energy Procurement is responsible for procuring energy and capacity via contracts and from the wholesale market, under Commission approved procurement plans and decisions.

515. SCE's Energy Procurement O&M expenses of \$29.399 million and its capital forecast of \$2.590 million reflect historical costs but also address future needs.

Enterprise Technology

516. The Enterprise Technology Capital Expenditure Forecast stipulation between Cal Advocates and SCE resolves disputed issues.

517. SCE's 2025 TY O&M expense for Technology Planning, Design, and Support is unopposed.

518. SCE's 2025 TY O&M forecast for Fixed Price Technology and Maintenance is unopposed.

519. SCE's 2025 TY O&M forecast for Technology Infrastructure Maintenance & Replacement is unopposed.

520. SCE's TY 2025 O&M Technology Delivery methodology, including its methodology for non-labor O&M, is appropriate to use because technology products and operating systems change rapidly; and pinpointing an exact

forecast multiple years in the future can be challenging and lead to large variances.

521. SCE's TY 2025 DPT methodology has not justified the value for cost.

522. Cal Advocates' DPT methodology balances the need for DPT against value for ratepayer dollar.

523. SCE justified its Cloud forecast on known vendor contracts which rely upon itemized executed vendor contracts that include contractual terms.

524. SCE has not justified its Perpetual License forecast because the evidence shows that there is a downward trend in Perpetual License costs.

525. SCE's Application Refresh Ongoing Maintenance cost is \$0.

Operating Unit Capitalized Software

526. The OU Capitalized Software stipulation between Cal Advocates and SCE resolves the disputed issues.

527. To authorize the establishment of a memorandum account, the Commission must find that the utility has satisfied the conditions set forth in the Commission's Standard of Practice U-27-W.

528. SCE has not met requirements for establishing the NGESMA according to the factors forth in the Commission's Standard of Practice U-27-W.

Enterprise Planning and Governance (Non-Insurance)

529. SCE's uncontested TY O&M request for Financial Oversight and Transactional Processing is reasonable.

530. SCE's uncontested TY O&M forecast for Workers' Compensation is reasonable.

531. SCE's uncontested TY O&M request of \$3.074 million for corporate governance and miscellaneous expenses is reasonable.

532. The 2024 attrition level for SCE's in-house legal resources approved in SCE's prior GRC reflects analysis and assumptions dating back to 2020, whereas SCE's 2022 recorded expenses reflect the most updated information available at the time SCE filed its GRC application.

533. The evidence in this proceeding does not support Cal Advocates' assertion that SCE's in-house legal costs are expected to continue to decline.

534. SCE's forecasting methodology based on 2022 recorded costs plus adjustments for in-house legal resources is reasonable.

535. SCE does not explain how the Staff Counsel position will reduce the need for outside counsel costs, or identify the number of vacancies to be backfilled or the corresponding savings attributed to the expected decrease in outside counsel work activities.

536. SCE's Employee Compensation Program is uncontested.

537. Although SCE's 2021 recorded outside counsel legal costs were impacted by the \$5.7 million insurance recovery, the impact from the insurance recovery does not itself represent a lower level of activity in the actual work and effort.

538. If SCE's 2021 recorded expenses are adjusted to include the \$5.7 million insurance recovery, then including this adjusted 2021 amount in the five-year average will reflect the actual work and effort performed.

539. SCE does not address whether ratepayers benefited from the \$5.7 million insurance recovery.

540. In D.89-12-057 and D.04-07-022, the Commission determined a forecast based on average historical costs is appropriate for accounts with significant fluctuations from year to year, or which are influenced by external forces beyond the control of a utility.

541. SCE's recorded costs for injuries and other damages have fluctuated significantly over time.

542. No party disputes that the costs for injuries and other damages are driven by external factors that are beyond SCE's control.

543. Cal Advocates' alternative forecast for write-offs uses nominal dollars to calculate the recommended amount of \$9.621 million.

544. If Cal Advocates' alternative forecast for write-offs is converted to constant dollars, it results in a TY forecast amount that is higher than SCE's request.

545. SCE's recorded Business Planning labor costs show a downward trend from 2020–2022, while its Business Planning non-labor costs show a downward trend each year from 2018–2022.

546. SCE's last year recorded forecast methodology for Business Planning O&M is reasonable.

547. SCE discusses the adjustments to its 2022 recorded labor costs in great detail and sufficiently demonstrates that the workload for this account has increased since the last GRC.

548. Cal Advocates does not contest or otherwise address the reasonableness of the specific adjustments included in SCE's Business Planning labor forecast, and does not oppose SCE's Employee Compensation Program.

549. SCE does not identify which emergent Business Planning issues will be addressed through consultant work, or otherwise explain why these emergent issues cannot be addressed through SCE's Business Planning labor request.

550. SCE's non-labor costs for Business Planning declined each year from 2018–2022, while SCE spent less than the authorized amount each year over the same timeframe.

551. Due to additional operational efficiencies included in SCE's rebuttal position, SCE's TY O&M request for Corporate Services is \$0.212 million below Cal Advocates' recommended amount for the 2025 TY.

552. In D.20-08-046, the CAVAMA is described as a temporary mechanism until CAVA-related costs could be incorporated into a GRC or separate ratesetting application.

553. SCE has sufficiently demonstrated that its CAVA and climate-related work is performed on an annual basis and as such it is appropriate to include in SCE's GRC TY forecast.

554. At the time of this decision, it is not clear whether the forthcoming guidance in R.18-04-019 will make one or more memorandum accounts available as a funding mechanism for future Climate Adaptation work.

555. Aside from Cal Advocates' recommendation to remove CAVA-related costs from the TY forecast, no party contests the level of SCE's request or SCE's forecast methodology for Modeling, Analysis, and Forecasting.

556. SCE's uncontested non-labor request for Modeling, Analysis, and Forecasting is reasonable.

557. SCE's Modeling, Analysis, and Forecasting labor costs remained relatively consistent year-over-year between 2018-2022, with variances between years amounting to less than 10 percent.

558. SCE does not explain whether a 25 percent vacancy rate for the Modeling, Analysis, and Forecasting team is atypical or has impacted the work produced by this team, or whether it is necessary to completely backfill the 25 percent vacancy rate.

559. SCE's TY labor increases associated with the staffing of four new Modeling, Analysis, and Forecasting positions, as well as the changes made to SCE's company-wide Employee Compensation Program, are reasonable.

560. SCE's uncontested TY O&M forecast for the Logistics, Graphics, and Center of Excellence activity is reasonable.

561. Cal Advocates' averaging forecasting methodology for SD&D does not account for the change in SCE's payment methodology, SD&D's current staffing level, or SCE's Employee Compensation Program.

562. SCE's recorded costs for SD&D increased from 2022–2023.

563. SCE's last year recorded forecasting methodology for SD&D is reasonable.

Insurance

564. The Insurance stipulation between Cal Advocates, SCE, and TURN resolves the disputed non-wildfire insurance issues, including the non-wildfire liability insurance forecast amount.

Employee Benefits, Training, and Support

565. The uncontested Employee Support Stipulation is reasonable in light of the whole record, consistent with law, and in the public interest.

566. SCE's following Employee Benefits and Programs TY forecasts are unopposed: Dental Plans, Disability Management – Administration, Disability Management – Programs, Group Life Insurance, Miscellaneous Benefit Programs, Severance, and the Vision Service Plan.

567. Certain Employee Benefits and Programs forecasts are dependent upon the total labor force included in the RO Model calculation.

568. SCE's unopposed TY forecasts for Employee Benefits and Programs are reasonable subject to SCE making any necessary modifications based on the final total labor forecast.

569. SCE's STIP includes the Short-Term Incentive Plan for non-executives and the EICP for executives who are not Rule 3b-7 officers.

570. Offering employee compensation in the form of incentive payments is useful for recruiting and retaining skilled professionals and improving work performance and is a generally accepted compensation practice.

571. The Commission has rejected arguments that cost-of-service ratemaking principles require ratepayers to fully fund incentive compensation where elements of the program essentially benefit shareholders without a clear demonstrable benefit to ratepayers, including in cases where the utility has argued that the total compensation package was at market.

572. It is within SCE management's discretion to target incentive compensation to achieve ratepayer benefits.

573. SCE presents contradictory arguments concerning whether the 2024 STIP goals are "more reflective" of what the 2025 goals are likely to be, versus whether the 2024 STIP goals are substantively similar to the 2023 STIP goals.

574. SCE's 2024 STIP goals and allocations were first presented in SCE's rebuttal testimony.

575. In past GRCs, the Commission limited ratepayer funding of STIP based on the historical ratio of STIP to total labor expenses, and by excluding costs associated with company goals that primarily benefit shareholders.

576. The 10.7 percent STIP to labor ratio SCE projects for 2025 TY represents a decrease from the STIP to labor ratio recorded in 2022 and adopted in SCE's 2021 GRC, D.21-08-036.

577. SCE's 2025 STIP to labor ratio is impacted by the movement of the STIP target to base pay.

578. No party directly contests SCE's STIP to labor ratio for the 2025 TY.

579. The ratepayer benefit from the Core Earnings goal is much less direct than the shareholder benefit.

580. Incentives to increase core earnings can work at cross purposes with incentives to address safety or reliability issues.

581. SCE has failed to demonstrate that costs related to the Core Earnings STIP goal category (weighted at 25 percent of STIP goals) are reasonable.

582. In D.19-09-051, the Commission held that ratepayer recovery of incentive program costs is reasonable where there is a demonstration of benefits, even if some metrics also align with shareholder benefits.

583. SCE has sufficiently demonstrated that its capital-related STIP goal categories are aligned with prior Commission decisions and guidance, and will benefit ratepayers.

584. Ratepayers will benefit from the Operational Excellence category goal.

585. Aside from the Core Earnings goal category, Cal Advocates does not dispute SCE's showing that achievement of the other STIP goal categories will benefit customers.

586. The total amount that SCE can award through the STIP in a given year (*i.e.*, the amount that the GRC is intended to forecast) is fixed, and is wholly determined by the company's performance against STIP goals.

587. Any reductions that are made to particular STIP goal categories should be fully reflected in a reduced forecast.

588. SCE's uncontested movement of STIP target payments to base pay is reasonable.

589. Going back to at least the 2009 GRC, the Commission has excluded SCE's LTI costs from rates because LTI does not align executives' interests with ratepayer interests.

590. SCE does not present any new arguments that would warrant a departure from the Commission's longstanding policy to exclude LTI costs from rates.

591. LTI is primarily designed to reward SCE employees for promoting shareholder interests.

592. SCE's Executive Compensation forecast excludes Rule 3b-7 officers of SCE and shared officers who are Rule 3b-7 officers, consistent with Pub. Util. Code Section 706 and D.21-08-036.

593. The STIP and EICP are based on the same goals and weights.

594. SCE's "historical funding policy" for its Pension Plan has been in place since at least 1982.

595. In recent years, the combination of investment returns and ongoing ratepayer-funded contributions have produced a pension asset that is slightly overfunded (*i.e.*, the asset exceeds the present value of all benefits earned to date).

596. Since SCE's Pension Plan has been closed to new participants, the pension-eligible payroll will decrease over time as currently eligible participants leave the organization.

597. Parties agree that the method by which SCE's Pension Plan is currently funded will need to be modified at some point in the foreseeable future.

598. SCE projects the Pension Plan to be underfunded by approximately one percent in 2028, the last year of this GRC cycle.

599. Adjusting SCE's forecasted investment return to reflect the actual investment return recorded by SCE in 2023, results in SCE's Pension Plan being fully funded through 2025-2028 period, even with retention of the historical funding policy.

600. SCE's new, proposed funding policy for the Pension Plan will increase the revenue requirement by approximately \$28 million per year.

601. Considering the lack of urgency associated with SCE's new funding policy request, and the magnitude of SCE's overall revenue requirement request in this GRC, it is reasonable to continue to maintain SCE's historical funding policy over the 2025-2028 GRC period.

602. There is limited record concerning the recommendation by TURN to develop a process to monitor whether changed circumstances warrant a different funding approach for the Pension Plan, or how any new funding approach would be submitted for Commission review and approval.

603. SCE's TY forecast for the 401(k) Savings Plan included increases attributed to the STIP-to-base pay conversion.

604. SCE's 401(k) matching contribution policy and calculation methodology were approved in several prior rate cases, including SCE's 2012, 2015, 2018 and 2021 GRCs.

605. Any decrease to SCE's 401(k) matching contribution percentage would, at this point, be a reduction in the benefits of the plan.

606. Base pay increases from the STIP-to-base pay transition will be in effect in 2025.

607. SCE's uncontested PBOP forecast of \$0 for the 2025 TY is reasonable.

608. SCE is exploring alternative uses for surplus PBOP funds.

609. For the 2025 TY, SCE forecasts \$151.408 million for the Medical Programs GRC activity.

610. SCE's forecast for Medical Programs includes a new premium-sharing design, and is dependent upon the final labor force included in the RO Model.

611. Medical Programs are one part of an overall benefits package provided to SCE employees.

612. Based on the results of the TCS, SCE's benefits program, generally, is at 20 percent above market, while SCE's overall compensation program is at-market.

613. SCE fails to justify why the Medical Program premium-sharing design is necessary.

614. SCE forecasts TY expenses of \$0.411 million to administer its Recognition Programs.

615. In this GRC, SCE is only requesting the costs to administer its Recognition Programs, rather than the awards themselves.

616. The types of behaviors (*e.g.*, a focus on safety) that SCE's recognition programs reward further the provision of safe and reliable service at just and reasonable rates.

617. SCE's TY forecast for Recognition Programs is reasonable.

618. In past GRCs, the Commission has allowed rate recovery of 50 percent of SCE's Executive Benefits forecast since Executive Benefits are based, in part, on executive bonuses related to company goals, not all of which are recoverable in rates.

619. SCE's Executive Benefits continue to be based, in part, on executive bonuses related to company goals.

620. In past GRCs, the Commission has found that Executive Benefits costs should be equally shared between ratepayers and shareholders because both receive benefits from the retention of executives and managers.

621. Cal Advocates' recommendation that ratepayers fund no more than 50 percent of SCE's Executive Benefits forecast is justified and consistent with Commission decisions.

622. The uncontested Training and Development Stipulation is reasonable in light of the whole record, consistent with law, and in the public interest.

623. SCE states Training Seat Time forecast "is fairly consistent with the 2023 recorded training hours and associated costs, and training demand is expected to stay the same, or increase slightly, in the next few years," and that the 2023 recorded volume reflects "the high demand and necessity of training for T&D employees."

624. SCE's 2023 recorded hours for Training Seat Time is 83 percent of SCE's planned hours.

625. Adjusting SCE's Training Seat Time to replace SCE's 2023 planned hours with 2023 recorded hours would result in significant ratepayer savings.

626. It is reasonable and in ratepayers' interest to adjust SCE's Seat Time Training methodology to reflect the actual recorded training volume in 2023.

627. While Training Delivery is not wholly dependent on Training Seat Time, if the number of employee training hours is reduced it is reasonable to expect a similar directional adjustment to Training Delivery expenses.

628. Reducing SCE's Training Delivery labor line quantity by 17 percent, corresponding to the adjustment from SCE's 2023 planned training hours to 2023 recorded training hours, results in revised total labor cost of \$15.092 million, which is slightly above the labor costs SCE actually recorded for Training Delivery in 2023.

629. TURN and Cal Advocates' 2025 labor and non-labor forecasts are lower than 2023 recorded labor and non-labor expenses, for both Training Seat Time and Training Delivery.

Total Compensation Study

630. SCE's TCS assessed SCE's jobs which are positions that are common across comparable organizations, and for which total compensation data are available from published surveys.

631. SCE's TCS found that SCE's target total compensation is 0.5 percent below the market average and its actual total compensation is 0.6 percent below the market average.

632. SCE's TCS is uncontested.

Environmental Services

633. The Environmental Services stipulation between Cal Advocates, SCE, and TURN resolves the disputed O&M costs and capital expenditures.

634. SDG&E's request for cost recovery for its share of the SONGS-related Marine Mitigation and Workers' Compensation costs is unopposed.

Audit Services

635. Audit expenses totaling \$8.208 million, which includes \$5.357 million in labor and \$2.851 million in non-labor, relate to expenses for necessary audit.

Ethics and Compliance

636. SCE's uncontested TY O&M forecast for E&C non-labor expenses is reasonable.

637. The Commission has found an average forecasting methodology to be appropriate when there are significant fluctuations in recorded expenses from year-to-year, or where the recorded cost is influenced by weather or other forces beyond the utility's control.

638. SCE's 2018-2022 recorded E&C labor costs are relatively stable and predictable.

639. SCE's TY O&M forecast methodology for E&C labor activities, based on 2022 recorded costs plus adjustments, is reasonable.

640. SCE's 2025 labor E&C forecast includes backfilling three vacant positions, converting one memo account position, and seven new positions to address E&C's compliance management work.

641. Since existing E&C vacancies are associated with mandatory compliance work, and since SCE's recorded 2020 and 2021 E&C labor costs are slightly higher than the labor costs recorded for 2022, it is reasonable to approve SCE's request to fill three existing vacancies and convert a memorandum account-funded position to a base O&M funded position.

642. SCE does not provide any documentation or support demonstrating how the seven new E&C positions proposed for the 2025 TY fit into the E&C's existing workload and responsibilities.

643. Since there will be an incremental increase in the E&C workload associated with the additional capital spending approved for wildfire mitigation, distribution infrastructure replacement, load growth, transmission projects, and engineering work in this decision, it is reasonable to approve four new E&C positions.

644. Multiplying the total \$1.515 million increase SCE attributes to the 11 E&C positions by 73 percent, associated with the approval of eight E&C positions, results in an adjusted increase of \$1.106 million.

Safety Programs

645. SCE's Safety Programs provide guidance, governance, and oversight of the company's safety programs and activities focused on public, contractor, and

worker safety to accomplish the common goal of creating an injury-free workplace.

646. SCE's Test Year 2025 forecast for its Safety Programs O&M expenses is \$30.741 million, including \$8.352 million for Employee and Contractor Safety, \$4.271 million for Safety Strategy Culture Transformation, \$17.469 million for Safety Activities – Transmission & Distribution, and \$0.649 million for Public Safety.

647. SCE's 2025 capital forecast for its AED program is \$0.700 million.

Enterprise Operations

648. The capital forecast for the Facility Management Capital Program, Enterprise Operations Transportation Services, including its recorded expenditures, as well as the TY 2025 forecast O&M expenses for the Facility and Land Operations are uncontested.

649. It is prudent to adopt the uncontested capital forecast for the Facility Management Capital Program, Enterprise Operations Transportation Services, including its recorded expenditures, as well as the TY 2025 forecast O&M expenses for the Facility and Land Operations.

650. SCE has not justified the forecast for the Edison Training Academy because the project has been delayed.

651. Given the Edison Training Academy's delays, it is prudent for SCE to record costs associated with the Edison Training Academy into a memorandum account, titled the Edison Training Academy Memorandum Account, for purposes of recording costs associated with this project.

652. SCE has justified its forecast for the Vehicle Maintenance Facilities program because SCE has made material progress on this project.

653. SCE has justified the GO4 Workplace Upgrades project forecast because SCE has made material progress on this project.

654. SCE has not justified the Fleet Charging Program's forecast because the project's request for vehicle chargers contains redundancy.

655. Given the Fleet Charging Program's redundancy, reducing SCE's Fleet Charging Program's forecast to \$10.223 million in 2023, \$8.437 million in 2024, and \$36.922 million in 2025 is prudent.

656. SCE has justified the Covina CSAS Building Remodel forecast because SCE has made material progress on the project.

657. SCE has not justified its forecast for the Barstow Service Center Expansion project because: (a) the project has been delayed; and (2) the estimate for commencement of construction in 2027 is too close to the end of this GRC cycle for the project to fit within the parameters of this GRC cycle.

658. SCE's Alhambra Regional Operations Facility Renovations forecast presents the risk of an inflated project estimate.

659. Given the risk of the project's inflated estimate, reducing the Alhambra Regional Operations Facility Renovations by 20 percent is prudent.

660. SCE has justified its forecast for the Westminster Combined Facility Renovations because SCE has made material progress on the project.

661. SCE has justified its Substation Reliability Upgrades project forecast because SCE has made material progress toward completion of the project.

662. SCE has justified its San Jacinto Laydown Yard project forecast because SCE has made material progress on the project.

Policy, External Engagement, Ratemaking

663. SCE's uncontested TY O&M forecast for the Develop and Manage Policy and Initiatives activity is reasonable.

664. SCE spent lower than the authorized amount for the Education, Safety, and Operations activity between 2018–2019, which was prior to the COVID-19 pandemic.

665. SCE recorded year-over-year decreases in the recorded costs for the Education, Safety, and Operations activity between 2019–2023.

666. Although SCE initially forecast that spending would increase for Education, Safety, and Operations from 2022–2023, SCE’s actual recorded costs reflect a cost decrease over this time period.

667. SCE does not explain why its 2023 recorded costs for Education, Safety, and Operations were lower than SCE’s initial GRC forecast in this proceeding.

668. SCE has presented sufficient evidence demonstrating that ratepayers receive some benefits from EEI membership.

669. In the past, the Commission has specifically barred ratepayer funding of membership activities such as: legislative advocacy, legislative policy research, regulatory advocacy, advertising, marketing, and public relations.

670. SCE does not provide a breakdown of EEI’s membership activities or dues that would enable the Commission to determine how much of the dues are attributable to activities the Commission has previously deemed improper for ratepayer recovery.

671. SCE relies on information presented in the EEI invoice and EEI’s February 2023 budget report to exclude costs related to “influencing legislation,” but the invoice does not present an itemized breakdown of other activities that the Commission has previously excluded from ratepayer funding.

672. Given SCE’s demonstration that there are some ratepayer benefits, it is reasonable to approve some ratepayer funding for SCE’s EEI membership dues.

673. Consistent with our determination in D.21-08-036, it is reasonable to approve EEI dues designated for the Restoration, Operations, and Crisis Management Program (\$0.015 million).

674. Based on amounts the Commission has previously found to be reasonable, it is reasonable to approve ratepayer funding for 50 percent of the remainder of the EEI dues plus the full amount for the Restoration, Operations, and Crisis Management Program.

675. CalTax is a legislative advocacy organization.

676. SCE's uncontested dues and memberships totaling \$0.240 million for the Professional Development and Education GRC activity are reasonable.

677. SCE's uncontested TY O&M forecast for Ratemaking Cost Recovery is reasonable.

Results of Operations

678. SCE uses a Commission-approved methodology to calculate factors to allocate total company costs between CPUC and FERC jurisdiction.

679. SCE's uncontested jurisdictional allocation factors are reasonable.

680. The Present Rate Revenue presented by SCE in this proceeding is provided for illustrative purposes only, and is not intended to support the requested revenue requirement itself.

681. Unless otherwise specified in this decision, SCE's proposed escalation rates for labor, non-labor, and capital costs for 2018–2025 are reasonable.

682. SCE's retail sales forecasts incorporate historical trends, economic outlook, weather assumptions, and other factors, including energy efficiency, electrification, and solar PV and energy storage.

683. EPUC's retail sales forecast relies on raw, unadjusted historical sales data from SCE's FERC Form 1, and does not account for weather or customer on-site solar PV generation.

684. SCE's sales forecast will be considered in SCE's Phase 2 GRC and ERRRA proceedings.

685. SCE's uncontested forecast for OOR (excluding NTP&S) is reasonable.

686. SCE's uncontested Added Facilities rates for the 2025 TY are reasonable.

687. SCE presented direct testimony in this proceeding addressing the Commission's NTP&S-related inquiries from D.21-08-036.

688. In D.97-12-088, as modified by D.06-12-029, the Commission adopted rules governing Affiliate Transactions and determined that all incremental costs for NTP&S are the sole responsibility of utility shareholders.

689. SCE's OOR forecast of \$16.672 million for revenues generated from NTP&S is consistent with the previously authorized GRSM threshold.

690. SCE has sufficiently demonstrated that its established NTP&S Program accounting procedures and processes comply with Commission auditing and reporting requirements.

691. No party presented any evidence in this proceeding demonstrating that SCE's NTP&S offerings are not in compliance with established Commission requirements, that incremental NTP&S costs have been allocated to customers, or that SCE's NTP&S offerings are driving proposed and unnecessary investments in the GRC.

692. In 2023, of the total strand miles from SCE's fiber network, 24.3 percent was used for energy utility operations, 7.7 percent was used for NTP&S, and 68 percent was available for future use.

693. Because SCE does not keep or maintain records of its “but for” tests and time logs, it is not possible for stakeholders to examine whether NTP&S incremental costs have been included in the GRC revenue requirement.

694. The KPMG Report provides different potential options for SCE to implement non-incremental resource tracking, with associated costs ranging between \$0.06 million to \$5.72 million on an annual basis.

695. The Commission has consistently held that a rulemaking is the appropriate venue for reviewing SCE’s GSRM.

696. PG&E’s NTP&S Program is fundamentally different from SCE’s NTP&S Program.

697. By proposing to terminate SCE’s NTP&S Program in two years if SCE does not file an application, TURN’s proposal would, in effect, place limitations on SCE’s GSRM.

698. The step-by-step process SCE used to develop and support its TY O&M expenses is reasonable.

699. SCE’s uncontested A&G and P&B capitalization rates are reasonable.

700. In D.23-11-069, the Commission directed PG&E to submit certain information in future GRCs in which it proposes investments in UOG asset life extensions.

701. SCE does not oppose providing, in future GRCs, the same types of information that PG&E is currently required to provide when proposing investments in UOG asset life extensions.

702. The outputs from SCE’s current RO Model are only delineated at the functional or sub-functional level.

703. There is insufficient record in this proceeding to be able to determine whether SCE could develop a workaround to the existing RO Model to

implement CalCCA's request to provide a clear breakdown of its UOG asset-level revenue requirement and any incremental revenue requirements, or how much time and expense the workaround would require.

704. SCE's proposed 2023 true-up in this proceeding (*i.e.*, adjusting SCE's 2023 forecast capital expenditures with 2023 recorded capital expenditures) is approximately \$256 million lower on a total GRC basis than SCE's initial forecast.

705. While the Commission has held that the GRC decision-making process benefits from having the most recent recorded data available, it has not found that recorded capital expenditures should, as matter of practice, always be accepted.

706. The Commission has explicitly rejected arguments that having an asset which is "used and useful" is sufficient, by itself, to prove that the expenditures to purchase and install the asset should be recovered from rates.

GRC-Related Balancing and Memorandum Account Proposals

707. SCE's uncontested proposals to continue, establish, and close various memorandum and balancing accounts are reasonable.

708. SCE's EVIMA tariff currently provides that the costs tracked in the EVIMA shall be separately reviewed for reasonableness in SCE's next GRC (*i.e.*, its 2025 GRC) or any other proceeding deemed appropriate by the Commission.

709. In this proceeding, SCE proposes to extend the Z-Factor mechanism to include the GRC TY.

710. The Z-Factor mechanism is applicable to exogenous events that are outside of SCE's control, and includes both unexpected increases and decreases to utility costs.

711. There is limited record in this proceeding concerning whether there are superior thresholds to the application of a Z-Factor deductible, or how the

current or TURN's proposed Z-Factor deductible amount compares to the historic level of costs that SCE has recorded in the ZFMA.

712. While GRC TY forecasts are expected to be relatively more precise than the subsequent attrition years, the forecasts presented in this proceeding are not impervious to future external events outside of the utility's control.

713. The Commission has held that a memorandum account mechanism may be appropriate when expenses are caused by an event outside of the utility's control, were not reasonably foreseen in the utility's last GRC, are substantial in the amount of money involved, and where ratepayers will benefit from memorandum account treatment.

714. Based on the evidence presented in this proceeding, SCE's request to establish the CCMA does not meet the threshold of being substantial in the amount of money involved.

715. SCE does not provide any evidence demonstrating that the 2023-2024 costs recorded in the AMIMA will be substantial or potentially significant.

716. The deductible instituted for Sempra Utilities' GRRMA in D.23-05-003 was based on evidence demonstrating that the specific activities and costs to be tracked in the GRRMA would otherwise meet the criteria for Z-Factor treatment.

717. TURN fails to present any evidence in this proceeding demonstrating that the specific activities and costs to be tracked in SCE's proposed memorandum accounts would otherwise meet the criteria for Z-Factor treatment.

718. In this proceeding, there are proposals or requests related to over 40 discrete balancing and memorandum accounts.

719. SCE's uncontested 2019-2022 recorded costs for the Mobilehome Park Utility Conversion Program are reasonable.

720. The process for review and recovery of costs recorded in a memorandum account is intended to be retrospective.

721. During the pendency of this proceeding, SCE presented its 2022–April 2024 recorded costs in the SCMPMA, DDACMA, ECPMA, RDICMA, NEMOASMA, CCPAMA, ACCMA, and WMPMA.

722. No party contested SCE’s 2022–April 2024 recorded costs in the DDACMA, ECPMA, RDICMA, NEMOASMA, CCPAMA, ACCMA, and WMPMA.

723. SCE’s 2022–April 2024 recorded costs in the DDACMA, ECPMA, RDICMA, NEMOASMA, CCPAMA, ACCMA, and WMPMA are reasonable.

724. Concerning the SCMPMA, SCE does not delineate the overall project cost increases to each respective cost impact.

725. SCE does not explain whether any of the cost impacts that lead to the project-specific cost increases in the SCMPMA were within SCE’s ability to control.

726. SCE’s limited explanation for the \$22.341 million increase for costs recorded in the SCMPMA, as presented in update testimony, is insufficient.

Rate Base

727. SCE’s unopposed rate base methodologies and requests are reasonable.

728. SCE’s Plant-in-Service additions forecast includes construction costs already spent at year-end 2022, with adjustments to exclude certain wildfire costs currently tracked in memorandum accounts.

729. In its direct testimony, TURN identifies an additional \$883 million in plant costs in the RO Model associated with capital costs booked to CEMA and WMPMA that were undergoing reasonableness review in other proceedings,

plus \$41 million in plant associated with capital costs booked to CEMA for which SCE had yet to file a reasonableness review application.

730. During the pendency of this proceeding, the Commission issued decisions authorizing SCE's full capital expenditure requests in A.22-06-003 and A.22-03-018, leaving approximately \$258 million of the total \$924 million in recorded plant amounts that TURN identified as undergoing reasonableness review or for which SCE had yet to file a reasonableness review application.

731. In D.23-11-069, the Commission concluded that costs recorded to CEMA and WMPMA that had not yet been reviewed for reasonableness must be excluded from PG&E's GRC RO Model, on the basis that Pub. Util. Code Section 451 requires all charges demanded or received by a public utility to be just and reasonable.

732. SCE's proposal to true-up the GRC revenue requirements from approved CEMA and WMPMA costs via a consolidated annual post-test year advice letter will address the considerable time that will transpire between the dates SCE incurred these capital expenditures and SCE's 2029 GRC filing, and is uncontested.

733. In this GRC, SCE forecasts working capital for emission credits for its Mountainview plant to increase over time based on a three-year (2020-2022) compound annual growth rate of 13.28 percent.

734. SCAQMD rules and regulations require emission credits to operate the Mountainview plant under the RECLAIM program.

735. SCE recovers emission credits under the RECLAIM program as O&M costs in ERRAs as they are consumed.

736. Several of SCE's emissions credit contracts will expire in 2023-2025 and, at the time of this decision, it is unknown whether SCAQMD will require the

purchasing of future contracts to replace expiring contracts, or what the minimum amounts will be.

737. SCAQMD's South Coast Air Basin is currently in nonattainment with National Ambient Air Quality Standards.

738. As a cap-and-trade emission reduction program, the RECLAIM program cap continues to go down over time, meaning there will be fewer RTCs available to purchase in the market over time.

739. SCE's three-year average proposal for Mountainview emission credits reflects a more recent price and purchase trend than Cal Advocates' proposed five-year average, and is consistent with the adopted methodology in SCE's 2021 GRC.

740. SCE proposes a revenue lag of 57.2 days for the 2025 TY based on the average 2022 last-year recorded lag days for service lag, billing lag, collection lag, and bank lag.

741. The Commission has adopted several recent and ongoing customer assistance programs, such as the implementation of a 12-month payment plan as well as the annual caps on the number of residential disconnections allowed, which will impact customer arrearages beyond the GRC test period.

742. SCE's current recorded \$1.2 billion in customer arrearages is significantly higher than the recorded arrearages in 2020 and 2021.

743. SCE restarted collection of arrearages for commercial and residential customers in July 2022 and October 2022, respectively.

744. On average, SCE reduced its 2023 planned collection volume for residential customers by about 70 percent from June through December, and SCE plans to gradually increase collection volumes in 2024 to reach normal volumes before the start of 2025.

745. Residential customers constitute the majority of SCE's current total customer arrearages.

746. Cal Advocates' alternative recommendation to use a three-year revenue lag average between 2020–2022 would account for SCE's accumulated \$1.2 billion in customer arrearages while factoring in that SCE has already restarted both commercial and residential arrearage collection plans.

747. SCE largely fails to demonstrate the degree to which certain factors — namely, unbundled customers, exception processing, manual billing, and joint invoicing — cause a bill to be held up beyond the typical system process time and contribute to SCE's overall reported billing lag.

748. SCE does not explain why there was a significant jump in the average billing lag in 2020, at 10.9 days, compared to the average 6.7-7.5 billing lag days recorded during 2016–2019.

749. SCE presents a billing lag of eight days in this proceeding, compared to the adopted billing lag of 2.1 and 3.5 days for SoCalGas and SDG&E, respectively.

750. No party presented evidence comparing the current conditions and factors that may drive the different reported utility billing lags presented in this proceeding.

751. SCE's lead-lag proposal for Goods and Services is an average of 39.2 days based on PO (42.4 lag days) and Non-PO (6.4 lag days).

752. Cal Advocates recommends a composite expense lag of 41.2 days for Goods and Services using a target of 45.0 days for PO payments and SCE's recommended 6.4 days for Non-PO payments.

753. SCE's PO payments during 2020 and 2021 were higher than any of the other years during the 2018–2022 period.

754. There were certain large transactions with extended lags between acceptance of the invoice and the actual payment in 2020 and 2021 that significantly affected the reported lag values during these years.

755. SCE's 2022 recorded PO payment lag days is reasonably consistent with the wider five-year historical average between 2018–2022.

756. In D.24-12-074, the Commission found it reasonable to exclude depreciation expense from Sempra Utilities' working cash calculation.

757. SCE does not directly refute EPUC's claim that SCE does not need to retain cash on hand to pay depreciation expense, nor does SCE demonstrate a cash outlay every time SCE makes a depreciation expense entry.

758. Aside from the exclusion of depreciation expense from working cash, there is limited record concerning EPUC's other recommended non-cash adjustments.

759. It is reasonable to exclude depreciation expense from SCE's working cash calculation to better align working cash with operational realities and to lower the revenue requirement.

760. Due to net operating loss and other tax credit carryovers, SCE has not had federal taxes due since 2009 and California taxes due since 2016.

761. In this GRC, SCE forecasts a federal income tax lag of 54 days and a state income tax lag of 40 days.

762. In D.19-08-013, the Commission found it reasonable to use 365 days for state and federal tax lag days since SCE had not paid federal income taxes for several GRC cycles and state income taxes since before the last GRC cycle, and given the lack of evidence that SCE's tax situation would change during the 2021 GRC cycle.

763. In D.19-08-013 and D.23-11-069, the Commission found the adopted tax lag adjustments were not incompatible with OII 24, since OII 24 does not foreclose

Commission consideration of tax impacts associated with events outside the rate case under extraordinary circumstances.

764. No party contests SCE's assertion that it will be subject to the CAMT over the 2025-2028 GRC period.

765. No party contests SCE's assertion that it will be subject to the CA-AMT every year over the 2025-2028 GRC period.

766. Under the CA-AMT, taxpayers are required to pay a minimum tax liability each year regardless of any net operating losses.

767. SCE's California tax liability is the greater of the regular income tax or the CA-AMT.

768. No party contests SCE's assertion that the carryforward attributes of its net operating losses will only fully offset regular California income tax for some, but not all, years during this GRC.

769. TURN does not oppose SCE's forecast federal tax lag and state tax lag days.

770. SCE has reasonably demonstrated that it will pay state and federal taxes over this GRC period.

771. SCE forecasts a customer advance balance of \$69.488 million in 2025 utilizing a five-year recorded balance average from 2018-2022.

772. Customer advance balances are impacted by several external factors outside of SCE's control.

773. Cal Advocates does not explain why its customer advance proposal based on a single year plus escalation better accounts for forecast uncertainty.

774. The Commission has held that if expenses are influenced by external forces beyond the utility's control, a multi-year average of recorded data is likely to yield a more reliable forecast than a forecast predicated upon a single year's data.

775. SCE's forecast for customer advances is reasonable.

776. In every GRC since 2003, the Commission has required SCE to offset rate base by the amount of its CDs as an adjustment for working cash.

777. Beginning with SCE's 2012 GRC, the Commission has granted SCE permission to use up to 10 percent of its CDs to promote SCE's use of minority and community banks.

778. The CDs housed in SCE's minority and community bank program are not included as an offset to rate base.

779. CDs have continued to act as a substantial source of permanent low-cost working capital for SCE.

780. SCE does not segregate the cash associated with CDs from all other sources of available operating funds or working cash other than the 10 percent of CDs in its minority and community bank program.

781. Notwithstanding the impacts from COVID-19, SCE projects CDs to increase toward the end of this GRC cycle, with an annual balance of \$197 million in 2028.

782. In D.19-08-013, the Commission approved a TY forecast of \$221.89 million for 2021, based on SCE's forecast CD balance for 2023.

783. TURN's proposal to use a forecast value of \$174 million for the TY represents the most conservative annual level of customer deposits held, as projected by SCE, and is consistent with the methodology adopted in SCE's 2021 GRC.

784. It is reasonable to continue the policy of requiring SCE to use CDs to offset rate base.

785. It is reasonable for SCE to continue to use up to 10 percent of its CDs to promote its minority and community bank program.

786. Consistent with past treatment, it is reasonable to authorize an offsetting interest expense for the portion of CDs that are applied as a reduction to rate base at the 90-day commercial paper interest rate.

787. SCE's proposal to extend the 2018 TAMA in this rate case cycle is unopposed.

788. Continuation of the 2018 TAMA will aid the Commission's review of the reasonableness of SCE's election of various tax changes.

SCE Asset Depreciation Study

789. SCE proposes annual net salvage accruals that would result in a \$211.6 million increase over currently authorized rates based on 2022 year-end plant balances.

790. The currently authorized net salvage rates for the 12 accounts for which SCE requests higher net salvage accruals are insufficient to recover future costs of removal.

791. Given the evidence presented by SCE regarding increasingly negative net salvage rates, keeping the rates frozen for another GRC cycle would result in a disproportionate share of removal costs for the identified 12 accounts being shifted to future ratepayers.

792. The Commission has applied the principle of gradualism in prior GRCs.

793. Given that the overall cost increases at issue in this GRC are substantial, it is reasonable to limit any net salvage increases to 20 percent of SCE's requested increases.

794. The authorized net salvage increases in SCE's 2021 GRC were based on the same principle of gradualism that is being applied in this decision.

795. Cal Advocates' recommendation results in total NSR increases of \$26.1 million, or approximately 12 percent of SCE's request, which is well below the 25 percent historically applied under the principle of gradualism.

796. The use of statistically aged data in the Gannet Fleming Study does not have a significant impact on SCE's results in this case.

797. Both SCE's and TURN's ASL T&D recommendations rely to a large degree on expert judgment and other policy considerations.

798. For Account 352, the exposures (*i.e.*, dollars exposed to retirement) fall below one percent of the overall account at age 49.5.

799. SCE's proposed Iowa curve for Account 352 puts greater emphasis on data through age 49.5, while TURN's proposed curve provides a closer fit throughout the most relevant portions of the OLT curve.

800. SCE recommends increasing the authorized ASL for Account 354 by five years, whereas TURN recommends increasing the ASL by 11 years.

801. SCE and TURN identify issues with fitting a curve to the data for Account 354, while the OLT data for this account does not reach 80 percent surviving.

802. Given the data limitations associated with Account 354, it is reasonable to adopt SCE's more modest proposed increase.

803. SCE's and TURN's proposed Iowa curves do not provide a close fit to the OLT curve for Account 356, while the OLT data for this account only reaches around 80 percent surviving.

804. Given the data limitations associated with Account 356, it is reasonable to adopt SCE's more modest proposed ASL increase of four years.

805. Most of the assets in Account 357 are relatively new, with over 85 percent of investment installed since 2010.

806. TURN's analysis of Account 357 based on past retirement activity is not persuasive given the minimal retirement activity recorded in this account.

807. SCE's actuarial analysis does not provide definitive results for Account 357.

808. Both of the selected Iowa curves by SCE and TURN provide relatively close and similar fits to the OLT curve through age 40 for Account 366, after which the higher mode of SCE's selected curve causes it to diverge from the OLT curve relative to the Iowa curve TURN recommends.

809. SCE states it has taken gradualism into account as part of its proposal to decrease the authorized ASL for Account 362 by seven years.

810. SCE does not provide specific recommendations to shorten the ASL for Account 366 due to energy transition factors.

811. TURN's proposed Iowa curve for Account 366, which achieves a better mathematical fit to the OLT, is more supported by the evidence.

812. Although SCE proposes a two-year ASL decrease for Account 367, SCE acknowledges the actuarial analysis could support a moderate increase in ASL and that there is an expectation that ASL could increase based on improved cable materials and installation practices.

813. TURN acknowledges that both parties' proposed Iowa curves result in relatively closer fits to the OLT curve for Account 367, and both are within a reasonable range for this account.

814. There is no evidence of any major factors that would change the appropriateness of the ASL for Account 367 adopted in the last GRC, and therefore, it is reasonable to retain the previously authorized ASL of 47 years.

815. SCE recommends retaining an ASL of 55 years for Account 369, whereas TURN recommends an increase in the ASL of seven years.

816. For Account 369, there is a more pronounced difference between the OLT curve reflecting SCE's actual retirement experience and the OLT curve to which SCE has added its statistically aged data to its actual retirement experience.

817. While TURN's proposed Iowa curve is a closer fit to the 2002-2021 experience band for Account 369, OLT data for this curve is limited, ranging from 100 percent to ~80 percent surviving.

818. Between 2012 and 2021, SCE retired only \$27 million of plant, representing two percent of the average plant balance, for Account 369.

819. SCE acknowledges that its statistical analysis could support a longer service life for Account 369.

820. There is no evidence of any major factors that would change the appropriateness of the ASL for Account 369 adopted in the last GRC, and therefore, it is reasonable to retain the previously authorized ASL of 55 years.

821. SCE's uncontested proposal to extend the ASL for Account 359 is reasonable.

822. SCE's uncontested proposals to decrease the service lives for Accounts 355, 361, 362, 364, 365, 373, and 390 are reasonable.

823. SCE's uncontested service life proposal for Account 363, for which an ASL is not currently approved, is reasonable.

824. SCE's uncontested proposals to retain the service lives for the remainder of the T&D accounts are reasonable.

825. It is reasonable for SCE to begin recovery for the San Geronio, Borel, and Rush Creek (Agnew, Rush M) plants given the high probability that decommissioning of these plants will take place within the next three years and the significant associated costs of decommissioning.

826. SCE has already started decommissioning San Gorgonio, and estimates a 100 percent probability that it will initiate decommissioning of Borel in 2026, and a 90 percent probability that it will initiate decommissioning of Rush Creek (Agnew, Rush M) in 2027.

827. SCE estimates a 50 percent probability of decommissioning for three plants (Rush Creek (Gem), Lower Tule River, and Kaweah 3), and a 10 percent probability of decommissioning for the remainder of its small hydro plants.

828. In D.21-08-036, the Commission found that SCE failed to present sufficient justification to begin recovery of decommissioning costs for plants that SCE estimated to have a 50 and 10 percent probability of decommissioning, citing a lack of justification to begin recovery of decommissioning costs for these plants.

829. SCE fails to present new and persuasive evidence demonstrating that plants for which SCE estimates to have a 50 and 10 percent probability of decommissioning will be decommissioned in the near future.

830. SCE's undisputed probability-adjusted decommissioning cost estimates (\$2022) of \$78 million for San Gorgonio, \$56 million for Borel, and \$73 million for Rush Creek (Agnew, Rush M) are reasonable.

831. Escalating decommissioning costs to the estimated end of service life would result in current ratepayers paying on a vastly overinflated expense.

832. In D.19-05-020 and D.21-08-036, the Commission adopted TURN's proposal to calculate SCE's decommissioning accrual using constant dollars at the end of the current GRC cycle.

833. The arguments presented by SCE in this case with respect to generation decommissioning escalation have already been considered and rejected by the Commission.

834. It is reasonable to continue to calculate SCE's decommissioning accrual using constant dollars at the end of the current GRC cycle (*i.e.*, \$2028).

835. Parties do not dispute whether the decommissioning estimates for Mountainview and the Peakers should include a contingency factor.

836. SCE's proposed 20 percent contingency factor for the decommissioning estimates for Mountainview and the Peakers is supported by a consultant with extensive decommissioning experience.

837. Parties do not dispute that the timing of a project can affect the appropriate contingency level.

838. Mountainview and the Peakers are not scheduled to be decommissioned for almost two decades.

839. SCE has sufficiently justified the use of a 20 percent contingency factor for the decommissioning estimates for Mountainview and the Peakers.

840. SCE's proposed depreciation service lives for general and intangible plant accounts are uncontested.

Post-Test Year Ratemaking

841. It is reasonable to authorize a PTYR mechanism during this GRC cycle in order to give SCE an opportunity to offset some inflationary price increases and to recover costs for capital investments, particularly investments for wildfire risk mitigation, which are necessary for SCE to continue to provide safe and reliable service.

842. Since O&M expenses and capital costs affect the revenue requirement differently, it is reasonable to adopt a two-part PTYR mechanism that separately escalates O&M expenses and capital-related costs.

843. Utility-specific indices more accurately reflect how utilities incur costs as compared to consumer retail price changes reflected through the CPI.

844. It is reasonable to use S&P Global Market Intelligence utility cost escalation factors to project SCE's cost of service revenue requirements for the 2025 TY.

845. SCE's overall post-test year operation spending needs have not been vetted in this proceeding.

846. From 2019 to 2023, SCE's system average bundled residential electricity rate increased by approximately 46 percent, more than double the cumulative rate of CPI-U over this same time period.

847. SCE's TY request in this proceeding represents a 22.52 percent increase over current base rates.

848. An attrition rate adjustment is not intended to replicate a test year analysis, or to cover all potential cost changes so as to guarantee a rate of return.

849. Budgets are not always implemented as planned.

850. It is reasonable to incentivize SCE to manage its operations as efficiently as possible.

851. SCE's wildfire-related capital expenditure forecasts were vigorously litigated and there is a robust record on these issues.

852. Aside from wildfire-related capital, in recent GRCs the Commission has rejected SCE's requests to use budget-based capital addition forecasts in its PTYR mechanism.

853. It is reasonable to adopt a budget-based forecast for wildfire mitigation capital additions.

854. The significant wildfire mitigation and distribution-related capital expenditures approved in this decision, in addition to O&M adjustments in the post-test years based on the most recent CPI escalation and budget-based

wildfire mitigation capital additions, will provide SCE shareholders with a reasonable opportunity to earn their authorized rates of return.

855. As clarified in this decision, SCE's unopposed request to submit its annual attrition request via advice letter is reasonable.

Residential Disconnections and Arrearages

856. Section 718 requires that a GRC assess the impact of any proposed increase in rates on disconnections for nonpayment and conduct an assessment of, and properly identify, the impact of any proposed increase in rates on disconnections for nonpayment.

857. SCE included an uncontested Section 718 report into the record of this proceeding.

Compliance Requirements

858. No party challenged or expressed any concerns with SCE's compliance requirements showing.

859. SCE has adequately demonstrated compliance with the items listed in its compliance exhibit.

Accessibility Issues

860. The joint proposal submitted by SCE and CforAT addressing accessibility issues for SCE's customers with disabilities builds off similar proposals adopted in prior GRCs and the proposed spending is in line with previously authorized amounts.

861. The uncontested joint proposal submitted by SCE and CforAT supports the accessibility of SCE's facilities, programs, communications, and services for customers with disabilities.

GRC Update Phase

862. SCE's uncontested GRC Update Phase testimony includes a revised Postage Expense, revised cost escalation rate changes testimony, memorandum account balances, uncollectible expenses, and a review of potential tax law changes.

Total Compensation Study

863. SCE's TCS assessed SCE's jobs which are positions that are common across comparable organizations, and for which total compensation data are available from published surveys.

864. SCE's TCS found that SCE's target total compensation is 0.5 percent below the market average and its actual total compensation is 0.6 percent below the market average.

865. SCE's TCS is uncontested.

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. Pursuant to Rule 12.1(d), the Commission will only approve settlements that are reasonable in light of the whole record, consistent with law, and in the public interest.

4. Proponents of a settlement agreement have the burden of proof of demonstrating that the proposed settlement meets the requirements of Rule 12.1 and should be adopted by the Commission.

5. All of the forecasts and ratemaking mechanisms we find to be reasonable in this decision should be approved.

Affordability and Equity

6. A key element of finding a charge or rate just and reasonable is whether that charge or rate is affordable.

7. Affordability issues such as eligibility thresholds for CARE/FERA, disconnection policies, and the establishment of a small business affordability metric are outside the scope of this proceeding.

Risk-Informed Strategy and Business Plan

8. Consistent with Commission precedent, this decision should consider RSEs and associated proposed mitigations on a case-by-case basis.

Distribution Grid

9. SCE's Underground Cable Replacement Program is reasonable and should be adopted because it proactively targets the replacement of mainline underground cables and cable components.

10. SCE's Underground Cable Replacement Program forecast should be modified to reflect Cal Advocates recommendation to cover a 300-mile-per-year replacement forecast, totaling 1,200 miles over the four-year period from 2025-2028.

11. SCE's Underground Cable Replacement Program forecast, which supports a 300-mile-per-year replacement, is reasonable and should be adopted as follows: (a) \$14.072 million recorded for 2023; (b) \$5.551 million for 2024; and (c) \$74.217 million for 2025.

12. SCE's Cable Life Extension Program is reasonable and should be adopted because it prolongs the life of cable-in-conduit by injecting silicone-based fluid along the strands of the cable to fill voids in the cable-in-conduit insulation.

13. SCE's Cable Life Extension Program forecast of \$15.879 million is reasonable and should be adopted.

14. SCE's Cable-In-Conduit Program is reasonable and should be adopted because it focuses on rejuvenating and replacing radial underground cables and cable components in specific regions and sites within SCE's service territory based on safety and reliability risks.

15. SCE's Cable-In-Conduit Program should be modified to reflect Cal Advocates' recommendation of replacing 120 miles per year over the 2025-2028 period, totaling 480 conductor miles.

16. SCE's Cable-In-Conduit Program forecast is reasonable and should be adopted as follows: (a) \$5.738 million in 2023; (b) \$6.912 million in 2024; and (c) \$41.823 million in 2025.

17. SCE's Underground Switch Replacement Program is reasonable and should be adopted because it reduces the risk to system reliability and public and employee safety.

18. SCE's 2023 recorded expenditures for the Underground Switch Replacement Program of \$2.829 million are reasonable and should be adopted.

19. SCE's 2024 and 2025 forecasts for the Underground Switch Replacement Program should be modified to reflect Cal Advocates' recommendation because it reduces the unit costs through the forecasted totals for ratepayers.

20. SCE's 2024 and 2025 Underground Switch Replacement Program is reasonable and should be adopted as follows: (a) \$3.242 million in 2024; and (b) \$13.382 million in 2025 for the entirety of the Underground Switch Replacement Program.

21. SCE's Underground Structure Replacement Program is reasonable and should be adopted because replacement structures have significantly deteriorated.

22. SCE's 2023-2025 capital forecast for the Underground Structure Replacement Program of \$181.059 million is reasonable and should be adopted.

23. SCE's Overhead Conductor Program is reasonable and should be adopted because it mitigates the risks associated with energized downed overhead conductor.

24. SCE's Overhead Conductor Program forecast should be modified because of the positions presented by TURN and Cal Advocates which reduce costs for ratepayers.

25. SCE's Overhead Conductor Program capital forecast for 2023-2025 is reasonable and should be adopted, as modified: (a) \$70.796 million (recorded) in 2023; (b) \$55.129 million in 2024; and (c) \$204.472 million in 2025.

26. SCE's Overhead Conductor Program is reasonable and should be adopted for 1,040 miles from 2025-2028, which is 260 miles annually, with no more than 400 miles total of large-gauge conductor being proactively replaced between 2025-2028.

27. SCE's Accelerated Overhead Conductor Program forecast is reasonable and should be adopted as follows: (a) \$5.530 million for 2024; and (b) \$5.665 million for 2025.

28. If SCE makes a capital expenditure request in its 2029 test year GRC for the Accelerated Overhead Conductor Program, SCE should: base any AOCP forecast on: (a) a three-year average of recorded AOCP costs; (b) the historical number of emergency conductor replacement events and the historical average cost of an emergency conductor replacement event; or (c) the historical average miles of emergency conductor replacement and the historical average cost per mile for emergency conductor replacement.

29. If SCE makes a capital expenditure request in its 2029 test year GRC for the Overhead Conductor Program, SCE should demonstrate in its 2029 GRC application that it: (a) has fully considered alternatives to proactive replacement of entire overhead conductor circuit segments; and (b) shows the relative risk reductions and costs of these alternatives compared to proactive replacement of entire overhead conductor circuit segments.

30. If SCE makes a capital expenditure request in its 2029 test year GRC for the Overhead Conductor Program and SCE utilizes its machine learning models to develop any part of the request, SCE should also make a showing of the following in its 2029 GRC application: (a) SCE has undertaken, well prior to its 2029 GRC application, reasonable efforts to improve the transparency and external understanding of its machine learning models in response to concerns raised by parties and Safety Policy Division; (b) SCE's machine learning models can accurately identify and weigh risk factors; and (c) there has been a reasonable amount of independent peer review and verification of SCE's machine learning models.

31. If SCE makes a capital expenditure request in its 2029 test year GRC for the OCP and SCE includes proactive replacement of any large-gauge overhead conductor with covered conductor in the request, SCE should demonstrate the following in its 2029 GRC application: (a) evaluate, by circuit segment, the risk reduction effectiveness achieved by prior OCP activity replacing large-gauge conductors; (b) make a quantitative comparison of the risk reduction achieved from replacing large-gauge conductors and from replacing small-gauge conductors, including the costs of conductor replacement; and (c) demonstrate that SCE has undertaken, well prior to its 2029 GRC application, reasonable efforts to explain in detail how its machine learning models select specific

overhead conductor segments for proactive replacement from the universe of eligible overhead conductor segments and that its machine learning models do so accurately relative to identified risk factors.

32. SCE's Overhead Switch Replacement Program is reasonable and should be adopted because it targets the removal and replacement of 540 technologically obsolete switches and removes 1,000 Idle Installed Switches in 2025-2028.

33. SCE's 2023-2025 capital forecast for the Overhead Switch Replacement Program is reasonable and should be adopted as follows: (a) \$7.415 million of which \$0.600 million was recorded in 2023; (b) \$0 is anticipated for 2024; and (c) \$6.815 million is anticipated for 2025.

34. SCE's Capacitor Bank Replacement Program is reasonable and should be adopted because it targets incoming notifications on replacements and removals for capacitor banks and existing notifications from SCE's backlog.

35. SCE's 2023-2025 capital forecast for the Capacitor Bank Replacement Program is reasonable and should be adopted as follows: (a) \$2.546 million, which was recorded in 2023; (b) \$4.327 million which is anticipated for 2024; and (c) \$16.827 million which is anticipated for 2025.

36. SCE's Automatic Reclosers Replacement Program is reasonable and should be adopted because it targets the replacement of 17 oil-filled Distribution Automatic Reclosers and 15 oil-filled Vacuum Fault Interrupters in 2025-2028.

37. SCE's 2023-2025 capital forecast for the Automatic Reclosers Replacement Program is reasonable and should be adopted as follows: (a) \$1.219 million which was recorded in 2023; (b) \$0 which is anticipated for 2024; and (c) \$1.454 million which is anticipated for 2025.

38. SCE's 4-kV Remediation Program is reasonable and should be adopted because it addresses aged and obsolete distribution and substation equipment

that are in poor health, as well as outdated system designs that have limited system load capacity and impede operational flexibility with system reliability impacts.

39. SCE's 4-kV Remediation Program 2024 and 2025 cost forecast should be modified to reflect Cal Advocates' recommendation because it reduces costs for ratepayers.

40. SCE's 4-kV Remediation Program modified cost forecast is reasonable and should be adopted as follows: (a) \$90.448 million which was recorded in 2023; (b) \$43.144 million in 2024; and (c) \$122.331 million in 2025.

41. SCE's Polychlorinated Biphenyls Transformer Removal Program is reasonable and should be adopted because it replaces approximately 440 distribution line transformers suspected of being contaminated with polychlorinated biphenyls oil greater than 50 ppm.

42. SCE's Polychlorinated Biphenyls Transformer Removal Program 2023-2025 capital forecast of \$5.964 million is reasonable and should be adopted.

43. SCE's Worst Performing Circuit Program is reasonable and should be adopted because it targets circuits with the poorest historical reliability performance.

44. SCE's 2023-2025 capital forecast of \$49.364 million for the Worst Performing Circuit Program is reasonable and should be adopted.

45. SCE's Climate Adaptation and Vulnerability Infrastructure Replacement Program is reasonable and should be adopted because it targets areas and customers particularly susceptible to the effects of climate change.

46. SCE's 2023-2025 Climate Adaptation and Vulnerability Infrastructure Replacement Program of \$2.080 million is reasonable and should be adopted.

47. SCE's Distribution Ground Inspections program is reasonable and should be adopted because it performs in-depth evaluations of SCE's overhead electrical facilities.

48. SCE's TY forecast for the Distribution Ground Inspection Program of \$12.611 million is reasonable and should be adopted.

49. SCE's Underground Detail Inspections Program is reasonable and should be adopted because it inspects the underground distribution electrical system.

50. SCE's TY forecast of \$7.969 million for the Distribution Ground Inspection program is reasonable and should be adopted.

51. SCE's Distribution Preventive and Breakdown Maintenance O&M is reasonable and should be adopted because it ensures the distribution equipment is safe and maintained.

52. SCE's TY forecast for the Distribution Preventive and Breakdown Maintenance of \$112.585 million is reasonable and should be adopted.

53. SCE's Distribution Preventative and Breakdown Maintenance Capital program is reasonable and should be adopted because it addresses the costs to replace distribution equipment.

54. SCE's Distribution Preventative and Breakdown Maintenance Capital program forecast of \$1.213 million in capital expenditures is reasonable and should be adopted.

55. SCE's Patrolling and Locating Trouble program is reasonable and should be adopted because the personnel in this program provide around-the-clock coverage for electrical service problems resulting from a wide range of events on the distribution system.

56. SCE's TY forecast for the Patrolling and Locating Trouble program of \$31.240 million is reasonable and should be adopted.

57. SCE's Distribution Apparatus Inspection and Maintenance program is reasonable and should be adopted because it addresses the inspection, testing, and maintenance for overhead and underground distribution apparatuses.

58. SCE's TY forecast of \$6.155 million for the Apparatus Inspection and Maintenance program is reasonable and should be adopted.

59. SCE's Streetlight Operations, Inspections, and Maintenance program is reasonable and should be adopted because it addresses the operation and maintenance expenses for SCE's streetlight system.

60. SCE's TY forecast for the Streetlight Operations, Inspections, and Maintenance costs of \$5.351 million is reasonable and should be adopted.

61. SCE's Streetlight Maintenance and LED Conversion is reasonable and should be adopted because it addresses activities associated with managing and replacing streetlights.

62. SCE's 2023-2025 forecast for Streetlight Maintenance and LED Conversion of \$105.729 million is reasonable and should be adopted.

63. SCE's Distribution Support Activities programs are reasonable and should be adopted because they address prioritized risk-informed mitigation efforts through field and operation work

64. SCE's 2023-2025 forecast for the Distribution Support Activities programs are reasonable and should be adopted.

65. SCE's Tools and Work Equipment activities program is reasonable and should be adopted because it supplies SCE's personnel with the equipment to perform work across SCE's distribution grid.

66. SCE's 2023-2028 capital expenditure forecast for its Tools and Work Equipment program of \$13.377 million is reasonable and should be adopted.

67. SCE's Prefabrication program is reasonable and should be adopted because it supplies SCE personnel with materials for construction and maintenance work.

68. SCE's 2023-2025 capital expenditure forecast for Prefabrication of \$72.630 million is reasonable and should be adopted.

69. SCE's Transformer Portfolio Growth forecast is reasonable and should be adopted because SCE has demonstrated that its calculations are prudent.

70. SCE's Transformer Portfolio Growth forecast of \$612.181 million in capital expenditures is reasonable and should be adopted.

71. It is reasonable to continue SCE's Safety and Reliability Investment Incentive Mechanism as adopted in the 2021 GRC Track 1 Decision.

72. To the extent approved in this decision, it is reasonable to adopt the TUG into the list of Wildfire Mitigation Programs.

73. It is reasonable to adopt increasing the Safety and Reliability Investment Incentive Mechanism headcount above the authorized levels to 2,941 workers and no increases to penalties.

Meter Activities

74. SCE's combined TY O&M forecast for Meter Activities is reasonable and should be adopted.

75. \$104.427 million in capital expenditures for 2023 recorded and 2024-2025 forecast Meter Engineering routine meter work is reasonable and should be adopted.

76. \$15.999 million in capital expenditures for 2023 recorded and 2024-2025 forecast Meter Engineering non-routine meter-related projects, along with the requirement that SCE track non-routine meter-related project costs in a new one-way balancing account, are reasonable and should be adopted.

77. \$1.637 million in capital expenditures for 2023 recorded and 2024–2025 forecast Meter System Maintenance and Design work are reasonable and should be adopted.

78. SCE’s 2024–2027 capital expenditure forecast for Advanced Metering Infrastructure is reasonable and should be adopted.

Transmission Grid

79. SCE’s TLRR 2023-2025 forecast of \$389.962 million at the Total Company level, and its rebuttal positions of 2023 recorded capital expenditures, are reasonable and should be adopted.

80. SCE may request cost recovery of the Gorman-Kern River project once it is completed and placed into service by either: (1) filing a Tier 2 advice letter prior to its next GRC, including a request in its annual Post Test Year Ratemaking advice letter; or (2) in the next GRC, with rate base true up.

81. SCE’s TLRR contingency and known risk reserve is reasonable and should be adopted.

82. SCE’s TIR request of \$11.234 million (recorded) for 2023, \$22.630 million for 2024, and \$62.549 million for 2025, for TIR capital expenditures is reasonable and should be adopted.

Substation

83. \$51.596 million for SCE’s Substation O&M Monitoring and Operating is reasonable and should be adopted.

84. \$52.963 million for SCE’s Monitoring Bulk Power Systems is reasonable and should be adopted.

85. Cal Advocates’ recommendation of \$2.184 million for SCE’s Substation Relay Inspections and Maintenance O&M is reasonable and should be adopted.

86. Cal Advocates' recommendation of \$1.748 million for SCE's Substation Equipment Inspections and Maintenance is reasonable and should be adopted.

87. SCE's Substation Transformer Bank Replacement Program recorded costs of \$44.530 million in 2023 are reasonable and should be adopted.

88. TURN's Substation Transformer Bank Replacement Program proposal for SCE of \$57.859 million for 2024 and \$49.060 million for 2025 is reasonable and should be adopted.

89. SCE's Substation Circuit Replacement Program recorded cost of \$55.348 million is reasonable and should be adopted.

90. TURN's Substation Circuit Replacement Program proposal for SCE of \$53.588 million for 2024 and \$51.884 million for 2025 is reasonable and should be adopted.

91. SCE's uncontested Capital-Related and Other Substation expenses is reasonable and should be adopted for: (a) \$19.076 million recorded for 2023; (b) \$23.834 million forecasted for 2024; and (c) \$31.774 million forecasted for 2025.

92. SCE's uncontested Capital-Related Expenses and Other (O&M) are reasonable and should be adopted for: (a) \$4.800 million recorded for 2023; (b) \$5.268 million forecasted for 2024; and (c) \$5.280 million forecasted for 2025.

93. SCE's uncontested Circuit Breaker Inspection Maintenance Program TY expense of \$7.338 million is reasonable and should be adopted.

94. SCE's uncontested Equipment Washing Program TY expense of \$1.634 million is reasonable and should be adopted.

95. SCE's uncontested Grid Monitoring and Operability (Capital) expenses are reasonable and should be adopted for: (a) \$96.841 million recorded in 2023; (b) \$77.540 million forecasted in 2024; and (c) \$160.891 million forecasted for 2025.

96. SCE's uncontested Minor Equipment and Supplies Program expense of \$2.735 million is reasonable and should be adopted.

97. SCE's uncontested Relays Protection and Control Replacement Program expenses are reasonable and should be adopted for: (a) \$80.736 million recorded in 2023; (b) \$79.146 million forecasted for 2024; and (c) \$91.197 million forecasted for 2025.

98. SCE's uncontested Substation Capital Maintenance (Breakdown Maintenance) Program expenses are reasonable and should be adopted for: (a) \$26.230 million recorded in 2023; (b) \$29.166 million forecasted in 2024; and (c) \$30.020 million forecasted in 2025.

99. SCE's uncontested Substation Claim expenses are reasonable and should be adopted for: (a) \$0.521 million recorded for 2023; (b) \$04.11 million forecasted for 2024; and (c) \$0.423 million forecasted for 2025.

100. SCE's uncontested Substation Infrastructure Replacement Program (Substation Rebuild Program) expenses are reasonable and should be adopted for: (a) \$85.045 million recorded for 2023; (b) \$76.497 million forecasted for 2024; and (c) \$72.339 million forecasted for 2025.

101. SCE's uncontested Substation Inspections and Maintenance (Hydro) expense of \$1.043 million is reasonable and should be adopted.

102. SCE's uncontested Substation O&M Breakdown Maintenance Program expense of \$2.750 million is reasonable and should be adopted.

103. SCE's uncontested Transformer Inspection and Maintenance Program expense of \$4.423 million is reasonable and should be adopted.

Grid Modernization, Grid Technology, and Energy Storage

104. The following SCE Grid Modernization, Grid Technology, and Energy Storage 2023-2025 programs and forecasts are reasonable and should be adopted:

(a) Engineering and Planning Software Tools at \$81.641 million; (b) Grid Management System at \$131.357 million; (c) Communications at \$255.748 million; and (d) DER Hosting Capacity Reinforcement at \$2.253 million.

105. SCE's Grid Reliability-driven Automation program is reasonable and TURN's recommendation of \$25.050 million for this program's budget is reasonable and should be adopted.

106. SCE's DER-driven Distribution Automation program is reasonable and TURN's recommendation of \$6.600 million for this program's budget is reasonable and should be adopted.

107. SCE's Grid Modernization O&M – T&D Deployment Readiness forecast of \$1.591 million is reasonable and should be adopted.

108. SCE's Grid Modernization O&M – IT Project Support forecast of \$4.952 million is reasonable and should be adopted.

109. \$11.271 million for SCE's Grid Technology O&M forecast is reasonable and should be adopted.

110. SCE's Grid Technology Laboratories forecast capital expenditure of \$19.024 million is reasonable and should be adopted.

111. SCE's Smart City Pilot Project should not be adopted because SCE has not demonstrated that this project is needed given the existing funding that already exists for microgrid projects.

112. SCE's Virtual Programmable Automation Controller Pilot Project forecast of \$3.940 million is reasonable and should be adopted.

113. SCE's Virtual Protection Pilot Project and Adaptive Protection pilots should not be adopted because SCE has not demonstrated that these projects will provide a benefit to ratepayers.

114. SCE's DC Link pilot forecast of \$14.607 million is reasonable and should be adopted.

115. SCE's Service Center of the Future forecast of \$7.111 million is reasonable and should be adopted.

116. SCE's Energy Storage O&M TY forecast of \$12.360 million is reasonable and should be adopted.

117. SCE's Energy Storage capital forecast of \$39.177 million is reasonable and should be adopted.

118. SCE's LDES capital forecast request of \$9.196 million is reasonable and should be adopted.

119. SCE should annually file a Tier 1 advice letter to the Commission's Energy Division, on December 31 of each year for the TY period, that summarizes: (1) the status of the LDES project(s); (2) the LDES funds expended; (3) the LDES expected or realized benefits; and (4) LDES lessons learned.

Load Growth, Transmission Projects, and Engineering

120. SCE's TEGR program is reasonable and the TEGR revenue request that should be adopted is \$100.021 million to reflect evolving transportation electrification market conditions.

121. SCE's Base Load Growth project forecast, which encompasses all of SCE's DSP and TSP projects, is reasonable and should be adopted.

122. \$532.068 million for SCE's Base Load Growth forecast is reasonable and should be adopted.

123. Removing the forecast of PIN TSP A-Bank 35796 is reasonable because SCE has not demonstrated that this project is necessary.

124. SCE's 2023-2025 System Improvement Programs forecast of \$140.995 million is reasonable and should be adopted.

125. SCE's 2023-2025 Climate Driver Distribution Circuit Ties forecast of \$19.742 million is reasonable and should be adopted.

126. SCE's 2023-2025 Land Rights Management forecast of \$2.896 million is reasonable and should be adopted.

127. SCE's 2023-2025 DSP DERs forecast of \$12.537 million should not be adopted because SCE has not justified the benefit of this program against its cost.

128. SCE's 2023-2025 capital expenditures forecast of \$508.363 for Grid Reliability Projects is reasonable and should be adopted.

129. SCE's 2023-2025 capital expenditures forecast for its Renewable Transmission Projects should not include the Calcite 220 kV Substation for this TY GRC cycle because the SCE project's permit request has not been submitted to the Commission.

130. With the exception of the Calcite 220 kV Substation, SCE's 2023-2025 capital expenditures forecast for its Renewable Transmission Projects is reasonable and should be adopted.

131. SCE's Transmission Economic Projects forecast should be modified to reflect the removal of the DLR pilot program.

132. SCE's Transmission Economic Projects forecast should be modified to \$5.1 million and should be adopted.

133. SCE's TY 2025 Engineering O&M forecast of \$13.845 million is reasonable and should be adopted.

134. SCE should establish the HSECTMA to record actually incurred incremental costs for the 2028 Summer Olympics occurring in July 2028 and the 2026 World Cup taking place in June and July 2026.

135. SCE should file a Tier 1 advice letter with the Commission's Energy Division, within 30 days upon issuance of this decision, establishing the HSECTMA.

136. SCE should maintain and continue to track, through the DER-DGRPMA, costs for future reasonableness review and recovery associated with SCE's DER-Driven Grid Reinforcement Program.

137. SCE should demonstrate that the costs recorded in the DER-DGRPMA are reasonable for rate recovery if SCE makes use of a DER-driven need analysis that is conducted as part of SCE's distribution planning process.

138. SCE should establish the RTPMA to track the Commission-jurisdictional capital-related revenue requirement and capital-related expense associated with costs spent on Renewable Transmission Projects that are incremental to the amounts authorized in the 2025 GRC based upon SCE's March 2023 forecast.

139. SCE should file a Tier 1 advice letter with the Commission's Energy Division, within 30 days upon issuance of this decision, establishing the RTPMA.

New Service Connections and Customer Requested Modifications

140. SCE's uncontested \$14.476 million forecast for its Commercial Electric Vehicle Service Extensions Pursuant to Rule 29 is reasonable and should be adopted.

141. SCE's uncontested \$32.403 million forecast for its Distribution Added Facilities is reasonable and should be adopted.

142. SCE's uncontested \$179.576 million forecast for its Distribution Relocations is reasonable and should be adopted.

143. SCE's uncontested \$46.832 million forecast Streetlights New Service Connections is reasonable and should be adopted.

144. SCE's uncontested \$57.204 million forecast for its Transmission Relocations New Service Connections program is reasonable and should be adopted.

145. SCE's uncontested \$93.320 million forecast for its Transmission/Substation Added Facilities (customer financed) is reasonable and should be adopted.

146. SCE's uncontested \$39.077 million forecast for its Transmission/Substation Added Facilities (SCE financed) is reasonable and should be adopted.

147. SCE's uncontested \$292.046 million forecast for its WDAT/TOT/Gen-Tie (Customer Funded) program is reasonable and should be adopted.

148. SCE's uncontested \$12.172 million forecast for its WDAT/TOT/Gen-Tie (SCE Funded) program is reasonable and should be adopted.

149. SCE's New Residential Service Connections forecasts of \$154.433 million in 2023 (recorded) and \$149.431 million in 2024 are reasonable and should be adopted.

150. TURN's New Residential Service Connections forecast for 2025 is reasonable and should be adopted.

151. \$138.283 million is reasonable and should be adopted for SCE's 2025 New Residential Service Connections forecast.

152. SCE's Commercial New Service Connections forecasts of \$130.061 million in 2023 (recorded) and \$91.196 million in 2024 are reasonable and should be adopted.

153. TURN's Commercial New Service Connections forecast for 2025 is reasonable and should be adopted.

154. \$93.150 million is reasonable and should be adopted for SCE's 2025 Commercial New Service Connections forecast.

155. TURN's Agricultural New Service Connections forecasts for 2024 and 2025 are reasonable and should be adopted.

156. SCE's 2023 Agricultural New Service Connections recorded amount of \$5.798 million is reasonable and should be adopted.

157. \$3.280 million in 2024 and \$3.010 million in 2025 for SCE's 2024 and 2025 Agricultural New Service Connections forecast are reasonable and should be adopted.

158. SCE's Customer Requested System Modifications Rule 20A Conversions forecast of \$63.262 million is reasonable and should be adopted.

159. SCE's Customer Requested System Modifications Rule 20B and Rule 20C Conversions forecast of \$64.534 million for Rule 20B conversions and \$55.066 million for Rule 20C conversions is reasonable and should be adopted.

Poles

160. SCE's forecasting methodology for its Pole O&M and Capital Forecast is reasonable and should be adopted.

161. SCE's Pole O&M Forecast of \$1.289 million is reasonable and should be adopted for the following activities: (1) Distribution Intrusive Pole Inspections; (2) Distribution Joint Pole Operations; (3) Distribution Request for Attachment Inspections; (4) Distribution Joint Pole O&M Credits; (5) Transmission Intrusive Pole Inspections; (6) Transmission Joint Pole Operations; and (7) Transmission Request for Attachment Inspections.

162. SCE's 2023-2025 Capital Forecast, which includes 2023 recorded capital costs of \$1.040 billion is reasonable and should be adopted for the following activities: (1) Distribution Joint Pole Capital Credits; (2) Distribution Deteriorated Pole Replacement; (3) Distribution Pole Loading and Pole Replacement; (4) Distribution Wood Pole Disposal – Pole Loading Program; (5) Distribution Wood Pole Disposal; (6) Transmission Joint Pole Capital Credits; (7) Transmission Deteriorated Pole Replacement; (8) Telecommunication

Deteriorated Pole Replacement; (9) Transmission Pole Loading Program Replacement; and (10) Telecommunication Pole Loading Program Replacement.

163. The Pole Loading and Deteriorated Pole Programs Balancing Account should be discontinued.

Vegetation Management

164. A six percent escalation factor for routine vegetation management work in 2024, reflecting the outcome of SCE's 2023 contract negotiations, plus a modest increase in 2025 to account for potential unionization, are reasonable and should be adopted.

165. \$62.435 million in TY O&M expenses for Routine Vegetation Management Inspections, including \$34.459 million for traditional ground-based inspections and \$27.976 million for remote sensing, for SCE to phase in remote sensing inspections covering approximately half of SCE's entire service network (*e.g.*, 30,000 circuit miles) over this GRC period, with additional funding for ground-based inspections to cover the remainder of SCE's network and to verify the accuracy of remote sensing data, are reasonable and should be adopted.

166. SCE should be directed to present, in its next GRC filing, data on the accuracy of its remote sensing inspections data and provide recommendations concerning the level of ground-based inspections and data validation required for both ongoing and new remote sensing inspections.

167. In its next GRC filing, SCE should explain how the remote sensing expenses approved in this decision were spent, utilizing the work categories discussed in this decision along with any other relevant cost categories.

168. For Routine Line Clearing work, the Commission should apply a 7.5 percent escalation factor in 2024, which reflects the observed 7.1 percent

increase in trim rates over 2023 along with a modest increase to reflect the observed increase in removal costs.

169. SCE's expanded line clearing work is consistent with D.17-12-024 and within the authority granted pursuant to Appendix E of GO 95, Rule 35.

170. \$284.221 million in TY O&M expenses for Routine Line Clearing work, based on SCE's forecast methodology with adjustments to the Routine Line Clearing unit cost, 2024 market escalation rate, and the associated savings from SCE's TUG capital spending program, are reasonable and should be adopted.

171. SCE's TY forecasts of \$9.789 million for Weed Abatement and Fuel Management activities are reasonable and should be adopted.

172. \$39.671 million in TY O&M expenses for Seasonal Patrols, AOC, and Emergent Work are reasonable and should be adopted.

173. \$39.301 million in TY O&M expenses for the HTMP are reasonable and should be adopted.

174. \$26.831 million in TY O&M expenses for the Dead, Dying, and Diseased Tree Removal Program are reasonable and should be adopted.

175. \$26.103 million in TY O&M expenses for the Structure Brushing Program are reasonable and should be adopted.

176. \$12.468 million in TY O&M expenses for quality control activities are reasonable and should be adopted.

177. \$48.978 million in TY O&M expenses for Environmental Support for Vegetation Management activities are reasonable and should be adopted.

178. \$3.731 million in TY O&M expenses for Vegetation Management Technology Solutions are reasonable and should be adopted.

179. SCE's request for \$13.477 million in capital expenditures (2023-2025) for projects within the Vegetation Management Technology Solutions activity is reasonable and should be adopted.

180. The existing two-way VMBA should be modified to include vegetation management related ESD costs and to remove the existing 115 percent reasonableness review threshold, which will require SCE to file an application for reasonableness review of any recorded costs above the amounts authorized in this decision.

Wildfire Management

181. Commission ratification of an approved WMP does not consider or authorize rate recovery.

182. In place of SCE's full TUG and WCCP requests for the 2025-2028 period, funding for the deployment of 212 miles of undergrounding, 1,653 circuit miles of covered conductor, plus REFCL technologies covering an additional 200 miles of circuits in HFRAs above SCE's request is reasonable and should be adopted.

183. \$940.967 million in capital expenditures over the 2025-2028 period for undergrounding in SCE's HFRAs are reasonable and should be adopted.

184. In the event SCE records undergrounding costs in the Fire Mitigation Memorandum Account and WMPMA, SCE will have the burden of demonstrating that the associated recorded costs are just, reasonable, and incremental.

185. SCE should be directed to file an annual Wildfire Grid Hardening Progress Report advice letter with SPD every March 1st through the GRC period, with the final report due March 1, 2029.

186. The Wildfire Grid Hardening Progress Report should include the minimum information described in this decision.

187. Within 60 days of the date this decision is issued, SCE should be directed to file an initial advice letter (that conforms to Tier 2 in GO 96-B) with SPD establishing the methodology for the 'Baseline' spreadsheet for the Wildfire Grid Hardening Reports, as described in this decision.

188. SPD Staff should be delegated authority to adjust to make adjustments to the content, format, and timing of the Wildfire Grid Hardening Reports to ensure consistency with the implementation of SB 884, should SCE choose to participate in the SB 884 program, and to promote accurate and transparent reporting.

189. \$0.785 million (normalized) in 2025 TY O&M expenses and \$220.555 million in total capital expenditures (2023-2028) for SCE's REFCL activities are reasonable and should be adopted.

190. We should authorize SCE to record, in the GHBA, up to \$20 million in incremental capital expenditures for the installation of additional REFCL technologies above the amounts approved in this decision.

191. SCE's O&M and capital expenditure forecasts for HFRA Sectionalizing Devices are reasonable and should be adopted.

192. SCE's capital expenditure forecast for Generation System Hardening Legacy Facilities is reasonable and should be adopted.

193. SCE's capital expenditure and O&M forecasts for the Long Span Initiative are reasonable and should be adopted.

194. For any subsequent Long Span Initiative requests, SCE should identify each project location and confirm when and/or whether each project is planned to be remediated through other grid hardening measures.

195. SCE's recovery of \$13.500 million in capital expenditures for the incremental 2018-2020 fusing mitigation program costs SCE recorded in the WMPMA is reasonable and should be adopted.

196. For the remote grid feasibility study, SCE should take into account whether covered conductor is expected to be deployed at any of the remote grid study locations prior to the release of the study results.

197. The cost-effectiveness evaluation included in SCE's remote grid feasibility study should be based on actual, feasible alternatives to the remote grid.

198. SCE's 2025 TY O&M forecast to conduct the remote grid feasibility study is reasonable should be adopted.

199. SCE's TY O&M and capital requests for Grid Operations Monitoring Emerging Technologies activities are reasonable and should be adopted.

200. SCE's TY O&M request for Organizational Support is reasonable and should be adopted.

201. \$50.490 million for Distribution O&M Preventive Maintenance, for a total TY O&M forecast of \$72.004 million for High Fire Risk Remediations, are reasonable and should be adopted.

202. SCE's uncontested TY O&M forecast of \$51.273 million for High Fire Risk Inspections, as well as its High Fire Risk Inspections and Remediations capital expenditure forecast of \$700.902 million (2023-2028), are reasonable and should be adopted.

203. SCE's TY O&M and capital expenditure forecasts for Technology Solutions are reasonable and should be adopted.

204. SCE's TY O&M request of \$20.335 million in expenses for PSPS Execution is reasonable and should be adopted.

205. We should disallow \$1.962 million for the Disability Disaster and Access Resources program, resulting in a total approved TY O&M amount of \$34.133 million for PSPS Support.

206. SCE's TY O&M and capital expenditure forecasts for PSPS Technology Solutions are reasonable and should be adopted.

207. SCE's 2025 TY forecast of \$35.000 million in O&M expenses for Aerial Suppression is reasonable and should be adopted.

208. SCE's TY O&M and capital expenditures forecasts for the Weather Stations GRC activity are reasonable and should be adopted.

209. Approximately \$4.239 million in TY O&M expenses for the HD Cameras activity, based on SCE's forecast unit cost and assuming the installation of 222 HD cameras, are reasonable and should be adopted.

210. SCE's capital expenditure request for the HD camera activity is reasonable and should be adopted.

211. SCE's 2025 TY O&M forecast for Wildfire Response, Modeling, Analysis, and Weather Forecasting is reasonable and should be adopted.

212. SCE's TY O&M and capital expenditure forecasts for Fire Science and Advanced Modeling activities are reasonable and should be adopted.

213. SCE's TY O&M forecast for Environmental Programs activities is reasonable and should be adopted.

214. The WRMBA should be modified to be a one-way balancing account, and SCE should continue to record any WCCP capital expenditures in this account over the 2025–2028 rate case period.

215. SCE should be authorized to establish a new two-way balancing account, the GHBA, to track TUG and REFCL-related capital expenditures, up to the specific mile (TUG) and cost (REFCL) limits described in this decision.

216. Recorded capital expenditures in the GHBA that are above the authorized amounts in this decision should be reviewed by application.

217. SCE should be authorized to change the account names of the GHBA and/or the WRMBBA to better reflect the specific types of costs being tracked in these accounts, so long as any account name changes are clearly described by SCE in subsequent applications or advice letter filings seeking associated cost review and recovery.

T&D Other Costs and Other Operating Revenue

218. SCE's 2025 TY O&M forecast for T&D Other Costs is reasonable and should be adopted.

219. SCE's 2025 TY O&M forecast for T&D OOR is reasonable and should be adopted.

Customer Service Operations

220. SCE's Billing and Payments and Customer Contacts O&M and capital expenditure requests are reasonable and should be adopted.

221. SCE's 2022-April 2024 recorded costs in the CSRPMA are reasonable and should be adopted.

222. SCE should be authorized to seek reasonableness review of its final recorded May-December 2024 CSRPMA balance, including accrued interest, in a separate application.

223. SCE's uncontested customer service fees, and the associated forecast OOR, are reasonable and should be adopted.

224. SCE's Paper Bill Fee proposal should be rejected, resulting in a \$10.19 million reduction (including both the Residential Paper Bill Fee and Non-Residential Paper Bill Fee) in SCE's forecast customer service OOR.

225. SCE's proposed increase to the MAMF should be rejected, resulting in a \$3.231 million reduction in SCE's forecast CCA OOR.

226. SCE's proposed EDI VAN Charge of \$0.02 per SA per month is reasonable and should be adopted.

227. SCE should eliminate the EDI VAN Charge by 2029.

228. Additional guidance and rules are needed regarding the backbilling of bundled and unbundled customers, including how to address the revenue impacts of applying Rule 17's limitations to CCA and ESP charges.

229. Within 60 days from the issuance date of this decision, SCE should, in coordination with the other IOUs, host one or more workshops with the intent to develop a consensus-based proposal on how to address uncollected revenue from the application of Rule 17 backbilling limitations (for both bundled and unbundled customers), and invite all CCAs/ESPs and parties to the A.23-05-010, A.22-05-016, and A.21-06-021 service lists to participate.

230. Within 180 days from the issuance date of this decision, SCE should, in coordination with the other IOUs, file a joint application containing one or more proposals on how to address undercollections resulting from the application of the Rule 17 backbilling limitations, which may include a consensus-based proposal between all LSEs. As part of the joint application, the IOUs should identify any changes necessary to their respective billing systems to be able to track and apply Rule 17 limitations to the bill adjustments of ESP and CCA charges, and include any relevant proposals for incremental cost recovery.

231. SCE should be directed to continue to work with CCA parties to explore additional improvements to its billing system, including the specific issues raised by CalCCA in this proceeding, and report on any progress made as part of SCE's next GRC filing.

Business Customer Services

232. The Business Customer Services Stipulation should be approved.

Customer Programs and Service

233. The CEM Stipulation should be approved.

234. The CPM Stipulation should be approved.

Business Continuation

235. SCE's TY O&M forecast for Planning, Continuity, and Governance is reasonable and should be adopted.

236. SCE's TY O&M forecast for All Hazards Assessment, Mitigation, and Analytics is reasonable and should be adopted.

237. \$133.038 million in 2023-2025 capital expenditures for the Seismic Resiliency Program are reasonable and should be adopted.

238. SCE's 2023-2025 capital forecast for the Severe Weather Program is reasonable and should be adopted.

239. SCE should be allowed to continue to track seismic retrofit costs for its non-electric facilities in the SRNEFMA, with the opportunity to seek recovery for any costs above the amount authorized in this decision in SCE's next GRC.

Emergency Management

240. SCE's forecasting methodology for its Emergency Management O&M and Capital Expenditures is reasonable and should be adopted.

241. \$27.984 million for Emergency Management O&M for TY 2025 and \$198.903 million for Capital Expenditures for 2023-2025 are reasonable and should be adopted.

242. SCE's Emergency Management O&M and Capital Expenditures are reasonable and should be adopted for the following programs and activities:

- (1) Training, Drills, and Exercise; (2) Emergency Preparedness and Response; and
- (3) Storm Response.

243. SCE's forecast of \$1.135 million for O&M forecast for Generation Storm Response is reasonable and should be adopted.

Cybersecurity

244. \$37.527 million in TY O&M for Cybersecurity are reasonable and should be adopted.

245. SCE's 2023 recorded and 2024-2025 forecast for Cybersecurity capital expenditures is reasonable and should be adopted.

246. SCE's request to establish the CCMA is not reasonable and should not be adopted.

Physical Security

247. SCE's TY O&M forecast of \$23.127 million for Physical Security is reasonable and should be adopted.

248. SCE's 2023 recorded and 2024-2025 forecast for Physical Security capital expenditures is reasonable and should be adopted.

Generation

249. SCE's uncontested total Catalina Test Year O&M forecast expense of \$5.781 million, including \$3.413 million labor expense and \$2.368 million non-labor expense, is reasonable and should be adopted.

250. SCE's uncontested 2025 TY O&M expense forecast for Mountainview of \$29.569 million is reasonable and should be adopted.

251. SCE's uncontested 2025 TY O&M expense forecast for Peakers of \$8.626 million is reasonable and should be adopted.

252. SCE's uncontested 2023-2025 capital expenditure forecast for Nuclear of \$122.215 million is reasonable and should be adopted.

253. SCE should seek cost recovery of the costs associated with the Catalina Repower Project in a Memorandum Account, titled Catalina Repower Project

Memorandum Account, through a reasonableness review in the next GRC (*i.e.*, the 2029 GRC) or via a Tier 3 advice letter.

254. TURN and Cal Advocates' Hydro O&M five-year average (2018-2022) as the TY 2025 Hydro Non-Labor forecast methodology is reasonable and should be adopted.

255. A base non-labor forecast for Hydro O&M of \$19.918 million is reasonable and should be adopted after SCE's reductions for operational efficiencies and storm activities.

256. SCE's request for a \$0.446 million adjustment for FERC's Dam and Public Safety Regulations is reasonable and should be adopted.

257. SCE's request of \$1.331 million to fund the 2025 increases in FERC license compliance activities for Big Creek and Kaweah is reasonable and should be adopted.

258. A total of \$21.812 million for TY 2025 non-labor Hydro O&M forecast is reasonable and should be adopted.

259. SCE's San Geronio decommissioning expenses are reasonable and should be adopted.

260. TURN's reduction to SCE's escalation estimate for the Big Creek Generator Rewinds to 20 percent from 25 percent is reasonable and should be adopted.

261. A total Hydro Capital forecast of \$52.051 million in 2023 (recorded), \$41.314 million in 2024, and \$80.676 million in 2025 for SCE is reasonable and should be adopted.

262. Approval of SCE's request to recover future decommissioning costs for assets with a high probability of decommissioning (*i.e.*, greater 90 percent) in this GRC cycle is reasonable and should be adopted.

263. Approval for recovery for those projects with a lower probability of decommissioning, such as those less than 50 percent, is unreasonable and should not be adopted.

264. TURN's proposed recommendations for the Mountainview capital expenses are reasonable and should be adopted.

265. For the Mountainview capital expenses, \$10.998 million in 2023 (recorded), \$7.562 million in 2024, and \$17.487 million in 2025 are reasonable and should be adopted.

266. SCE's proposed 2023-2025 capital expenditure forecast for Peakers of \$3.019 million is reasonable and should be adopted.

267. SCE should not receive any debt or equity return on the unamortized net book value for its UCSB and CSUSB fuel cell facilities.

268. A TY 2025 O&M forecast of \$1.597 million for Solar SPVP O&M is reasonable and should be adopted because: (a) SCE's forecasting methodology incorrectly assumes that total lease payments to three of the SPVP sites will be \$0.974 million in 2025 and \$4.789 million between 2025-2028; and (b) TURN's 50 percent disallowance of the forecasted lease payments is reasonable because 25 percent of the forecasted lease payments are associated with leases that have already been terminated, additional leases may be terminated in the coming years because of the landlord's re-roofing requests, and the retirement of the SPVP projects will likely result in higher lease payment obligations.

269. TURN's Solar SPVP Capital recommendations are reasonable and should be adopted.

270. \$74.643 million is reasonable and should be adopted for SCE's Solar SPVP Capital.

271. Authorizing SCE a rate of return on unrecovered rate base because the SPVP project assets were taken out of service early is unreasonable and should not be adopted.

272. Authorizing a 50 percent disallowance on unrecovered rate base and decommissioning costs for SCE's SPVP projects is reasonable and should be adopted.

273. Adopting SCE's request to rate base its proposed solar carport project is unreasonable and should not be adopted.

274. \$0.090 million in 2023 (recorded), \$0 in 2024, and \$1.000 million in 2025 is reasonable and should be adopted for SCE's Catalina capital projects.

275. SCE's request for full recovery of the NEI Membership dues is unreasonable and should not be adopted because the benefits to customers, as opposed to the company, are tenuous.

276. \$78.006 million for SCE's TY 2025 Nuclear O&M forecast are reasonable and should be adopted.

277. Within 30 days upon issuance of this decision, SCE should file a Tier 1 advice letter with the Commission's Energy Division establishing a balancing account, titled "Palo Verde Non-Labor O&M Expenses Balancing Account," for the purposes of tracking both actual Palo Verde operating costs and revenue collection related to Palo Verde O&M non-labor.

278. The Palo Verde Non-Labor O&M Expenses Balancing Account should limit SCE to automatic recovery of no more than 110 percent of forecast costs in any year and would need to demonstrate the reasonableness of any costs above the 110 percent cap in the next GRC.

Energy Procurement

279. SCE's O&M expenses of \$29.399 million and its capital forecast of \$2.590 million for Energy Procurement are reasonable and should be adopted.

Enterprise Technology

280. The Enterprise Technology Capital Expenditure Forecast stipulation between Cal Advocates and SCE should be adopted because it is reasonable in light of the whole record, consistent with law, and in the public interest.

281. SCE's unopposed 2025 TY O&M expense for Technology Planning, Design, and Support of \$7.267 million is reasonable and should be adopted.

282. SCE's unopposed Fixed Price Technology and Maintenance forecast of \$73.855 million is reasonable and should be adopted.

283. SCE's unopposed Technology Infrastructure Maintenance & Replacement forecast of \$24.067 million is reasonable and should be adopted.

284. SCE's \$9.306 million forecast for TY 2025 Technology Delivery O&M, including \$2.856 million for non-labor O&M for Technology Delivery, is reasonable and should be adopted.

285. A TY \$4.298 million non-labor forecast and a \$2.879 million labor forecast for SCE's DPT O&M are reasonable and should be adopted.

286. SCE's Cloud forecast of \$57.010 million for TY 2025 is reasonable and should be adopted.

287. A Perpetual License forecast of \$36.825 million for TY 2025 is reasonable and should be adopted.

288. SCE's Application Refresh non-labor O&M Projects forecast of \$11.957 million is reasonable and should be adopted.

289. SCE's non-labor C&PS forecast of \$6.457 million is reasonable and should be adopted.

290. SCE's Application Refresh Ongoing Maintenance cost is \$0 and should be adopted.

Operating Unit Capitalized Software

291. The OU Capitalized Software stipulation between Cal Advocates and SCE should be adopted because it is reasonable in light of the whole record, consistent with law, and in the public interest.

292. The NGESMA should not be adopted because SCE has not satisfied the requirements of Commission's Standard of Practice U-27-W.

Enterprise Planning and Governance (Non-Insurance)

293. SCE's O&M request for Financial Oversight and Transactional Processing is reasonable and should be adopted.

294. SCE's TY O&M forecast for Workers' Compensation is reasonable and should be adopted.

295. \$45.343 million in TY O&M expenses for the Law work activity, including \$27.838 million for SCE's in-house legal work, \$14.431 million for outside-counsel legal expenses, and \$3.074 million for corporate governance and miscellaneous expenses, are reasonable and should be adopted.

296. SCE should be instructed to explain whether and how ratepayers received any benefit from the \$5.7 million insurance recovery as part of its next GRC filing.

297. SCE's TY O&M requests of \$15.900 million for injuries and other damages and \$11.107 million for write-offs are reasonable and should be adopted.

298. \$33.459 million in TY O&M expenses for Business Planning, including \$28.196 million in labor expenses and \$5.263 million in non-labor expenses, are reasonable and should be adopted.

299. SCE's TY O&M forecast for Corporate Services is reasonable and should be adopted.

300. SCE should be directed to follow the specific guidance provided in R.18-04-019 as it pertains to the establishment or continuation of CAVA-related memorandum accounts.

301. \$7.865 million in TY O&M expenses for the Modeling, Analysis, and Forecasting workstream are reasonable and should be adopted.

302. SCE's TY O&M forecast for the Logistics, Graphics, and Center of Excellence activity is reasonable and should be adopted.

303. SCE's TY O&M forecast of \$3.596 million for SD&D is reasonable and should be adopted.

Insurance

304. The Insurance stipulation between Cal Advocates, SCE, and TURN that resolves the disputed non-wildfire insurance issues, including the non-wildfire liability insurance forecast amount, is reasonable in light of the whole record, consistent with law, and in the public interest.

305. The Insurance stipulation between Cal Advocates, SCE, and TURN that resolves the disputed non-wildfire insurance issues, including the non-wildfire liability insurance forecast amount, should be adopted.

Employee Benefits, Training, and Support

306. The stipulated 2025 TY forecast of \$47.338 million for Employee Support is reasonable and should be adopted.

307. SCE's unopposed Employee Benefits and Programs should be approved, under the condition that SCE modify the forecasts, as necessary, based on the final adopted labor forecast in the RO Model.

308. The Commission's review of SCE's STIP/EICP requests should be based on SCE's 2023 STIP/EICP goals and weights.

309. For the 2025 TY, we should reduce SCE's STIP and EICP forecasts by 25 percent to remove costs associated with the Core Earnings goal category.

310. SCE's request for ratepayer expenses for LTI compensation should be denied.

311. \$17 million in TY expenses for employee Pension Plan costs, consistent with TURN's recommendation to maintain, for now, SCE's historical funding policy, are reasonable and should be adopted.

312. SCE should be authorized to submit a Tier 2 advice letter containing information regarding how it intends to monitor whether changed circumstances warrant a different funding approach for the Pension Plan and, if it is determined that a new funding approach is needed on a relatively short timespan, how the new funding approach would be submitted for Commission review and approval.

313. SCE's request for \$129.716 million in TY expenses for the 401(k) GRC Activity is reasonable and should be adopted.

314. SCE's TY forecast of \$0 for the PBOP is reasonable and should be adopted.

315. SCE should present, no later than its next GRC filing, a showing regarding any identified uses or "paths forward" for surplus PBOP funds, as well as an explanation for how ratepayers' interests are being served and protected.

316. SCE's forecast for the Medical Programs GRC activity should be reduced by 16 percent to exclude SCE's premium-sharing design changes.

317. SCE's TY forecast of \$0.411 million in expenses to administer the Recognition Programs GRC activity is reasonable and should be adopted.

318. \$8.909 million in expenses for Executive Benefits for the 2025 TY, corresponding to 50 percent of SCE's Executive Benefits forecast, are reasonable and should be adopted.

319. \$21.732 million in TY expenses for Employee Training and Development, as agreed upon in the Training and Development Stipulation, are reasonable and should be adopted.

320. \$31.570 million in TY expenses for Training Seat Time are reasonable and should be adopted.

321. \$20.410 million in TY expenses for Training Delivery are reasonable and should be adopted.

Total Compensation Study

322. SCE's uncontested TCS and its results are reasonable and should be adopted.

Environmental Services

323. The Environmental Services stipulation between Cal Advocates, SCE, and TURN addressing the O&M costs and capital expenditures is reasonable in light of the whole record, consistent with law, and in the public interest.

324. The Environmental Services stipulation between Cal Advocates, SCE, and TURN should be adopted.

325. SDG&E's unopposed request for cost recovery for its share of the SONGS related Marine Mitigation and Workers' Compensation amount of \$1.691 million (2025) and use of the Revenue Requirement Calculation Methodology is reasonable and should be adopted.

Audit Services

326. Audit expenses totaling \$8.208 million, which includes \$5.357 million in labor and \$2.851 million in non-labor, are reasonable and should be adopted.

Ethics and Compliance

327. A total TY O&M forecast of \$15.525 million for E&C activities is reasonable and should be adopted.

Safety Programs

328. SCE's Test Year 2025 forecast of O&M expenses of \$30.741 million for the Safety Programs BPE, including \$8.352 million for Employee and Contractor Safety, \$4.271 million for Safety Strategy Culture Transformation, \$17.469 million for Safety Activities – Transmission & Distribution, and \$0.649 million for Public Safety, is reasonable and should be adopted.

329. SCE's 2025 capital forecast of \$0.700 million for the AED Program supporting early defibrillation to victims of sudden cardiac arrest at SCE facilities and field crew job locations is reasonable and should be adopted.

330. SCE's request for its AED replacements should occur over a five-year period rather than in one year.

Enterprise Operations

331. The uncontested capital forecast for the Facility Management Capital Program and Enterprise Operations Transportation Services program of \$16.287 million from 2023-2025, including the 2023 recorded expenditures of \$4.243 million, is reasonable and should be adopted.

332. The uncontested TY 2025 forecast of O&M expenses of \$60.645 million for the Facility and Land Operations BPE of SCE's Enterprise Operations proposal is reasonable and should be adopted.

333. Within 30 days upon issuance of this decision, SCE should file a Tier 1 advice letter with the Commission's Energy Division establishing the Edison Training Academy Memorandum Account for purposes of recording costs associated with the Edison Training Academy Project.

334. Costs recorded in the Edison Training Academy Memorandum Account should be eligible for cost recovery upon the project's completion.

335. SCE's 2023-2025 recorded and forecast expenditures for the Vehicle Maintenance Facilities program of \$5.156 million are reasonable and should be adopted.

336. SCE's 2023-2025 forecast of \$27.754 million for its GO4 Workplace Upgrades program is reasonable and should be adopted.

337. For SCE's Fleet Charging Program, Cal Advocates' recommendation is reasonable and the following amounts should be adopted: \$10.223 million in 2023, \$8.437 million in 2024, and \$36.922 million in 2025.

338. SCE's TY 2025 forecast of \$13.706 million for the Covina CSAS Building Remodel project is reasonable and should be adopted.

339. For SCE's Alhambra Regional Operations Facility Renovations, Cal Advocates' recommendation is reasonable and the following amounts should be adopted: \$18.330 million in 2023, \$23.293 million in 2024, and \$3.349 million in 2025.

340. SCE's 2023-2025 forecast of \$16.297 million for the Westminster Combined Facility Renovations project is reasonable and should be adopted.

341. SCE's 2023-2025 forecast of \$29.750 million for the Substation Reliability Upgrades program is reasonable and should be adopted.

342. SCE's 2024-2025 forecast of \$22.350 million for the San Jacinto Laydown Yard project is reasonable and should be adopted.

343. SCE's \$3 million request for the Arrowhead Service Center Land Purchase is reasonable and should be adopted.

Policy, External Engagement, Ratemaking

344. SCE's TY O&M forecast for the Develop and Manage Policy and Initiatives activity is reasonable and should be adopted.

345. SCE's TY O&M forecast of \$6.193 million for the Education, Safety, and Operations activity is reasonable and should be adopted.

346. Concerning EEI dues, we should approve ratepayer funding for 50 percent of the remainder of the EEI dues plus the full amount for the Restoration, Operations, and Crisis Management Program.

347. SCE's request for \$0.042 million in CalTax dues should be denied.

348. \$1.301 million in TY O&M expenses for the Professional Development and Education GRC activity are reasonable and should be adopted.

349. SCE's TY O&M forecast for Ratemaking Cost Recovery is reasonable and should be adopted.

Results of Operations

350. SCE's jurisdictional allocation factors are reasonable and should be adopted.

351. SCE has made a *prima facie* showing regarding compliance of its NTP&S offerings with prior Commission decisions and the Commission's Affiliate Transaction Rules.

352. Unless otherwise specified in this decision, SCE's proposed escalation rates for labor, non-labor, and capital costs for 2018–2025 are reasonable and should be adopted.

353. For the limited purpose of this proceeding, we should accept the retail sales forecast presented by SCE.

354. SCE's uncontested forecast for OOR (excluding NTP&S) is reasonable and should be adopted.

355. SCE's Added Facilities rates for the 2025 TY are reasonable and should be adopted.

356. SCE has satisfied the Commission's NTP&S-related inquiries from D.21-08-036.

357. SCE's OOR forecast for revenues generated from NTP&S is reasonable and should be adopted.

358. Implementation of potential NTP&S cost/resource tracking measures would be better considered and addressed within the broader context of potential changes to SCE's GRSM.

359. TURN's recommendation to have SCE maintain auditable "but for" tests and time logs at shareholder expense should be rejected without prejudice.

360. SCE's A&G and P&B capitalization rates are reasonable and should be adopted.

361. SCE should be directed to provide, in future GRCs, the same types of information that PG&E is currently required to provide when proposing investments in UOG asset life extensions.

362. In its next GRC filing, SCE should provide additional information addressing whether a workaround exists to implement CalCCA's recommendation to provide a breakdown of SCE's UOG asset-level revenue requirement and any incremental revenue requirements, and how much time/expense the workaround would require.

363. For all programs or projects where SCE's 2023 forecast was not challenged by any party, SCE's 2023 capital forecast should be adjusted to reflect 2023 recorded expenditures.

GRC-Related Balancing and Memorandum Account Proposals

364. SCE's uncontested proposals to continue, establish, and close various memorandum and balancing accounts are reasonable and should be adopted.

365. Pub. Util. Code Section 740.19(c) requires costs recorded in the EVIMA to be recovered, subject to a reasonableness review, in the decision adopting the next general rate case revenue requirement for that electrical corporation.

366. SCE's request to seek reasonableness review and recovery of the amounts recorded in the EVIMA via a Tier 3 advice letter, rather than in the next GRC, should be rejected.

367. SCE should be directed to update its EVIMA tariff to remove any references to cost recovery in proceedings outside of SCE's GRC.

368. SCE's request to continue to use the ZFMA and to extend the Z-Factor mechanism to include the GRC TY is reasonable and should be adopted.

369. SCE's request to establish the CCMA should be denied.

370. SCE's request to establish the AMIMA should be denied.

371. TURN's proposal to apply a \$10 million deductible to all new memorandum accounts should be denied.

372. SCE's 2019-2022 recorded costs for the Mobilehome Park Utility Conversion Program are reasonable and should be adopted.

373. SCE's request to transfer approved costs recorded in various memorandum accounts, including accrued interest, to the distribution subaccount of the BRRBA for recovery in customers' distribution rates, is reasonable and should be adopted.

374. SCE's request to recover costs recorded in the SCMPMA should be rejected without prejudice.

Rate Base

375. We should exclude from the RO Model \$55 million in recorded net plant and Construction Work In Progress that was disallowed in D.25-06-051 and D.25-06-017.

376. California Health and Safety Code Section 42504(a) prohibits air districts from adopting program requirements that are less stringent than previous requirements.

377. It is likely that SCE's Mountainview plant will be subject to the same, if not greater, emission compliance obligations over this GRC period.

378. SCE's three-year working capital forecast for Mountainview emission credits is reasonable and should be adopted.

379. A revenue lag of 51.1 days based on SCE's recorded revenue lags for the years 2020–2022, along with an adjustment to SCE's recorded billing lag for 2020–2022 to reflect eight days, are reasonable and should be adopted.

380. SCE should be directed to review its current billing practices and procedures, and report on any efforts to further streamline and/or automate factors that have historically caused bills to be delayed as part of its next GRC filing.

381. SCE's proposed 39.2 average expense lag days based on 2022 recorded PO and Non-PO transactions are reasonable and should be adopted.

382. Depreciation expense should be removed from SCE's working cash calculation.

383. SCE's proposed federal income tax lag forecast of 54 days and state income tax lag forecast of 40 days are reasonable and should be adopted.

384. SCE's customer advance balance forecast for the 2025 TY is reasonable and should be adopted.

385. SCE fails to present a convincing argument as to why the Commission should discontinue the longstanding policy of treating CDs as a source of permanent working capital for SCE.

386. CDs should continue to be used as a rate base offset for SCE.

387. TURN's proposal to apply a \$174 million reduction to rate base is reasonable and should be adopted.

388. SCE should be authorized an offsetting interest expense for the portion of CDs that are applied as a reduction to rate base at the 90-day commercial paper interest rate.

389. SCE's request to extend the TAMA through this GRC period should be approved.

SCE Asset Depreciation Study

390. Application of a gradualism principle to SCE's net salvage rates is consistent with Commission decisions.

391. Application of a gradualism principle to net salvage rates is reasonable to balance customers' respective cost burden between current and subsequent GRC cycles.

392. We should limit any net salvage increases to 20 percent of SCE's requested increases.

393. It is reasonable to be cautious in making large changes in estimates of service lives and net salvage for property that will be in service for many decades, as future experience may show the current estimates to be incorrect.

394. Consistent with the treatment adopted in D.19-05-020 and D.21-08-036, generation decommissioning estimates should be escalated through the end of this GRC cycle.

395. It is reasonable to require future ratepayers who will be paying in cheaper nominal dollars to pay more than current ratepayers paying in 2021-2024 dollars in order to account for the time value of money.

396. SCE's probability-adjusted decommissioning cost estimates (\$2022) of \$78 million for San Geronio, \$56 million for Borel, and \$73 million for Rush Creek (Agnew, Rush M), with accruals based on constant dollars at the end of the GRC cycle, are reasonable and should be adopted.

397. SCE's proposed depreciation service lives for general and intangible plant accounts are reasonable and should be adopted.

Post-Test Year Ratemaking

398. Utilities are not automatically entitled to an attrition mechanism between rate cases.

399. The Commission has the discretion to grant or deny requests for an attrition mechanism between rate cases.

400. We should authorize SCE to adjust its O&M expenses as a percent based on the most recent CPI attrition increase/decrease each year for 2026, 2027, and 2028, plus additional increases for budget-based wildfire mitigation capital additions.

401. Attrition year O&M increases from the CPI adjustment should be no higher than five percent each year, corresponding to the percentage increases associated with the PTYR mechanism presented by SCE in update testimony less the amount associated with budget-based wildfire capital additions.

402. We should adopt zero escalation for all of SCE's non-wildfire related capital additions in the attrition years.

403. SCE's unopposed request to submit its annual attrition request via advice letter is reasonable and should be adopted as modified in this decision.

Residential Disconnections and Arrearages

404. In order to comply with the requirements of Section 718, SCE should include in its next GRC filing a report on the number and percentage of residential utility disconnections and amount of arrearages during this GRC cycle, and an analysis of the impacts that any proposed rate increases would have on disconnections and arrearages.

Accessibility Issues

405. The uncontested joint proposal submitted by SCE and CforAT addressing accessibility issues for SCE's customers with disabilities is reasonable and should be adopted.

406. If SCE continues its Accessibility Program, SCE should continue to submit the annual reports prepared for this GRC cycle during the next GRC cycle so the Commission can assess: (a) the accomplishments of the program; and (b) whether the spending is incremental and not duplicative of other approved funding.

GRC Update Phase

407. Except for SCE's proposed Residential and Non-Residential Paper Bill Fee, SCE's uncontested GRC Update Phase proposals are reasonable and should be adopted and be reflected in the final approval amounts throughout this decision.

Total Compensation Study

408. SCE's uncontested TCS and its results are reasonable and should be adopted.

O R D E R**IT IS ORDERED** that:

1. Application 23-05-010 is granted to the extent set forth in this decision. Southern California Edison Company is authorized to collect, through rates and through authorized ratemaking accounting mechanisms, the 2025 test year base revenue requirement set forth in Appendix B, effective January 1, 2025.
2. Within 30 days of the issuance date of this decision, Southern California Edison Company shall file a Tier 1 advice letter to implement the revenue requirement and ratemaking adopted in this decision. The revenue requirement and revised tariff sheets will be effective January 1, 2025. The balance of the General Rate Case Revenue Requirement Memorandum Account shall be amortized in rates beginning October 1, 2025, or as soon thereafter as it may be effected, over a twenty-four month period.
3. Southern California Edison Company (SCE) is authorized to implement a Post-Test Year Ratemaking (PTYR) mechanism for 2026, 2027, and 2028, as set forth in this decision. SCE shall submit a Tier 2 advice letter by December 1, 2025 for the 2026 PTYR, by December 1, 2026 for the 2027 PTYR, and by December 1, 2027 for the 2028 PTYR. The advice letters shall specify the revenue requirement adjustment for Operations and Maintenance expense and capital-related costs.
4. If Southern California Edison Company (SCE) makes a capital expenditure request in its 2029 test year General Rate Case for the Accelerated Overhead Conductor Program (AOCP), SCE shall: base any AOCP forecast on: (a) a three-year average of recorded AOCP costs; or (b) the historical number of emergency conductor replacement events and the historical average cost of an emergency conductor replacement event; or (c) the historical average miles of

emergency conductor replacement and the historical average cost per mile for emergency conductor replacement.

5. If Southern California Edison Company (SCE) makes a capital expenditure request in its 2029 test year General Rate Case for the Accelerated Overhead Conductor Program (AOCP), SCE shall not make a request based upon a percentage of the proactive conductor replacement forecast in the AOCP.

6. If Southern California Edison Company (SCE) makes a capital expenditure request in its 2029 test year General Rate Case (GRC) for the Overhead Conductor Program, SCE shall demonstrate in its 2029 GRC application that it: (1) has fully considered alternatives to proactive replacement of entire overhead conductor circuit segments; and (2) shows the relative risk reductions and costs of these alternatives compared to proactive replacement of entire overhead conductor circuit segments.

7. If Southern California Edison Company (SCE) makes a capital expenditure request in its 2029 test year General Rate Case (GRC) for the Overhead Conductor Program and SCE utilizes its machine learning models to develop any part of the request, SCE shall also make a showing of the following in its 2029 GRC application:

- SCE has undertaken, well prior to its 2029 GRC application, reasonable efforts to improve the transparency and external understanding of its machine learning models in response to concerns raised by California Public Utilities Commission Safety Policy Division staff and parties;
- SCE's machine learning models can accurately identify and weight risk factors; and
- There has been a reasonable amount of independent peer review and verification of SCE's machine learning models.

8. If Southern California Edison Company (SCE) makes a capital expenditure request in its 2029 test year General Rate Case (GRC) for the Overhead Conductor Program (OCP) and SCE includes proactive replacement of any large-gauge overhead conductor with covered conductor in the request, SCE shall demonstrate the following in its 2029 GRC application:

- Evaluate, by circuit segment, the risk reduction effectiveness achieved by prior OCP activity replacing large-gauge conductors;
- Make a quantitative comparison of the risk reduction achieved from replacing large-gauge conductors and from replacing small-gauge conductors, including the costs of conductor replacement; and
- Demonstrate that SCE has undertaken, well prior to its 2029 GRC application, reasonable efforts to explain in detail how its machine learning models select specific overhead conductor segments for proactive replacement from the universe of eligible overhead conductor segments and that its machine learning models do so accurately relative to identified risk factors.

9. Southern California Edison Company is authorized to continue use of the Safety and Reliability Investment Mechanism.

10. Within 30 days upon issuance of this decision, Southern California Edison Company (SCE) shall file a Tier 1 advice letter to establish a one-way balancing account to track the difference between SCE's actual and authorized non-routine meter-related project costs.

11. Southern California Edison Company may request cost recovery of the Gorman-Kern River Project, once it is completed and placed into service, by either: (a) filing a Tier 2 advice letter prior to its next General Rate Case (GRC), including a request in its annual Post Test Year Ratemaking advice letter; or (b) in the next GRC, with rate base true up.

12. Within 30 days upon issuance of this decision, Southern California Edison Company shall file a Tier 1 advice letter with the California Public Utilities Commission's Energy Division establishing the Edison Training Academy Memorandum Account for purposes of recording costs associated with the Edison Training Academy Project. Costs associated with the Edison Training Academy recorded in this memorandum account shall be eligible for cost recovery upon the project's completion.

13. Southern California Edison Company shall annually file a Tier 1 advice letter with the California Public Utilities Commission's Energy Division, on December 31 of each year for the test year period, that summarizes: (1) the status of the Long Duration Energy Storage project(s); (2) funds expended for the Long Duration Energy Storage project; (3) expected or realized benefits of the Long Duration Energy Storage project; and (4) lessons learned.

14. Annually, on March 1 of every year until March 1, 2029, Southern California Edison Company (SCE) shall file a Tier 1 advice letter with the California Public Utilities Commission's Energy Division reporting on its capital expenditures for projects identified through its Transportation Electrification Grid Readiness forecast through the General Rate Case (GRC) Period, with the final report due March 1, 2029. In this Tier 1 advice letter SCE shall provide: (a) the project name; (b) project number (consistent with SCE's testimony); (c) description and project scope, location, status, the current planned operating date; (d) the forecasted operating date in the 2025 GRC; and (e) capital expenditures by year and to date, and forecasted cost in the 2025 GRC. Additionally, SCE shall also report in this advice letter if: (a) energization request(s) are dependent on the project's completion; (b) how much the expected hosting capacity on the substation and its circuits are expected to increase; and

(c) what customer types are anticipated to benefit from the project (*e.g.*, Light Duty public charging, Medium and Heavy-Duty public charging, port customers).

15. Southern California Edison Company (SCE) is authorized to establish a memorandum account to track and record any capital expenditures above the authorized amounts authorized in this Decision to support SCE's grid readiness for future transportation electrification demand. SCE may file a Tier 1 advice letter to establish this memorandum account to track and record capital costs above the authorized amounts for reasonableness review. Should SCE pursue this, SCE should file an application for after-the-fact reasonableness review, and may request an expedited schedule to review its request pursuant to Rule 2.9.

16. Within 30 days of this decision, Southern California Edison Company (SCE) shall file a Tier 1 advice letter with the California Public Utilities Commission's Energy Division establishing a Historic Sporting Events Cost Tracking Memorandum Account (HSECTMA) for the 2026 World Cup and the 2028 Summer Olympics for California and the United States. Costs recorded in the HSECTMA shall be subject to a reasonableness review in SCE's next General Rate Case.

17. Southern California Edison Company (SCE) is authorized to maintain and continue the Distributed Energy Resources-Driven Grid Reinforcement Program (DER-DGRP) Memorandum Account to track costs for future reasonableness review and recovery associated with SCE's DER-DGR Program. SCE shall demonstrate that the recorded costs are reasonable for rate recovery if it makes use of a Distributed Energy Resources-driven need analysis that is conducted as part of SCE's distribution planning process.

18. Southern California Edison Company shall proactively collaborate with its permitting and/or licensing agencies to help facilitate the support of an efficient and timely review process and an improved forecast of in-service dates of its projects during the next General Rate Case cycle.

19. Within 30 days upon issuance of this decision, Southern California Edison Company shall file a Tier 1 advice letter with the California Public Utilities Commission's (Commission's) Energy Division establishing the Renewable Transmission Projects Memorandum Account, effective January 1, 2025, to track the Commission-jurisdictional capital-related revenue requirement and capital-related expense associated with costs spent on renewable transmission projects that are incremental to the amounts authorized by this decision.

20. Within 30 days upon issuance of this decision, Southern California Edison Company (SCE) shall file a Tier 2 advice letter with the California Public Utilities Commission's Energy Division that details the December 31, 2024 recorded balances in the Rule 20A, Rule 20B, and Rule 20C subaccounts of SCE's Rule 20 Balancing Account. If there is an overcollection in any of these subaccounts as of December 31, 2024, SCE shall true-up its 2025-2028 forecasts for that subaccount based on the difference between any forecast overcollection already used to reduce those forecasts and the actually recorded overcollection.

21. Within 30 days upon issuance of this decision, Southern California Edison Company (SCE) shall file a Tier 1 advice letter with the California Public Utilities Commission's Energy Division establishing a balancing account, titled "Palo Verde Non-Labor O&M Expenses Balancing Account," for the purposes of tracking both actual Palo Verde operating costs and revenue collection related to Palo Verde operating and maintenance non-labor. Under this balancing account, SCE shall be limited to automatic recovery of no more than 110 percent of

forecast costs in any year and would need to demonstrate the reasonableness of any costs above the 110 percent cap in SCE's next General Rate Case.

22. Within 30 days upon issuance of this decision, Southern California Edison Company (SCE) shall file a Tier 1 advice letter with the California Public Utilities Commission's Energy Division establishing a new, two-way balancing account titled, "General Liability Insurance Balancing Account" (GL&PBA), for the purposes of tracking costs associated with the SCE's general liability insurance. The provisions of the GL&PBA shall include the following:

- Any broker commission refunds shall be returned via the GL&PBA;
- At the end of the General Rate Case (GRC) cycle (presently expected to be December 31, 2028), any overcollection or undercollection shall be determined by comparing the cumulative forecast amount over the four-year GRC cycle with the recorded costs;
- The full amount of overcollection, if any, shall be returned to SCE customers as an offset to the authorized revenue requirement;
- The full amount of undercollection, if any, shall be eligible for recovery via application for reasonableness review;
- To the extent SCE's under-collected balance exceeds \$15 million at the conclusion of any year during the 2025 GRC cycle, SCE may file an application to recover those costs in the interim; and
- The Palo Verde nuclear property insurance costs that are procured by Arizona Public Service Company as the operator and billed to SCE would be tracked in a separate balancing account for Palo Verde.

23. San Diego Gas & Electric Company is authorized to collect, through rates and through authorized ratemaking accounting mechanisms, the 2025 San Onofre Nuclear Generating Station (SONGS) revenue requirement of

\$1.691 million (2025), as adjusted by its Revenue Requirement Calculation Methodology for its 20 percent share of the SONGS-related request for Marine Mitigation and Workers' Compensation.

24. San Diego Gas & Electric Company (SDG&E) is authorized to collect, through rates and through authorized ratemaking accounting mechanisms, its Marine Mitigation and Workers' Compensation revenue requirements for Southern California Edison Company's Post-Test Year 2026, 2027, and 2028 using the adopted test year operating and maintenance costs approved for SDG&E in this decision.

25. Within 30 days upon issuance of this decision, San Diego Gas & Electric Company (SDG&E) shall file a Tier 1 advice letter updating SDG&E's San Onofre Nuclear Generation Station Balancing Account and Marine Mitigation Memorandum Account to reflect the updates of the San Onofre Nuclear Generation Station revenue requirement for 2025. For the years 2026, 2027, and 2028, SDG&E shall update its San Onofre Nuclear Generation Station Balancing Account and Marine Mitigation Memorandum Account revenue requirement in its Annual Consolidated Update Filing.

26. Within 30 days upon issuance of this decision, Southern California Edison Company shall file a Tier 1 advice letter with the California Public Utilities Commission's Energy Division establishing a balancing account, titled "Palo Verde Non-Labor O&M Expenses Balancing Account," for the purposes of tracking both actual Palo Verde operating costs and revenue collection related to Palo Verde operating and maintenance non-labor.

27. The Palo Verde Non-Labor Operating and Maintenance Expenses Balancing Account shall limit Southern California Edison Company (SCE) to automatic recovery of no more than 110 percent of forecast costs in any year, and

SCE's recovery of Palo Verde operating and maintenance non-labor costs above the 110 percent cap would require SCE to demonstrate the reasonableness of any such costs in SCE's next General Rate Case.

28. Southern California Edison Company shall present in its next General Rate Case filing information on how the remote sensing vegetation management expenses approved in this decision were spent, including a breakout of costs associated with data gathering and modeling, data integration, project management and execution, project enhancements, consultant support, and any other cost categories as applicable.

29. Southern California Edison Company shall present in its next General Rate Case filing data on the accuracy of its remote sensing vegetation management inspections, as well as recommendations concerning the corresponding level of ongoing ground-based vegetation management inspections.

30. Within 30 days upon issuance of this decision, Southern California Edison Company shall file a Tier 1 advice letter to update the two-way Vegetation Management Balancing Account to remove the current reasonableness review threshold, consistent with the authorization provided in this decision.

31. Southern California Edison Company shall file an annual Wildfire Grid Hardening Progress Report (Report) with the California Public Utilities Commission's Safety Policy Division every March 1st through the General Rate Case period, pursuant to the requirements outlined in this decision. A copy of the Report shall be served on the service list to this proceeding.

32. Within 60 days upon issuance of this decision, Southern California Edison Company shall file an initial advice letter with the California Public Utilities Commission's Safety Policy Division (SPD) proposing the methodology for the 'baseline system' spreadsheet for the Wildfire Grid Hardening Progress Report,

pursuant to the requirements outlined in this decision. SPD is delegated ministerial authority to adjust the content, format, and timing of the Wildfire Grid Hardening Progress Report to ensure consistency with the implementation of Senate Bill 884 and to promote accurate and transparent reporting.

33. For any subsequent Long Span Initiative funding requests, Southern California Edison Company shall identify each project location and confirm whether and/or when the project is planned to be remediated through other grid hardening measures.

34. Within 30 days upon issuance of this decision, Southern California Edison Company shall file a Tier 1 advice letter to modify the Wildfire Risk Mitigation Balancing Account to be a one-way balancing account and to eliminate the current 110 percent reasonableness threshold.

35. Within 30 days upon issuance of this decision, Southern California Edison Company (SCE) shall file a Tier 1 advice letter to create a two-way Grid Hardening Balancing Account to track the difference between the Targeted Undergrounding (TUG) and Rapid Earth Fault Current Limiters (REFCL) capital expenditures authorized in this decision and SCE's recorded expenditures for these activities, pursuant to the requirements outlined in this decision. Reasonableness review of any recorded capital expenditures in excess of the authorized amounts for TUG and REFCL shall be made by application.

36. Southern California Edison Company shall include in its next General Rate Case filing a proposal to eliminate the Electronic Data Interchange Value-Added Network charge by 2029.

37. Southern California Edison Company (SCE) is directed to take the following actions with respect to its electric Rule 17 backbilling limitations:

(a) within 60 days upon the issuance date of this decision, SCE shall, in

coordination with the other investor-owned utilities (IOUs), host one or more workshops with the intent to develop a consensus-based proposal on how to address uncollected revenue from the application of Rule 17 backbilling limitations (for both bundled and unbundled customers), and invite all Community Choice Aggregators (CCA), Electric Service Providers (ESPs), and parties to the Application (A.) 23-05-010, A.22-05-016, and A.21-06-021 service lists to participate; and (b) within 180 days upon the issuance date of this decision, SCE shall, in coordination with the other IOUs, file a joint application containing one or more proposals on how to address undercollections resulting from the application of the Rule 17 backbilling limitations, which may include a consensus-based proposal among all load-serving entities. As part of the joint application, the IOUs should identify any changes necessary to their respective billing systems to be able to track and apply Rule 17 limitations to the bill adjustments of ESP and CCA charges, and include any relevant proposals for incremental cost recovery.

38. Southern California Edison Company (SCE) shall continue to work with Community Choice Aggregators and representative parties to explore additional improvements to the billing issues identified in this decision, and SCE shall report on any progress made on these efforts as part of its next General Rate Case filing.

39. Southern California Edison Company is authorized to continue to track seismic retrofit costs for its non-electric facilities in the Seismic Retrofit for Non-Electric Facilities Memorandum Account through 2028, with the opportunity to seek recovery for any costs above the amount authorized in this decision in its next General Rate Case filing.

40. Southern California Edison Company shall include in its next General Rate Case filing an explanation of whether and how ratepayers received any benefit from the \$5.7 million insurance recovery for outside counsel spending.

41. Within 30 days upon issuance of this decision, Southern California Edison Company (SCE) shall file a Tier 1 advice letter to show the Short-Term Incentive Program (STIP)-to-base pay conversion that occurred, and to inform the California Public Utilities Commission of any additional adjustments to SCE's STIP targets.

42. Southern California Edison Company shall file a Tier 2 advice letter to provide further details regarding the proposed Pension Plan annual review process prior to the implementation of such a process.

43. Southern California Edison Company shall include in its next General Rate Case filing a showing regarding any identified uses or paths forward for surplus Post-Retirement Benefits Other than Pensions funds, as well as an explanation for how ratepayers' interests are being served and protected.

44. In any subsequent General Rate Case (GRC) filings in which Southern California Edison Company (SCE) proposes investments or changes for any of its Utility-Owned Generation (UOG) assets, SCE shall present supporting evidence concerning: (a) the details of any SCE proposal for new asset life extensions, incremental capacity additions, or changed functions for any of its UOG assets and why SCE is undertaking these changes; (b) on whose behalf SCE is making these new investments; and (c) the appropriate vintaging treatment for each asset along with any future GRC proposals.

45. Southern California Edison Company (SCE) shall include in its next General Rate Case (GRC) filing information addressing whether a workaround exists to be able to present a breakdown of SCE's Utility-Owned Generation

asset-level revenue requirement in subsequent GRC filings, and an estimate of how much time and expense the workaround would require.

46. Within 30 days upon issuance of this decision, Southern California Edison Company shall file a Tier 1 advice letter to implement the various memorandum account and balancing account changes approved in Section 39 of this decision.

47. Southern California Edison Company shall include in its next General Rate Case filing a discussion of its billing practices and procedures, benchmarked to other utilities, as applicable, with a focus on efforts to further streamline and/or automate factors that have historically caused bills to be delayed.

48. All motions not previously addressed are deemed denied.

49. Application 23-05-010 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

APPENDIX A

APPENDIX A
LIST OF ACRONYMS

ACRONYM	MEANING
A.	Application
A&G	Administrative and General
AB	Assembly Bill
ACCMA	Avoided Cost Calculator Memorandum Account
AECA	Agricultural Energy Consumers Association
AED	Automated External Defibrillator
AFN	Access and Functional Needs
ALJ	Administrative Law Judge
AMI	Advanced Metering Infrastructure
AMIMA	Advanced Metering Infrastructure 2.0 Memorandum Account
AOC	Areas of Concern
AOCP	Accelerated Overhead Conductor Program
APS	Arizona Public Service Company
AR	Affordability Ratio
ASL	Average Service Life
BA	Balancing Account
BCR	Benefit-Cost Ratio
BES	Bulk Electric System
BPE	Business Planning Element
BRRBA	Base Revenue Requirement Balancing Account
C&PS	Consulting and Professional Services
CA-AMT	California Alternative Minimum Tax
CAISO	California Independent System Operator
Cal Advocates	The Public Advocates Office

ACRONYM	MEANING
CalCCA	California Community Choice Association
CalChoice	California Choice of Energy Authority
CalTax	California Taxpayers Association
CAMT	Corporate Alternative Minimum Tax
CARE	California Alternate Rates for Energy
CAVA	Climate Adaptation and Vulnerability Assessment
CAVAMA	Climate Adaptation and Vulnerability Assessment Memorandum Account
CBO	Community-Based Organization
CCA	Community Choice Aggregator
CCC	Customer Contact Center
CCMA	Cybersecurity Compliance Memorandum Account
CCPAMA	California Consumer Privacy Act Memorandum Account
CD	Customer Deposit
CEC	California Energy Commission
CEM	Customer Experience Management
CEMA	Catastrophic Event Memorandum Account
CforAT	Center for Accessible Technology
CIC	Cable-in-Conduit
CLE	Cable Life Extension
CLECA	California Large Energy Consumers Association
CLF	Current Limiting Fuse
CLS	Community Legal Services
CMC	California Metals Coalition
CMGI	Cumming Management Group, Inc.
CMMC 2.0	Cybersecurity Maturity Model Certification 2.0
CMTA	California Manufacturers & Technology Association

ACRONYM	MEANING
COL	Conclusion of Law
CPA	Clean Power Alliance of Southern California
CPI	Consumer Price Index
CPI-U	Consumer Price Index - Urban Consumers
CPM	Customer Programs Management
CPRR	Cover Pressure Relief and Restraint
CPUC	California Public Utilities Commission
CRMA	Catalina Repower Memorandum Account
CSRP	Customer Service Re-Platform
CSRPMA	Customer Service Re-Platform Memorandum Account
CSUSB	California State University San Bernardino
CUE	Coalition of Utility Employees
D.	Decision
DA	Direct Access
DC	Direct Current
DDACMA	Distribution Deferral Administration Costs Memorandum Account
DER	Distributed Energy Resources
DER-DGRPMA	DER-Driven Grid Reinforcement Program Memorandum Account
DESI	Distributed Energy Storage Integration
DIM	Distribution Inspection and Maintenance
DIR	Distribution Infrastructure Replacement
DLR	Dynamic Line Ratings
DMS	Distribution Management System
DPP	Distribution Planning Process
DPT	Digital and Process Transformation

ACRONYM	MEANING
DRP	Distribution/Distributed Resources Plan
DSP	Distribution Substation Plan
DVC	Disadvantaged Vulnerable Communities
DVVC	Distribution Volt VAR Control
E&C	Ethics and Compliance
EAD	Electric Asset Data
ECPMA	Emergency Customer Protections Memorandum Account
ECS	Edison Carrier Solutions
EDI	Electronic Data Interchange
EEI	Edison Electric Institute
EFD	Early Fault Detection
EICP	Executive Incentive Compensation Plan
EIX	Edison International
EOI	Enhanced Overhead Inspections
EPA	Environmental Protection Agency
EPIC	Electric Program Investment Charge
EPO	Exclusive Provider Organization
EPUC	Energy Producers and Users Coalition
ERP	Enterprise Resource Planning
ERRA	Energy Resource Recovery Account
ESD	Environmental Services Department
ESJ	Environmental and Social Justice
EUUF	Energy Users Forum
EV	Electric Vehicle
EVIMA	Electric Vehicle Infrastructure Memorandum Account
FAN	Field Area Network
FAO	Field Accounting Organization

ACRONYM	MEANING
Farm Bureau	California Farm Bureau Federation
FEA	Federal Executive Agencies
FERA	Family Electric Rate Assistance
FERC	Federal Energy Regulatory Commission
FPI	Fire Potential Index
FTE	Full Time Employee
GCC	Grid Control Center
GE	General Electric
GHBA	Grid Hardening Balancing Account
GHG	Greenhouse Gas
GL&PBA	General Liability and Property Insurance Balancing Account
GMP	Grid Modernization Plan
GMS	Grid Management System
GO	General Order
GO4	General Office Building 4
GOAB	Gang-Operated Air-Break
GRC	General Rate Case
GRCPRR	General Rate Case-Related Present Rate Revenue
GRRMA	Gas Rules and Regulations Memorandum Account
GRSM	Gross Revenue Sharing Mechanism
GSRP	Grid Safety & Resiliency Program
GWh	Gigawatt-Hours
HD	High Definition
HERMES	Hazard Event Restriction and Management Emergency System
HFRA	High Fire Risk Area
HFTD	High Fire-Threat District

ACRONYM	MEANING
Hi-Z	High Impedance (Relays)
HMO	Health Maintenance Organization
HMW	Hours at Minimum Wage
HPSV	High Pressure Sodium Vapor
HR	Human Resources
HSECTMA	Historic Sporting Events Cost Tracking Memorandum Account
HT	Hazard Tree
HTMP	Hazard Tree Management Program
IEPR	Integrated Energy Policy Report
IMT	Incident Management Team
IOU	Investor-Owned Utility
IPI	Intrusive Pole Inspection
IPM	Individual Performance Multiplier
IT	Information Technology
IWMS	Integrated Wildfire Mitigation Strategy
JPO	Joint Pole Organization
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt hour
LCD	Least-Cost Dispatch
LPA	Local Public Affairs
LDES	Long Duration Energy Storage
LED	Light Emitting Diode
LiDAR	Light Detection and Ranging Technology
LSE	Load-Serving Entity
LTI	Long Term Incentive

ACRONYM	MEANING
M&S	Materials and Supplies
MA	Memorandum Account
MAMF	Monthly Account Maintenance Fee
MARS	Multi-Attribute Risk Score
MGRA	Mussey Grade Road Alliance
MHP	Mobilehome Park/Manufacturing Housing Communities
MPBA	Medical Programs Balancing Account
MW	Megawatt
NEI	Nuclear Energy Institute
NEM	Net Energy Metering
NEMOASMA	NEM Online Application System Memorandum Account
NERC	North American Electric Reliability Corporation
NERC CIP	NERC Critical Infrastructure Protection
NGESMA	NextGen Enterprise Resource Planning SAP Memorandum Account
NIST	National Institute of Standards and Technology
NOL	Net Operating Loss
NRDC	Natural Resources Defense Council
NSR	Net Salvage Rate
NTP&S	Non-Tariffed Products and Services
O&M	Operations and Maintenance
OB	Opening Brief
OCM	Organizational Change Management
OCMA	Officer Compensation Memorandum Account
OCP	Overhead Conductor Program
OE	Operational Excellence
OEC	Operational Excellence Catalyst

ACRONYM	MEANING
OEIS	California Office of Energy Infrastructure Safety
OII	Order Instituting Investigation
OLT	Observed Life Table
OMS	Outage Management System
OOR	Other Operating Revenue
OU	Operating/Organizational Unit
P&B	Pension and Benefit
P&E	Processing and Engineering
PBGS	Pebbly Beach Generating Station
PBOP	Post-Retirement Benefits Other than Pensions
PBOPBA	Post-Retirement Benefits Other than Pensions Balancing Account
PCB	Polychlorinated Biphenyls
PCBA	Pension Cost Balancing Account
PD	Proposed Decision
PG&E	Pacific Gas and Electric Company
PHC	Prehearing Conference
PLC	Pole Loading Calculations
PLP	Pole Loading Program
PLDPBA	Pole Loading and Deteriorated Pole Programs Balancing Account
PO	Purchase Order
PPH	Public Participation Hearing
PPO	Preferred Provider Organization
PSPS	Public Safety Power Shutoff
PTY	Post-Test Year
PTYR	Post-Test Year Ratemaking

ACRONYM	MEANING
PV	Photovoltaic
QRF	Quick Reaction Force
R.	Rulemaking
RAMP	Risk Assessment Mitigation Phase
RAR	Remote Controlled Automatic Recloser
RB	Reply Brief
RCS	Remote Controlled Switch
RDF	Risk-Based Decision-Making Framework
RDICMA	Residential Disconnections Implementation Cost Memorandum Account
REFCLs	Rapid Earth Fault Current Limiters
RFA	Requests for Access
RFO	Request for Offer
RFP	Request for Proposal
RO	Results of Operations
ROC	Reliability Operations Center
ROW	Right-of-Way
RMBA	Risk Management Balancing Account
RSE	Risk Spend Efficiency
RT	Reporter's Transcript
RTEM	Real Time Energy Meter
RTPMA	Renewable Transmission Projects Memorandum Account
RUOES	Reliability Utility-Owned Energy Storage
SA	Service Account
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SAR	System Average Rate

ACRONYM	MEANING
SB	Senate Bill
SBUA	Small Business Utility Advocates
SCADA	Supervisory/System Control and Data Acquisition
SCAQMD	South Coast Air Quality Management District
SCE	Southern California Edison Company
SCMPMA	Service Center Modernization Program Memorandum Account
SD&D	Supplier Diversity and Development
SDG&E	San Diego Gas & Electric Company
S-MAP	Safety Model Assessment Proceeding
SoCalGas	Southern California Gas Company
SONGS	San Onofre Nuclear Generating Station
SP	Standard Practice
SPD	Commission's Safety Policy Division
SPVP	Solar Photovoltaic Program
SRA	Severe Risk Areas
SRIIM	Safety and Reliability Investment Incentive Mechanism
SRNEFMA	Seismic Retrofit For Non-Electric Facilities Memorandum Account
SSS	Self-Sufficiency Standard
STIP	Short-Term Incentive Program
STIPMA	Short-Term Incentive Program Memorandum Account
Sub IR	Substation Infrastructure Replacement Program
SVP	Senior Vice President
SWRCB	State Water Resources Control Board
T&D	Transmission and Distribution
T&E	Time and Expense

ACRONYM	MEANING
TAMA	Tax Accounting Memorandum Account
TCCI	Tree Caused Circuit Interruption
TCS	Total Compensation Study
TE	Transportation Electrification
TEGR	Transportation Electrification Grid Readiness
TeraWatt	TeraWatt Infrastructure, Inc.
Tesla	Tesla, Inc.
TIR	Transmission Infrastructure Replacement
TLRR	Transmission Line Rating Remediation
TOPD	Transmission Open Phase Detection
TOT	Transmission Owner Tariff
TPA	Third-Party Attachments
TSP	Transmission Substation Plan
TSPRR	Total System Present Rate Revenue
TUG	Targeted Undergrounding Program
TURN	The Utility Reform Network
TY	Test Year
UCR	Underground Cable Replacement
UCSD	University of California, San Diego
UOG	Utility Owned Generation
UOS	Utility Owned Storage
USFS	United States Forest Service
USRBA	Underground Structures Replacement Balancing Account
VAN	Value-Added Network
VAR	Volt-Ampere Reactive
VFI	Vacuum Fault Interrupters
VMBA	Vegetation Management Balancing Account

ACRONYM	MEANING
VP	Vice President
WACC	Weighted Average Cost of Capital
Walmart	Walmart, Inc.
WCCP	Wildfire Covered Conductor Program
WCRP	Worst Circuit Rehabilitation Program
WDAT	Wholesale Distribution Access Tariff
WECC	Western Electricity Coordinating Council
WMP	Wildfire Mitigation Plan
WMPMA	Wildfire Mitigation Plan Memorandum Account
WPC	Worst Performing Circuit
WRMBA	Wildfire Risk-Mitigation Balancing Account
YE	Year End
YTD	Year to Date
ZFMA	Z-Factor Memorandum Account

(END OF APPENDIX A)

APPENDIX B

APPENDIX C