

Decision 26-05-034

May 14, 2026

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Authorization to Recover 2022 Incremental Costs Related to Wildfire Mitigation and Vegetation Management.

Application 23-10-001

**ORDER MODIFYING DECISION 25-06-051 AND GRANTING LIMITED REHEARING OF THE DECISION**

**I. SUMMARY**

This Order addresses the separate applications for rehearing of Decision (D.) 25-06-051 (Decision)<sup>1</sup> filed by Southern California Edison Company (SCE) and Small Business Utility Advocates (SBUA).

In SCE’s test year 2021 General Rate Case (2021 GRC) proceeding, we authorized a base revenue requirement of \$6.899 billion and post-test year revenue requirement adjustments of \$382 million for 2022 and \$437 million for 2023.<sup>2</sup> SCE was already authorized to track “alternative, more cost-effective wildfire mitigation measures in place of additional covered conductor” pursuant to its Wildfire Mitigation Plan (WMP) through its Wildfire Mitigation Plan Memorandum Account (WMPMA) or the Fire Risk Mitigation Memorandum Account (FRMMA). (D.21-08-036, p. 201.) We also approved a two-way Vegetation Management Balancing Account (VMBA), authorizing recovery of recorded costs between 100 to 115 percent of the authorized amount (\$178.977 million) by Tier 2 advice letter. (D.21-08-036, p. 656, Conclusion of Law (COL) 70.) We ordered

<sup>1</sup> Unless otherwise noted, citations to Commission Decisions issued since July 1, 2000, are to the official pdf versions, which are available on the Commission’s website at: <http://docs.cpuc.ca.gov/DecisionsSearchForm.aspx>.

<sup>2</sup> *Decision on Test Year 2021 General Rate Case for Southern California Edison Company (2021)* [D.21-08-036], p. 2.

SCE to submit an application if it incurred costs exceeding 115 percent of the total authorized amount. (D.21-08-036, p. 656, COL 70.) In 2022, SCE recorded a total of (1) wildfire management (WM)-related expenses of \$112.914 million in the WMPMA; (2) WM and vegetation management (VM)-related expenses of \$135.736 million in the FRMMA; and (3) VM-related expenses of \$244.6 million in the VMBA. Thus, since SCE's spending exceeded the reasonable threshold established in D.21-08-036, the underlying application followed.

In the Decision, as relevant here, we authorized SCE to recover from ratepayers \$290.502 million in operations and maintenance (O&M) expenses and \$99.392 million in capital expenditures together with interest for certain wildfire mitigation and vegetation management costs incurred in 2022. We disallowed \$64.974 million in O&M expenses and \$36.344 million in capital expenditures, concluding that SCE did not meet its burden of proof establishing the reasonableness of the straight-time labor (STL) and overhead (DOH) costs recorded to the WMPMA, FRMMA, and VMBA. Specifically, the Decision ordered the following disallowances: (1) \$9.835 million in STL VM costs recorded to VMBA (\$9.43 million) and FRMMA (\$.405 million) (COLs 54, 55); (2) \$24.076 million in DOH recorded to VMBA (COLs 54, 55); (3) \$19.385 million in STL and Paid Time Off (PTO) recorded to WMPMA and FRMMA (COL 67); (4) \$22.190 million in Overhead recorded to the WMPMA (\$10.658 million O&M and \$11.532 million capital) (COL 68); and (5) \$5.503 million in labor for Fire Science and Advanced Modeling, Enhanced Situational Awareness, Environmental Remediation programs, Grid Hardening program, and Organizational Support recorded in the WMPMA and FRMMA (\$1.623 million O&M and \$3.880 million capital) (COL 69).

SCE timely filed an application for rehearing (App. Rehg.) alleging we erred by: (1) concluding that the STL and DOH costs are incremental but unreasonable; (2) disregarding that the regulatory accounts are *per se* incremental and therefore costs recorded therein are not embedded in existing rates; (3) disregarding the *Utility Audits Branch of the Commission's Performance Audit* (Audit Report) which concluded that the costs are not embedded in existing rates; (4) unreasonably imposing a higher burden of

proof for STL and DOH costs; (5) considering an incorrect amount of incremental costs before the Commission; and (6) duplicating disallowances.

The Utility Reform Network (TURN), the Commission's Public Advocates Office (Cal Advocates), and SBUA filed responses in opposition to SCE's rehearing application.

SBUA also filed a separate application for rehearing (SBUA App. Rehg.), alleging: (1) the Decision's approval of SCE's use of the portfolio approach is inconsistent with *Decision Addressing Southern California Edison Company's Request for Recovery of 2021 Wildfire Mitigation and Vegetation Management Memorandum and Balancing Account Balances* (2024) [D.24-03-008] and (2) the Decision failed to require SCE to comport with D.24-03-008's requirements to demonstrate the unavailability of conventional public funding sources for procuring firefighting assets before approving the use of ratepayer funds. SCE filed a timely opposition to SBUA's rehearing application.

We have carefully considered all of the allegations presented by the rehearing applicants and conclude that certain modifications of the Decision are warranted to clarify our findings regarding incrementality and reasonableness of the STL and DOH costs. We also find that limited rehearing of the Decision is warranted to correct the amounts of the disallowed STL and DOH costs.

## II. BACKGROUND

A detailed background and procedural history are set out in the Decision and are adopted herein by reference. (See Decision, pp. 2-8.)

## III. SCE'S APPLICATION FOR REHEARING

### A. **We clarify the Decision to separate our findings regarding the incrementality and reasonableness of SCE's claimed costs.**

SCE first argues that we erroneously concluded that the claimed STL and DOH costs are unreasonable considering our concurrent finding that these costs were incremental. (App. Rehg., pp. 7-8.) In particular, SCE disputes our finding that SCE

failed to demonstrate that its STL and DOH costs “were not embedded in existing rates” as arbitrary and contrary to our finding regarding incrementality. (App. Rehg., p. 8.)

As we correctly recognized, incrementality and reasonableness are separate. (Decision, pp. 22-23.) Our incrementality finding does not limit our ability to further review or disallow claimed costs based on reasonableness. (Decision, p. 22.) SCE acknowledged this fact. (Decision, p. 22, citing SCE Opening Brief, p. 7, fn. 25.) Thus, to the extent the issue here was the reasonableness of SCE’s STL and DOH-related costs above the amount we had already authorized, SCE was required to separately demonstrate reasonableness. As discussed further in section III. D below, SCE did not do so.

But SCE is correct that the Decision conflates the incrementality analysis with the reasoning determination. Therefore, we will clarify our basis for denying STL and DOH costs on the basis of reasonableness, as set forth in the ordering paragraphs below and reflected in Attachment A.

**B. The structure of the memorandum and balancing accounts does not *per se* establish the incrementality of the costs recorded therein.**

SCE argues that the structures of the WMPMA, FRMMA, and VMBA *per se* establish the incrementality of the costs recorded to these accounts. (App. Rehg., pp. 9-13.) SCE’s interpretation of the significance of the memorandum and balancing account structures is erroneous.

Public Utilities Code section 8386.4, in effect at the time SCE filed its application, allowed IOUs to establish memorandum accounts to track costs incurred in implementing an IOU’s wildfire mitigation plan and for fire risk mitigation “that are not otherwise covered in the electrical corporation’s revenue requirements.”<sup>3</sup> The Commission was required to “review the costs in the memorandum accounts and disallow

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<sup>3</sup> Public Utilities Code section 8386.4 was modified by Senate Bill (SB) 254 (Stats. 2025, ch. 119). SB 254 was an urgency statute that went into effect immediately and was enrolled September 15, 2025. Unless otherwise noted, all subsequent section references are to the Public Utilities Code.

recovery of those costs the commission deems unreasonable.” (Former Pub. Util. Code, § 8386.4, subd. (b)(1).) That is, former section 8386.4 explicitly mandated the Commission to review SCE’s recorded costs. (See *Decision on Test Year 2023 General Rate Case for Pacific Gas and Electric Company (2023)* [D.23-11-069], p. 283 [“Commission’s ratification of an approved WMP does not authorize rate recovery; rather, the Commission considers the reasonableness of the costs of implementing the electrical corporation’s WMP in its General Rate Case or an application for recovery of the cost of implementing the WMP as accounted in the memorandum account or otherwise.”])

Consistent with this authority, we have routinely ordered costs recorded to the memorandum accounts to be audited to determine whether the costs tracked “were appropriately recorded, not duplicative, were incremental, and were consistent” with the utilities’ approved WMPs. (*Decision Granting Recovery of Wildfire Mitigation Memorandum Account Costs (2025)* [D.25-02-008], p. 5; see also *Decision Approving Settlement and Authorizing Southern California Edison Company to Recover Costs Related to Wildfire Mitigation, Vegetation Management, Catastrophic Events, and Other Costs (2025)* [D.25-06-017], pp. 1-2; D.23-02-017, p. 15; Resolution SPD-9, p. 1<sup>4</sup> [section 8386.4(b) “requires electrical corporations to seek and prove the legitimacy of all expenditures at a future time in their general rate cases (GRC) or application for cost recovery”].) The Commission’s Utility Audits Branch performed such an audit in this proceeding, which found that “SCE’s requested O&M expenses were ‘properly supported, incremental, and completed and recorded accurately’ and concluded similarly with request to capital expenditures, with the exception of certain Construction Work in Progress (CWIP)....” (Decision, p. 12.) Therefore, we appropriately relied on the results of the Commission’s Utility Audits Branch Audit to conclude that the claimed costs were

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<sup>4</sup> Unless otherwise noted, citations to Commission Resolutions issued since July 1, 2000, are to the official pdf versions, which are available on the Commission’s website at: <https://docs.cpuc.ca.gov/ResolutionSearchForm.aspx>

incremental and were not required to rely merely on the structure of the memorandum accounts.

As to the VMBA, as with the memorandum accounts, SCE does not cite any authority that would require us to conclude that any and all costs recorded to the balancing account are per se incremental. D.21-08-036 indeed authorized SCE to establish a “two-way VMBA” but it did not establish such costs are per se incremental or reasonable or eliminate our ability to review the costs for accuracy, duplicity, or incrementality. (D.21-08-036, p. 186.)

**C. We did not impose a higher burden of proof for any sub-categories of costs or sub-activities.**

SCE argues that in disallowing the STL and DOH costs recorded in VMBA, WMPMA, and FRMMA, the Decision set forth “a new and higher burden of proof than the one set forth for these same unique accounts in the recent 2021 WMVM decision (D.24-03-008).” (App. Rehg., p. 20.) Specifically, SCE asserts that it was only required to demonstrate incrementality and reasonableness at the GRC activity or sub-activity level “(imputing costs as necessary)” for the WMPMA and FRMMA-recorded costs and reasonableness as a whole for VMBA-recorded costs. (App. Rehg., p. 21.) According to SCE, it was not required to impute a level of STL and DOH costs authorized in the GRC for comparison against STL and DOH costs recorded and tracked in the relevant accounts, as we now seem to suggest. (App. Rehg., pp. 21-22.)

Establishing that claimed costs are incremental is separate from a showing of reasonableness. Once we have determined that a utility’s recorded and claimed costs are incremental, the utility must then demonstrate that the costs were reasonably incurred since “[a]ll charges demanded or received by any public utility ... shall be just and reasonable.” (Pub. Util. Code, § 451; see also former Pub. Util. Code, § 8386.4, subd. (b)(1); D.23-11-069, p. 283 [“the Commission considers the reasonableness of the costs of implementing the electrical corporation’s WMP in its General Rate Case or an application for recovery of the cost of implementing the WMP as accounted in the memorandum account or otherwise.”]; *Decision Addressing the Test Year 2019 General*

*Rate Cases of San Diego Gas & Electric Company and Southern California Gas Company* (2019) [D.19-09-051], p. 40 [“SDG&E does not explain why costs from 2015 increased by around 50 percent in 2016 and so we find it reasonable to agree with [Cal Advocates] that this increase already captures the incremental funding being requested in this GRC”].) We have an affirmative obligation to deny unjust or unreasonable rates or charges. (*Ibid.*)

In implementing section 451 for purposes of a reasonableness review, we rely on the prudent manager standard to evaluate whether the requested costs are just and reasonable:

The standard for reviewing utility actions has been established as one of reasonableness and prudence....The term “reasonable and prudent” means that at a particular time any of the practices, methods, and acts engaged in by a utility follows the exercise of reasonable judgment in light of facts known or which should have been known at the time the decision was made. The act or decision is expected by the utility to accomplish the desired result at the lowest reasonable cost consistent with good utility practices. Good utility practices are based upon cost-effectiveness, reliability, safety, and expedition.

(*Re Southern California Edison Company* (1987) [D.87-06-021], 24 Cal.P.U.C.2d 476, 486.)

Moreover, “the greater the level of money, risk, and uncertainty involved in a decision, the greater the care the utility must take in reaching that decision....” (*Order Denying Rehearing of Decision (D.)17-11-033* (2018) [D.18-07-025], p. 4, citing *Investigation into the Natural Gas Procurement Practices of Southwest Gas Company* (2002) [D.02-08-064], pp. 5-8.) “The burden rests heavily upon a utility to prove... that it is entitled to the requested rate relief and not upon the Commission, its staff, or any interested party to prove the contrary.” (*Ibid.*; see also D.24-03-008, p. 11 [“the utility bears the ultimate burden to prove the reasonableness of the relief it seeks and the costs it seeks to recover” including proving “that it reasonably and prudently operated and managed its system”]; *Decision on Southern California Edison Company Proposed Building Electrification Programs* (2024) [D.24-01-004], p. 9 [“As the applicant, SCE

bears the burden of affirmatively establishing the reasonableness of all aspects of its application.”]) “Although these concepts guide all Prudent Manager reviews, each case must be evaluated in light of own unique circumstances and the evidence presented.” (D.18-07-025, pp. 4-5.)

Therefore, once we concluded that the claimed costs were incremental, we properly moved on to examine SCE’s evidence for a showing of reasonableness. SCE does not dispute the appropriateness of the reasonableness review. (See, e.g., App. Rehg., p. 11, fn. 32.)

Section 451 requires each of SCE’s claimed costs to be just and reasonable, including any subset of its costs, such as STL or DOH. Therefore, even costs that are embedded in vegetation management or wildfire mitigation activities must satisfy the prudent manager standard. SCE asserts that we are limited to assessing “reasonableness on a GRC activity basis” and it is improper for us to consider reasonableness “on a cost category basis as well” (i.e., on a more granular level). (App. Rehg., p. 22.) SCE does not cite any authority to support this position, and none of our prior decisions are directly on point.

But in SCE’s 2021 GRC Track 3 Request, for example, we specifically considered SCE’s claimed STL costs. (See *Decision Addressing Southern California Edison Company’s Track 3 Request for Recovery of Wildfire Mitigation Memorandum and Balancing Account Balances* (2022) [D.22-06-032].) We ultimately concluded that the costs were reasonable because SCE provided sufficient evidence to substantiate each labor category. (See D.22-06-032, p. 20 [SCE conceded that it “reassigned existing employees to conduct new wildfire mitigation activities” but provided “evidence that it on-boarded more contractor resources ... and that its overall costs for normal time labor and contractor costs have increased between 2018 and 2020], p. 34 [“The data request response cited by SCE supports SCE’s assertion that its requested line clearance costs do not include costs for straight time labor.”].) We also reiterated that SCE carries the burden of establishing the reasonableness of every portion of its claimed incremental costs related to any otherwise-approved GRC activity. (D.22-06-032, p. 32)

In sum, the Commission may consider the claimed costs on a GRC-activity level or conduct a review on a more granular cost category level as appropriate based on the particular record and irregularities or opposition raised by parties in each proceeding. The Commission's review of claimed costs at the cost category level does not result in a higher burden of proof. It merely goes to the sufficiency of SCE's evidence.

SCE also argues that "the Commission historically looks at the work performed and the costs incurred within the WMPMA, FRMMA, and VMBA, and compares those costs to amounts authorized for each GRC activity." (App. Rehg., p. 22.) But our historical practice does not negate SCE's obligation to meet the prudent manager standard for all claimed costs here. We are obligated "to efficiently conduct a robust reasonableness review of claimed incremental costs." (D.24-03-008, p. 76.) That we may reach a different conclusion in different proceedings dealing with same cost categories is not evidence of an error. "The Commission has the discretion to reach different conclusions in different cases as a matter of policy because of their unique facts, as noted by the California Supreme Court...." (*Folsom Estate Unit No. 2b & 3 Homeowners Assn.* (1993) [D.93-12-051], 52 CPUC 2d 677, citing *Postal Telegraph-Cable Co. v. Railroad Com. of California* (1925) 197 Cal. 426, 436.)

As discussed further below, we considered SCE's proffered evidence in light of the counterarguments and evidence presented by Cal Advocates and SBUA. The Decision's disallowance of certain STL and DOH costs due to SCE's failure to meet its burden of proof as to the reasonableness of these additional costs is not arbitrary and capricious merely because we approved similar costs in other proceedings on other bases and in light of a different evidentiary record.

**D. We did not err or otherwise act arbitrarily or unreasonably in disallowing certain STL and DOH costs due to SCE's failure to establish the reasonableness of its claimed cost overruns.**

SCE challenges our conclusion that it failed to demonstrate the reasonableness of its incremental STL and DOH costs. SCE asserts that we erred in disallowing these costs because the record evidence demonstrates that the costs are

incremental and “were otherwise reasonably incurred to perform vegetation management and wildfire mitigation activities in 2022.” (App. Rehg., p. 14.) As it did in its Comments on the Proposed Decision (PD), SCE again asserts that its “workpapers ... detailed the costs recorded in the VMBA at the GRC activity/sub-activity level and showed how they compare to the authorized amount for each activity” (specifically citing Ex. SCE-09, pp. 855-856) and its “testimony further described the work completed for each of the vegetation management activities and explained various factors that caused recorded costs to exceed authorized amounts in 2022.” (App. Rehg., p. 21, citing Exs. SCE-01, pp. 116-143, 148-151, and SCE-03, pp. 24-42.) According to SCE, the Decision is arbitrary, erroneous, and unsupported by the record because it accepts certain evidence “in determining incrementality, but then overlooks that same evidence in determining reasonableness.” (*Ibid.*)

First, as discussed above, a finding of incrementality does not compel a finding of reasonableness. (See *Decision Approving Partial Recovery of Pacific Gas and Electric Company’s Costs for 2020 Electric Distribution Vegetation Management Work* (2024) [D.24-12-075], p. 24 [“Presenting incremental costs for Tree Mortality without an explanation of why PG&E incurred these unforecasted costs is insufficient for PG&E to meet its burden of proof to establish the reasonableness of these costs.”]; D.22-06-032, pp. 18-19 [“SCE has failed to meet its burden of demonstrating what portion of the incremental costs would be reasonable.”]) SCE’s burden of proof as to reasonableness is separate from its showing underlying incrementality; therefore, evidence in support of incrementality may be insufficient to establish reasonableness.

Second, as also discussed above, SCE has the burden of establishing the reasonableness of all of its claimed costs, including STL and DOH if necessary. SCE claims that these costs are embedded in costs for WM and VM activities, which we found to be reasonable. However, even if we found these activities to be reasonable, this does not negate SCE’s obligation to establish that the incremental STL and DOH costs were prudently incurred (*i.e.*, how and why these specific costs were incurred beyond the GRC-authorized amount for STL and DOH costs previously forecasted).

To recover all of its claimed STL and DOH costs, embedded or not, SCE must have “present[ed] more evidence that supports the requested result than would support an alternative outcome.” (D.18-07-025, p. 5.) “The burden rests heavily upon a utility to prove... that it is entitled to the requested rate relief and not upon the Commission, its staff, or any interested party to prove the contrary.” (*Id.* at p. 4, citing *Investigation into the Natural Gas Procurement Practices of Southwest Gas Company* (2002) [D.02-08-064] at pp. 5-8.) Although we look to other applications in determining the applicable legal principles, “each case must be evaluated in light of own unique circumstances and the evidence presented.” (D.18-07-025, p. 5.)

The question of “the weight of the evidence in determining issues of fact lies with the commission acting within its statutory authority...” (*Southern California Gas Co. v. Public Utilities Com.* (2023) 87 Cal.App.5th 324, 340, as modified on denial of reh’g (Feb. 3, 2023), review denied (Apr. 19, 2023).) It is up to the Commission “to weigh the preponderance of conflicting evidence” presented by the parties and to draw reasonable conclusions therefrom. (*The Utility Reform Network v. Public Utilities Com.* (2014) 223 Cal.App.4th 945, 959.) A reviewing court may not reweigh evidence, substituting its judgment for our own evaluation of conflicting evidence. (*Securus Technologies, LLC v. Public Utilities Com.* (2023) 88 Cal.App.5th 787, 804.) “All conflicts in the evidence and any reasonable doubts must be resolved in favor of the agency's findings and decision.” (*Uphold Our Heritage v. Town of Woodside* (2007) 147 Cal.App.4th 587, 596.) “[I]f the PUC’s findings are supported by any substantial evidence, they may not be set aside.” (*Ibid.*)

SCE failed to carry its burden to demonstrate that its claimed STL and DOH costs were reasonable pursuant to the prudent manager standard. SCE presented its testimony and evidence to support the reasonableness of all of its incremental costs together, separated by the account to which the costs were recorded and by GRC-authorized activity. (See generally, Exs. SCE-01, SCE-03, and SCE-09.) SCE did not break down the scope of work and cost of work information by labor or type of labor. SCE’s rehearing application does not address the reasonableness of STL and DOH costs

specifically but, instead, relies on its showing of reasonableness of the VM and WM activities.

As to wildfire mitigation, SCE presented testimony describing the work and the work need, and generally describing the scope and the cost of work performed in 2022. (Ex. SCE-01, pp. 8-115.) SCE described the projects and higher volume of work that resulted in additional costs but did not specifically ascribe higher costs of internal labor or reasons for incurring any such costs as reasons for additional costs in these categories. (*Ibid.*)

And as to VM, SCE asserted that it incurred additional costs for these activities “primarily because of higher contractor costs across all programs, due to legislation mandating higher compensation to tree trimmers [i.e., Senate Bill 247], higher contractor insurance costs, continuing tight contractor labor markets, and wage and expense inflation, among other factors.” (Ex. SCE-01, p. 117.) SCE’s testimony repeatedly identified “increased contractor rates” across multiple categories as the reason for increased costs. (See Ex. SCE-01, pp. 123, 127, 129, 136; see also Ex. CA-02C, D-6.) SCE identified “increased contract rates” in two activities but did not specify whether these contracts were for internal or contractor labor. (See Ex. SCE-01, pp. 134-135.) SCE also noted an increased scope of work in two activities but did not explain whether SCE utilized internal labor for this work and how this scope of work resulted in additional internal labor costs. (See Ex. SCE-01, p. 132, fn. 102, p. 140.)

As to SCE Labor specifically (for both VM and WM), SCE generally described what “[t]hese SCE resources performed... beyond the level of work authorized in the GRC for 2022” and explained that it is including these “labor costs in this request because they meet all the criteria of incremental costs, as previously set forth.” (Ex. SCE-01, pp. 147-151.) But SCE did not further explain why additional SCE Labor was necessary for these activities, beyond the included testimony as to the claimed costs for each of the GRC-authorized activities. (See Ex. SCE-03, p. 12.)

As to DOH, SCE identified what these costs include and stated that these costs are “directly associated with work execution for areas such as engineering, design,

and planning, all of which are required” for both VM and WM activities and “increase as the volume of work increases.” (Ex. SCE-03, pp. 12-19; see also Ex. SCE-03, p. 14, table II-3, p. 19, table II-5.) SCE allocated a portion of DOH to VM and WM activities pursuant to DOH allocation methodology set forth in D.09-03-025 because “these costs support multiple functions.” (Ex. SCE-03, pp. 12, 17-18.) SCE argued that the Commission approved this methodology and concluded that DOH costs were incremental in its Track 3 2020 VM recovery application. (Ex. SCE-03, pp. 12, 18.)

Notably, parties do not address what constitutes straight time labor. In deciding labor dispute cases, the California Supreme Court has defined “straight time” rate as an employee’s “normal hourly wage rate.” (*Alvarado v. Dart Container Corp. of California* (2018) 4 Cal.5th 542, 554, as modified (Apr. 25, 2018).) Straight time labor also generally refers to the first eight hours of work at the employee’s normal hourly wage. (See *Huntington Memorial Hospital v. Superior Court* (2005) 131 Cal.App.4th 893, 906 [calculating overtime owed for 10-hour shift consisting of “eight hours of straight time” at normal base rate and “two hours of overtime, at time and one-half”].)

The definition of straight time labor is relevant in comparing the GRC-authorized STL costs to the claimed costs. SCE was authorized a certain amount for internal labor based on eight hours of work at an employee’s normal hourly wage for a certain anticipated number of employees. Therefore, SCE would need to establish two things to recover for any incremental internal labor. First, SCE would need to demonstrate what caused an increase from that forecasted amount (e.g., unanticipated increase in the hourly wage or employee headcount). Second, SCE would need to establish that it acted in a reasonable and prudent manner in incurring these additional (incremental) costs. SCE’s testimony and evidence generally demonstrate that SCE experienced an increase in contract rates (Ex. SCE-01, pp. 123, 127, 129, 134-136) and in work volume (Ex. SCE-01, p. 132, fn. 102, pp. 139-140) for two VM activities in particular—Structure Brushing and Environmental Programs. But SCE does not establish that these increases reasonably resulted in the incremental STL costs (separately from the GRC-authorized and forecasted costs for approved activities). SCE’s testimony

generally focused on the increase in contractor costs. (See Ex. SCE-01, pp. 117, 147, 150; Ex. SCE-03, pp. 28-34.) SCE did not present evidence establishing that increased work volume or contract rates necessitated incremental internal labor or other evidence allowing us to determine whether these incremental internal labor costs were prudently incurred.

The same omissions apply to SCE's incremental DOH costs. Even accepting that DOH costs may vary and increase somewhat based on the volume of work associated with GRC-approved activities, SCE identified numerous categories that make up DOH costs and general DOH activities without introducing evidence demonstrating how the increase in work volume corresponded to the incremental costs for these items. (Ex. SCE-03, p. 14, table II-3, p. 19, table II-5.) For example, SCE's recorded DOH costs included fleet costs and labor costs that were not supported by evidence demonstrating that these incremental expenditures were reasonable and prudent considering the 2021 GRC-approved costs. (See Ex. CA-03, pp. 27-29.) SCE also did not provide evidence or seek to explain the necessity and prudence of its incremental internal labor. (*Ibid.*) In sum, to justify the reasonableness of incremental STL and DOH costs, SCE must have demonstrated what caused the additional costs and that these costs were reasonably and prudently incurred for both VM and WM.

Third, the record here demonstrates that Cal Advocates presented evidence calling into question SCE's incremental STL and DOH costs but SCE did not submit sufficient evidence to overcome these concerns, despite notice and opportunity to do so. Although we concluded that certain VM and WM activities were reasonable, SCE's extensive reliance on the portfolio method—which we have approved for use in establishing incrementality but which does not negate SCE's obligation to demonstrate reasonableness—obscured our ability to evaluate: (1) how the incremental STL and DOH costs compare to the approved GRC costs, (2) how the purportedly embedded STL and DOH costs compare to other WM and VM-related costs, and (3) whether those specific costs were prudently incurred. (See Ex. SCE-03, pp. 14, 20 [“because of the CPUC-approved portfolio approach, from a ratemaking perspective, there is no distinction

between individual cost types (e.g., straight-time labor vs. contractor labor, DOH vs. materials)].)

Cal Advocates asked SCE to explain “the variance between SCE’s 2021 forecasted vegetation management labor costs of \$14,306,601.36 in its 2021 GRC and its 2022 recorded [VM] labor costs of \$12,690,844.55.” (Ex. CA-02, p. E-3.) SCE responded that “[r]ecorded costs may differ” from the GRC forecast for various reasons, such as “organizational restructuring, shifts in timing, changes in the mix between internal resources and contract labor” but that in this specific instance, when SCE filed its 2021 GRC forecast in 2019, it was “anticipating organizational changes that did not materialize in 2022.” (*Ibid.*; see also Ex. CA-02, p. G-7 [“SCE recorded lower, rather than higher, costs for labor than was forecasted in its 2021 GRC.”].) SCE’s 2022 recorded VM labor costs included straight time, double time, overtime, and overhead paid absences, but remained lower than forecasted 2021 labor costs on a total basis. SCE did not compare forecasted VM internal labor costs to recorded costs despite the concerns in the record as to the reasonableness of these costs. SCE also did not seek to justify the claimed STL costs beyond relying on “its incrementality approach.” (Ex. CA-02, pp. G-4 – G-5, G-8, G-12.)

SCE also explained that its “accounting system records straight-time labor and overhead costs in the appropriate cost element categories.” (Ex. CA-02, p. G-3.) SCE identified \$9,430,539.87 as the total amount recorded in its VMBA for straight-time labor. (Ex. CA-02, p. G-4.) SCE objected to Cal Advocates’ request for information, including hiring date and salary, about employees that it accounted for in its straight-time labor calculation and stated that “SCE does not obtain GRC authorization for the number of employees or for specific positions required to carry out [VM] work” but “receives GRC authorization by GRC Activity, which SCE allocates by labor and non-labor type costs for internal tracking purposes.” (Ex. CA-02, pp. G-4 – G-5.) SCE did not provide any further information regarding its straight-time labor employees or associated costs.

In its workpapers, although SCE separated the non-labor cost into sub-activities, it did not identify DOH costs only but did identify a credit of \$12.065 million

in “O&M-related incremental material and equipment and other costs associated” with VM activities including “T&D division overhead costs for distribution, transmission, and substation support.” (Ex. SCE-09, pp. 855-856; Ex. SCE-01, p. 151 & fn. 127.) SCE further explained that “DOH expenses represent costs supporting O&M spend that cannot be directly charged to a single project/program.” (Ex. CA-02, p. E-4.) SCE did not provide any information regarding “additional overhead costs (e.g., rents, maintenance, freights, write-offs, janitorial, paid time off, payroll taxes, vehicle maintenance and repair, etc.) specifically associated with its [VM] activities in 2022,” aside from the \$37,847,439.57 recorded in the VMBA and discussed as part of SCE’s incrementality approach explanation. (Ex. CA-02, p. G-8.)

Furthermore, SCE identified labor costs of \$21,566,038.28 as part of the DOH costs and separate from the \$9,430,539.87 STL costs. (See Ex. CA-02, p. G-12.) SCE VM labor (including STL) encompassed “SCE’s employees that support vegetation management in the office or field operations, such as ISE-certified arborists and program managers,” whereas DOH labor encompassed labor “not necessarily specific to particular work area(s) (e.g., management, supervision, and administrative support) and, therefore, whose costs are allocated across the Transmission and Distribution operating unit, of which Vegetation Management is one component.” (Ex. CA-02C, p. G-12.) SCE did not compare forecasted DOH costs to recorded costs for either VM or WM and did not provide sufficient detail for the recorded DOH costs to enable the Commission to evaluate the prudence of the incurred costs beyond relying on “its incrementality approach.” (Ex. CA-02, pp. G-4 – G-5, G-8, G-12.) In sum, although Cal Advocates raised questions as to the reasonableness of STL and DOH costs, SCE continued to rely predominantly on its portfolio approach and evidence regarding the reasonableness of SCE VM and WM activities in general, not specific evidence as to the labor and overhead costs.

Fourth, SCE’s reliance on our actions in other applications is not compelling. As correctly noted in the Decision, in D.22-06-032, SCE “provided specific evidence” in support of its request. (Decision, p. 41.) D.24-03-008, upon which SCE

relies at length on rehearing, does not discuss STL or DOH costs, or internal labor and overhead in general. (See also *ibid.*)

Lastly, the court’s review of our decisions for abuse of discretion is circumscribed to considering only whether “the decision was arbitrary, capricious, or entirely lacking in evidentiary support.” (*Securus Technologies, LLC v. Public Utilities Com.*, *supra*, 88 Cal.App.5th at p. 802, citing *American Board of Cosmetic Surgery v. Medical Board of California* (2008) 162 Cal.App.4th 534, 547–548.) An agency action will be upheld if the agency adequately considered all relevant facts and demonstrated a rational connection between those facts and the choice made. (See, e.g., *Order Denying Rehearing of Decision (D.) 18-06-014* (2018) [D.18-11-017], p. 12; *Cal. Hotel & Motel Assn. v. Indus. Welfare Com.* (1979) 25 Cal.3d 200, 212.) “A court will not deem a decision to be arbitrary or capricious unless the agency entirely failed to consider a material and important issue, offered an explanation that unreasonably runs counter to the evidence, or is entirely implausible.” (D.18-11-017, p. 12.) SCE’s allegations regarding our disallowances fail because SCE did not establish that we failed to consider an important factor, failed to offer a reasonable explanation for our decision, or acted so implausibly as to be arbitrary and capricious. Although SCE disagrees with our disallowance of a portion of SCE’s claimed STL and DOH cost overruns, we adequately considered the unique facts of this proceeding, including parties’ opposition to the claimed costs. SCE fails to establish legal error.

**E. SCE’s request to reopen the record fails to comply with Rule 13.14(b)<sup>5</sup> and is denied.**

SCE requests that if we do not grant rehearing or reverse the Decision as to the disallowed costs, we reopen the record and permit SCE “to provide additional evidence the Decision now requires.” (App. Reh’g., p. 24.) SCE asserts that additional evidence is warranted because the Commission “has held SCE to a higher burden of

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<sup>5</sup> Unless otherwise noted, all references to a rule are to the Commission’s Rules of Practice and Procedure.

proof than the one that SCE was previously expected to meet.” (App. Rehg., p. 23.) For the reasons discussed above, SCE was not held to a higher burden of proof but was instead required to provide sufficient evidence to support recovery of all of its claimed costs. The obligation is on SCE, as the applicant, to adequately support its requests. Thus, to the extent that is the basis of SCE’s request to reopen the record and submit additional evidence, the request is denied. Separately, SCE’s request is denied for failure to comply with Rule 13.14(b).

Rule 13.14(b) governs reopening the record. A party seeking to submit additional evidence after a matter has been submitted must file a motion to admit additional evidence specifying “the facts claimed to constitute grounds in justification,” including any material changes of fact or law, and “a brief statement of proposed additional evidence, and [an explanation] why such evidence was not previously adduced.” (Rule 13.14(b).) “[G]ranted motions to reopen the record is discretionary.” (*Order Modifying Decision (D.)18-05-013 and Denying Rehearing of Decision, as Modified* (2019) [D.19-12-063], p. 8.)

SCE’s informal request does not comply with Rule 13.14(b). Notwithstanding SCE’s failure to file a properly noticed motion to reopen the record, SCE fails to specify any material changes in law or fact or what additional evidence SCE would submit. SCE asserts that it could not have anticipated the Commission’s “heightened burden of proof ... given that the 2021 WMVM decision provided a very specific methodology [as to incrementality] ... and approved, without any reduction, nearly identical categories of costs....” (App. Rehg., p. 23.) However, as discussed above, the burden is on SCE to establish the reasonableness of all claimed costs and SCE’s reliance on the portfolio approach and showing of incrementality underlying its reasonableness showing, in light of Cal Advocate’s recommended reductions and the bases for those reductions, is insufficient to meet that burden.

**F. Limited rehearing of the Decision is granted to correct certain inadvertent errors.**

SCE argues that we erroneously disallowed approximately \$33 million in STL and DOH costs in the VMBA “but only \$27 million is before the Commission in this proceeding as incremental.” (App. Rehg., p. 25.) This is because, according to SCE, it already recovered \$6 million in vegetation management STL and DOH costs via Advice Letter (AL) 5049-E. (*Ibid.*) Indeed, SCE collected an Undercollection Threshold Amount of \$27.073 million (plus interest and franchise fees and uncollectibles). (AL 5049-E.) The advice letter did not state whether any of the collected amount was a result of or applied to STL or DOH costs. SCE is nonetheless correct that it identified only \$5.851 million as incremental normal time labor in its testimony and as sought in this proceeding. (See Ex. SCE-03, p. 21, table II-6.) Therefore, we grant limited rehearing of the Decision to correct the amounts of the disallowed STL and DOH costs recorded in the VMBA to disallow only the incremental amounts at issue in the Application.

For the same reason, we also grant limited rehearing to correct the amounts of the Decision’s disallowance of (1) the STL and DOH costs recorded to the WMPMA and FRMMA to reflect the incremental amounts at issue in the Application and (2) the VM-related STL costs recorded in the FRMMA to reflect the incremental amounts at issue in the Application. (See Ex. SCE-03, p. 17, table II-4.)

We reject SCE’s request to reverse the disallowance of \$10.744 million in capital expenditures and \$7.324 million in O&M expenses as to the bundled remediation costs that are attributable to Priority 3 remediations (P3s) and therefore not recoverable in this proceeding. (App. Rehg., p. 26.) SCE asserts this was error because the Decision had already disallowed certain STL and DOH costs which are embedded in the P3 costs, thereby “reducing the same costs twice.” (App. Rehg., p. 27.) SCE estimates the value of this alleged double reduction at “approximately \$1.93 million in O&M costs and approximately \$1.89 million in capital expenditures.” (App. Rehg., p. 27.) However, Cal Advocates is correct in noting that SCE does not point to any evidence supporting its

assertion of overlap and SCE does not challenge our substantive determination that SCE's P3 contractor costs should be disallowed "based on SCE's lack of verifiable documentation, an increase in Priority 3 remediation work activities in 2022, and Commission precedent (D.22-06-032)." (Aug. 14, 2025 Response of the Public Advocates Office to Southern California Edison Company's (U 338-E) Application for Rehearing of Decision 25-06-051 [Cal Advocates Response], pp. 4-5; Decision, pp. 54-56.)

#### **IV. SBUA'S APPLICATION FOR REHEARING**

##### **A. SBUA fails to demonstrate legal error in the Decision's application of the portfolio approach to SCE's presentation of proof under D.24-03-008.**

SBUA's first allegation of legal error is that we did not comply with D.24-03-008 by allowing certain claimed VMBA costs despite SCE's failure to present those costs on an "activity-by-activity" basis. (SBUA App. Rehg., pp. 3-5 ["the Decision has no discussion whatsoever whether SCE's VMBA testimony complies with D.24-03-008's submittal standards for facilitating reasonableness review"].) SCE responds that (1) D.24-03-008's requirements applied only to the WMPMA and FRMMA and (2) its workpapers detailed the recorded VMBA costs at the GRC activity/sub-activity level compared to the GRC authorized amount. (Aug. 14, 2025 *Southern California Edison Company's (U 338-E) Response to Small Business Utility Advocates' Application for Rehearing of Decision 25-06-051* [SCE Reply], pp. 3-4.) SCE is correct—D.24-03-008 did not require SCE to set forth the incremental claimed costs recorded to the VMBA in the same manner as those recorded to the WMPMA and FRMMA. (See D.24-03-008, pp. 42-60, 70-77.) Moreover, we have previously rejected SBUA's similar argument in D.24-06-025.

We addressed SCE's presentation of evidence as to future FRMMA and WMPMA applications in D.24-03-008, noting that review of SCE's 2021 WMPMA and FRMMA accounts was "slowed by SCE's method and timing of presenting information." (D.24-03-008, p. 70.) "To promote transparency," we adopted specific "information

requirements for future SCE WMPMA or FRMMA applications,” including “more tables summarizing program and activity costs authorized in the relevant GRC (or other relevant application) decision, imputed as necessary, with page numbers, compared to actual expenditures and expenses, at the program and activity level,” a “Risk Spend Efficiency (RSE) or Cost Benefit Ratio (CBR) reflecting the total costs and benefits of a given program and activity,” and a “detailed explanation for each program and activity of why the relevant GRC forecast did not foresee the incremental costs for which reasonableness review and authorization for recovery is requested.” (D.24-03-008, p. 73.) We further instructed SCE to “present the costs in future cost recovery applications so that recorded costs can be compared to GRC-authorized costs on an activity-by-activity basis and on a program-by-program basis, imputing authorized costs as necessary.” (D.24-03-008, p. 73.)

These requirements explicitly applied to “future WMPMA and FRMMA applications.” (D.24-03-008, pp. 76-77.) D.24-03-008 did not set forth any similar requirements to VMBA-recorded costs although we disagreed with SCE’s assertions that its presentation of all VMBA activities “as if all activities and sub-activities were equally important in mitigating wildfire risks and all activities and sub-activities had incurred costs beyond their forecasts.” (*Ibid.*) Such an approach “decrease[d] transparency and render[ed] determinations of reasonableness and incrementality more rather than less difficult.” (*Ibid.*)

That D.24-03-008 levied these particular presentation requirements to WMPMA and FRMMA-recorded costs only was confirmed in D.24-06-025. We “reasonably opted to treat future WMPMA and FRMMA applications (involving wildfire mitigation costs) differently from future VMBA applications (involving vegetation management costs).” (D.24-06-025, pp. 11-12.) This was reasonable because we specify how vegetation management costs are to be tracked and compared when we authorize the creation of VM balancing accounts. (D.24-06-025, p. 12; see also D.21-08-036, p. 186 [authorizing SCE to establish a “two-way VMBA”].)

Thus, contrary to SBUA's assertion, D.24-06-025 did not impose the same evidentiary requirements on SCE's VMBA applications as it did on WMPMA and FRMMA applications. However, that specific requirements were not imposed on SCE's VMBA showing does not negate SCE's responsibility to establish reasonableness of all of its claimed costs, including STL and DOH costs, by a preponderance of the evidence.

**B. SBUA fails to demonstrate legal error in the Decision's approval of incremental Quick Reaction Force costs.**

SBUA's second allegation of error is regarding our approval of SCE's recovery request of \$18.2 million in 2022 costs for certain aerial suppression resources, specifically four fire suppression helicopters (known as the Quick Reaction Force (QRF)). (SBUA App. Rehg., pp. 8-9; see also SCE Reply, p. 5.) Specifically, SBUA asserts that our approval of these costs and purported failure to "continue to require SCE to justify funding of public firefighting assets and inquire into [SCE's] ongoing efforts to transition away from ratepayer funding at the end of the [memorandum of understanding] period" is arbitrary and capricious. (SBUA Rehg. App, p. 9.)

The scope of review under the arbitrary and capricious standard is narrow. An agency action will be upheld if the agency adequately considered all relevant facts and demonstrated a rational connection between those facts and the choice made. (See, e.g., *Order Denying Rehearing of Decision (D.) 18-06-014* (2018) [D.18-11-017], p. 12; *Cal. Hotel & Motel Assn. v. Indus. Welfare Com.*, *supra*, 25 Cal.3d at p. 212.) "A court will not deem a decision to be arbitrary or capricious unless the agency entirely failed to consider a material and important issue, offered an explanation that unreasonably runs counter to the evidence, or is entirely implausible." (D.18-11-017, p. 12.) SBUA's allegations regarding our approval of the fire suppression helicopters do not meet this standard.

In determining whether the claimed incremental QRF costs are just and reasonable and should therefore be approved, we reviewed the evidence and arguments presented by SCE, Cal Advocates, and SBUA. (Decision, pp. 45-46.) SCE pointed to "27 unique fires within SCE's service area" that the QRF responded to in 2022.

(Decision, p. 45.) Cal Advocates and SBUA separately recommended disallowances of certain QRF costs based on days the helicopters were not deployed and the argument that the general public, rather than utility customers in particular, should be responsible for any such costs. (Decision, p. 46.)

We considered these positions but ultimately concluded that the QRF is “a critical part of SCE’s wildfire mitigation efforts,” “a valid use of ratepayer funds,” and “consistent with the Commission’s policy of approving these costs in recent years.”

(Decision, p. 47.) We explicitly noted that:

The recoverability of costs for suppression of or other attempt to extinguish or prevent spread of an existing wildfire requires a case by case analysis and nothing in this decision should be construed to set policy in the future on this matter.

(Decision, pp. 47-48.) Thus, contrary to SBUA’s argument on rehearing, we did not arbitrarily authorize the claimed QRF costs without clear boundaries. SCE continues to be subject to the applicable burden of proof demonstrating that each of its claimed costs is just and reasonable pursuant to the prudent manager standard. SBUA’s arguments here do not establish legal error.

## V. CONCLUSION

For the reasons stated above, good cause has not been demonstrated to reopen the record. We will modify the Decision as discussed above and grant limited rehearing to correct the amounts of the disallowances for incremental STL and DOH costs recorded in the VMBA, WMPMA, and FRMMA.

**THEREFORE, IT IS ORDERED** that:

1. The first paragraph on p. 42 of Decision (D.) 25-06-051, which begins: “Furthermore, the Commission disagrees with SCE’s argument...,” is modified as follows:

- i. “Furthermore, the Commission disagrees with SCE’s argument that because it has established that the costs are related to vegetation management, these costs must be approved. SCE must demonstrate reasonableness. While no specific type of documentation is required to

demonstrate reasonableness, a requirement that SCE claims would be burdensome, SCE could explain how it determined that the specific labor amount requested exceeds the amounts authorized in the GRC and demonstrate why it incurred the incremental costs pursuant to the prudent manager standard. SCE needs to establish what resulted in an increase from that forecasted amount (e.g., unanticipated increase in the hourly wage or employee headcount) and that SCE acted in a reasonable and prudent manner in incurring these additional costs. SCE presents no such evidence here.”

2. The first sentence of the second paragraph on page 42 of D.25-06-051, which begins: “Based on the evidence presented, it does not appear SCE performed an analysis ...,” is deleted.

3. The fourth sentence in the first full paragraph of section 9.1.9 on page 43 of D.25-06-051, which begins: “Cal Advocates argues that...,” is modified as follows:

- i. “Cal Advocates argues that SCE fails to provide any evidence that SCE performed an analysis to distinguish between the additional (i.e., incremental) amount requested here for 2022 vegetation management Overhead and the amounts authorized in the 2021 GRC Decision.”

4. The last two sentences of the first paragraph on page 44 of D.25-06-051, which begin: “To establish the reasonableness of these costs, SCE could...,” are modified as follows:

- i. “To establish the reasonableness of these costs, SCE could, in this instance, provide documentation to establish the bases for these incremental costs. This evidence would be important because Overhead costs are already funded through the existing rates authorized in D.21-08-036, SCE’s 2021–2023 GRC.”

5. The last full sentence on page 65 of D.25-06-051, which begins: “On the other hand, the information...,” is modified as follows:

- i. “On the other hand, the information provided by Cal Advocates demonstrates that SCE did not present sufficient evidence as to the prudence of these

incremental costs and constitutes a failure by SCE to meet its burden of proof, rendering the reasonableness of these costs questionable.”

6. The sentence starting on page 65 and concluding on page 66 of D.25-06-051, which begins: “SCE could have, for example, presented...” is deleted.

7. The fourth sentence in the second full paragraph on page 67 of D.25-06-051, which begins: “To establish the reasonableness of these costs, SCE could...” is modified as follows:

- i. “To establish the reasonableness of these costs, SCE could, in this instance, provide documentation to verify and substantiate the reasonableness and prudence of these claimed costs.”

8. The last sentence in the second full paragraph on page 67 of D.25-06-051, which begins: “This evidence would be important...” is modified as follows:

- i. “This evidence would be important because straight-time labor and overhead costs are already funded through the existing rates authorized in D.21-08-036, SCE’s 2021–2023 GRC, and SCE is required to demonstrate reasonableness of any incremental costs it claims, including STL and DOH costs.”

9. Finding of Fact 26 of D.25-06-051 is modified as follows:

- i. “SCE did not present sufficient evidence of the reasonableness and prudence of the claimed Labor cost increases compared to those authorized in the 2022 revenue requirement pursuant to D.21-08-036, SCE’s 2021–2023 GRC.”

10. Finding of Fact 28 of D.25-06-051 is modified as follows:

- i. “Regarding Overhead of \$22.190 million (\$10.658 million in O&M expenses and \$11.532 million in capital expenditures) recorded in the WMPMA, SCE fails to show that the requested costs for 2022 wildfire mitigation overhead-related costs, such as labor, paid time off, material, contracts, fleet, and other charges are reasonable, in addition to those costs already authorized in the 2022 GRC revenue requirement.”

11. Finding of Fact 29 of D.25-06-051 is modified as follows:
  - i. “SCE did not present an analysis to determine whether the recorded costs for Overhead are reasonable in addition to those costs for wildfire-related activities already contained in the 2022 revenue requirement, as authorized in D.21-08-036, SCE’s 2021–2023 GRC.”
12. Finding of Fact 30 of D.25-06-051 is modified as follows:
  - i. “Regarding Fire Science and Advanced Modeling activities, Enhanced Situational Awareness, Environmental Remediation programs, grid hardening program, and Organizational Support, SCE did not provide evidence or an analysis to confirm that the straight-time labor and paid time off components of the requested Labor were reasonable, in addition to those costs already authorized in D.21-08-036, SCE’s 2021–2023 GRC.”
13. Conclusion of Law 54 of D.25-06-051 is modified as follows:
  - i. “Because SCE fails to establish that the Straight Time Labor for vegetation management of \$9.835 million (\$9.430 million recorded in the VMBA and \$404,000 in the FRMMA in 2022) is reasonable, SCE’s request should be reduced by this amount. Because SCE fails to establish that \$24.076 million of the requested Overhead for vegetation management is reasonable, SCE’s request of \$37.847 million should be reduced by this amount.”
14. Rehearing of Decision 25-06-051, as modified, is granted for the limited purpose of calculating the correct disallowance amounts of the incremental STL and DOH costs requested by SCE in its Application and recorded to the WMPMA, FRMMA, and VMBA.

15. This proceeding, A.23-10-001, remains open.

This order is effective today.

Dated **May 14, 2026**, at San Francisco, California.

JOHN REYNOLDS  
President

DARCIE L. HOUCK  
KAREN DOUGLAS  
CHRISTINE HARADA  
Commissioners

Commissioner Matthew Baker recused himself and did not participate in the vote of this item.

# **ATTACHMENT A**

Decision 25-06-051 June 26, 2025

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

Application of Southern California  
Edison Company (U338E) for  
Authorization to Recover 2022  
Incremental Costs Related to Wildfire  
Mitigation and Vegetation  
Management.

Application 23-10-001

**DECISION GRANTING, IN PART, REQUEST BY SOUTHERN CALIFORNIA  
EDISON COMPANY FOR 2022 WILDFIRE MITIGATION  
AND VEGETATION MANAGEMENT COSTS**

## TABLE OF CONTENTS

	<b>Page</b>
DECISION GRANTING, IN PART, REQUEST BY SOUTHERN CALIFORNIA EDISON COMPANY FOR 2022 WILDFIRE MITIGATION AND VEGETATION MANAGEMENT COSTS	
Summary .....	2
1. Background .....	2
2. Submission Date.....	8
3. Standard of Review.....	8
4. Burden of Proof & Standard of Proof.....	9
5. Issues Before the Commission .....	10
6. Audit Report by the Commission’s Utility Audits Branch.....	11
7. Incrementality.....	13
7.1. Balancing Accounts - SCE VMBA.....	14
7.2. Memorandum Accounts - SCE WMPMA and FRMMA .....	15
8. Whether SCE Demonstrates Incrementality .....	16
8.1. Relevant Charts - Incremental Amounts and SCE Portfolio Approach....	21
8.2. Refinements - SCE Portfolio Approach.....	23
9. Reasonableness Review of SCE’s Request.....	24
9.1. Vegetation Management Activities - VMBA and FRMMA .....	24
9.1.1. Routine Line Clearing Program.....	25
9.1.2. Environmental Support - Tree Removal .....	27
9.1.3. Environmental Review - Routine Line Clearing .....	28
9.1.4. Environmental Review - Structure Brushing.....	29
9.1.5. Hazard Tree Management Program .....	31
9.1.6. Weed Abatement .....	33
9.1.7. Labor and Overhead .....	36
9.1.8. Labor.....	36
9.1.9. Overhead.....	40
9.2. Wildfire Mitigation-Related Activities - WMPMA and FRMMA .....	41
9.2.1. Aerial Suppression .....	41
9.2.2. Targeted Undergrounding .....	44
9.2.3. Priority 2 Remediation Work.....	46
9.2.4. Priority 3 Remediation Work.....	48
9.2.5. Shared Testing of Covered Conductor .....	52
9.2.6. Mobile Devices .....	54
9.2.7. PSPS Event Customer Notification .....	55

9.2.8. Labor and Overhead Costs.....	58
9.2.9. Labor.....	59
9.2.10. Overhead.....	61
9.2.11. Fire Risk Modeling and Related Activities .....	62
10. Cost Recovery Ratemaking.....	65
10.1. 2022 Capital and Operations & Maintenance .....	66
10.2. 2021 Capital Expenditures – Construction Work In-Progress.....	68
10.3. WMPMA, FRMMA, and VMBA .....	69
11. Affordability Metrics .....	71
12. Summary of Public Comment.....	72
13. Procedural Matters .....	72
14. Comments on Proposed Decision .....	73
15. Assignment of Proceeding.....	73
Findings of Fact.....	73
Conclusions of Law .....	78
ORDER .....	84

**Appendix A – Chart Summarizing Amounts Approved**

**DECISION GRANTING, IN PART, REQUEST BY SOUTHERN CALIFORNIA  
EDISON COMPANY FOR 2022 WILDFIRE MITIGATION  
AND VEGETATION MANAGEMENT COSTS**

**Summary**

This decision authorizes Southern California Edison Company (SCE) to increase rates by incorporating into revenue requirement \$290.502 million in operations and maintenance expenses and \$99.392 million in capital expenditures together with interest through customer distribution rates over 12 months for certain wildfire mitigation and vegetation management costs incurred in 2022. Of the total amount requested by SCE, this decision reduces the amount by \$64.974 million in operations and maintenance expenses and \$36.344 million in capital expenditures. SCE is authorized to collect \$20.90 million in 2021 and \$13.11 million in 2022 construction work in progress that transferred to capital additions. SCE is directed to update the amount of the revenue requirement via a Tier 2 Advice Letter to reflect the amount authorized, reduced by the amounts already collected in rates by SCE under the interim rate relief granted in Decision 24-07-012. The approved cost recovery is summarized at the Appendix.

The proceeding is closed.

**1. Background**

On October 3, 2023, Southern California Edison Company (SCE) filed Application (A.) 23-10-001, *Application of Southern California Edison Company (U338E) for Authorization to Recover 2022 Incremental Costs Related to Wildfire Mitigation and Vegetation Management* (Application). On October 3, 2023, SCE also

filed a *Motion for Interim Rate Recovery*.<sup>1</sup> SCE submitted prepared direct testimony in support of the Application.<sup>2</sup>

Today's decision addresses SCE's request, as set forth in its Application, for a reasonableness review under Public Utilities Code (Pub. Util. Code) Section 451 and related authority for cost recovery of certain 2022 wildfire mitigation-related and vegetation management costs.<sup>3</sup> Specifically, these costs consist of operations and maintenance (O&M) expenses and capital expenditures incurred in 2022 and recorded in the Wildfire Mitigation Plan Memorandum Account (WMPMA)<sup>4</sup> and Fire Risk Mitigation Memorandum Account (FRMMA)<sup>5</sup> as well as costs above 115% of the authorized costs, pursuant to SCE's 2021 general rate case, incurred and recorded in its Vegetation Management Balancing Account

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<sup>1</sup> All pleadings filed in this proceeding are available on the Commission's website at *Docket Card* by searching *A2310001*.

<sup>2</sup> The prepared testimony submitted by parties is available on the Commission's website at *Commission's E-Filed Documents Search Form* under the drop-down menu at *Supporting Document*. SCE submitted the following: Pre-Marked Exhibit SCE-01 (October 3, 2023) *Direct Testimony in Support of Southern California Edison Company's Application for Authorization to Recover 2022 Incremental Costs Related to Wildfire Mitigation and Vegetation Management*.

<sup>3</sup> All section references are to the Pub. Util. Code, unless otherwise specified. Section 451 provides, in relevant part, as follows: "All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable."

<sup>4</sup> SCE Opening Brief at 1 (fn. 1) stating, "Pursuant to Public Utilities Code § 8386.4(a), the purpose of the WMPMA is to track "costs incurred to implement SCE's Wildfire Mitigation Plan (WMP) that are not otherwise covered in SCE's revenue requirements or tracked in another ratemaking account."

<sup>5</sup> SCE Opening Brief at 1 (fn. 2) stating, "Pursuant to Public Utilities Code § 8386.4(b)(1), the purpose of the FRMMA is to track 'costs incurred for fire risk mitigation that are not otherwise covered in [SCE's] revenue requirements.'"

(VMBA).<sup>6</sup> The total revenue requirement request associated with these costs is \$382.9 million, amortized over 12 months.<sup>7</sup>

SCE explains that the total amount sought includes costs recorded in the WMPMA, FRMMA, and VMBA, as follows:

1. 2022 wildfire mitigation expenses of \$112.914 million and capital expenditures of \$135.736 million in the WMPMA and the FRMMA;
2. 2022 vegetation management expenses of \$244.6 million recorded in the VMBA.<sup>8</sup>

The projected rate increase for average residential customers is 1.8% (\$3.16 monthly) and for small commercial customers is 1.7%.<sup>9</sup>

On November 3, 2023, The Utility Reform Network (TURN) and Small Business Utility Advocates (SBUA) filed protests and responses in opposition to SCE's Application. On November 9, 2024, SCE filed a reply to the protests.

On November 2, 2023, the City of Rancho Palos Verdes filed a *Motion for Party Status*. This motion was granted on November 7, 2023. The City of Rancho Palos Verdes participated in the earlier part of the proceeding and opposed SCE's *Motion for Interim Rate Recovery*.

On October 30, 2023, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a Motion for Party Status. This motion was granted on November 3, 2023.

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<sup>6</sup> SCE Application at 1-2; Decision (D.) 21-08-032, *Decision on Test Year 2021 General Rate Case for Southern California Edison Company* (August 19, 2021), which adopted a revenue requirement for years 2021, 2022, and 2023.

<sup>7</sup> SCE Application at 2.

<sup>8</sup> SCE Application at 2 and amounts updated at SCE Ex-01E at 116E.

<sup>9</sup> SCE Application at 22.

On January 9, 2024, a prehearing conference was held to identify disputed issues of law and fact, determine the need for evidentiary hearings, set the schedule for resolving the matter, and address other matters as necessary.

On October 3, 2023, SCE filed a *Motion for Interim Rate Recovery* seeking 85% recovery of the \$383.5 million sought in this proceeding.<sup>10</sup> On January 12, 2024, SCE filed a revised rate recovery proposal, *Supplemental Motion for Interim Rate Recovery* (January 12, 2024 Supplemental Motion).<sup>11</sup> SCE's January 12, 2024 Supplemental Motion presented an alternative rate proposal of no more than 55% interim rate recovery (approximately \$210 million, including interest as of August 31, 2023) to be recovered over a period of 17 months, or longer, beginning March 1, 2024.

On February 15, 2024, Commissioner Douglas issued the *Assigned Commissioner's Scoping Memo and Ruling* (Assigned Commissioner's Scoping Memo), which set forth the issues, need for hearing, schedule, category, and other matters necessary to scope this proceeding pursuant to Pub. Util. Code Section 1701.1 and Article 7 of the Rules of Practice and Procedure (Rules).

On May 2, 2024, the Administrative Law Judge (ALJ) issued a ruling modifying the procedural schedule to provide additional time for the submission of prepared testimony.

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<sup>10</sup> SCE reduced the total amount sought, which was initially approximately \$383.5 million in revenue requirement, during the course of this proceeding, to approximately \$382.25 million, but for purposes of the Motion of Interim Rate Recovery, the total amount was approximately \$383.5 million.

<sup>11</sup> SCE January 12, 2024 Supplemental Motion at 1-2; SCE Ex-01E.

On July 12, 2024, the Commission issued D.24-07-012 granting, in part, SCE's January 12, 2024 Supplemental Motion for interim rate relief.<sup>12</sup> In D.24-07-012, the Commission approved of SCE's request for recovery of 55% over 17 months and denied SCE's request to recover additional amounts above the 55% or beyond the 17 month period as interim rates.<sup>13</sup> In D.24-07-012, the Commission made no determination on SCE's request set forth in this Application regarding, among other things, whether the costs, the approximately \$383.5 million in revenue requirement (an amount which SCE later reduced to \$382.25 million), requested by SCE are "just and reasonable" under Pub. Util. Code Section 451 and related authority.

On September 3, 2024, in accordance with the directive in the Assigned Commissioner's Scoping Memo, the Utility Audits Branch of the Commission's Utility Audits, Risk and Compliance Division issued a Performance Audit (CPUC UAB Audit Report).<sup>14</sup> The CPUC UAB Audit Report described the audit's objective, as follows:

"Our audit objective was to determine whether SCE's capital expenditures and operations and maintenance (O&M) expenses incurred and recorded in the Wildfire Mitigation Plan Memorandum Account (WMPMA), Fire Risk Mitigation Memorandum Account (FRMMA), and Vegetation Management Balancing Account (VMBA) for the period of January 1, 2022, through December 31, 2022, were incurred for

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<sup>12</sup> D.24-07-012, *Decision Granting, in Part, Motion for Expedited Interim Rate Recovery for 2022 Wildfire Mitigation and Vegetation Management Costs* (July 11, 2024).

<sup>13</sup> D.24-07-012, *Decision Granting, in Part, Motion for Expedited Interim Rate Recovery for 2022 Wildfire Mitigation and Vegetation Management Costs* (July 11, 2024) at 1-2.

<sup>14</sup> September 6, 2024 ALJ Ruling, *Email Ruling Entering Utility Audits Branch of the Commission's Performance Audit into the Record* at Attachment, CPUC UAB Audit Report. SCE offered comments on the draft audit. See, Cover Letter to CPUC UAB Audit Report. No other party provided comments on the draft.

allowable activities, properly supported, incremental, and completed and recorded accurately as claimed in SCE's A.23-10-001 and in compliance with applicable criteria."<sup>15</sup>

On September 6, 2024, the ALJ issued a ruling entering the audit into the record of the proceeding.<sup>16</sup>

On September 17, 2024, Cal Advocates and SBUA submitted prepared direct testimony.

On October 22, 2024, SCE and SBUA submitted prepared rebuttal testimony.

On November 14, 2024, a status conference was held to discuss the need for evidentiary hearings and other procedural matters. At the status conference, parties informed the ALJ that no cross examination was needed and, as a result, requested that the evidentiary hearings be removed from the calendar.

On November 18, 2024, the ALJ issued a ruling removing the evidentiary hearings from the calendar.

On November 22, 2024, SCE, Cal Advocates, and SBUA filed a *Joint Stipulation Regarding Entry of Exhibits into the Record* (Joint Stipulation).

On December 4, 2024, the ALJ issued a ruling granting the Joint Stipulation and entering the exhibits into the evidentiary record.

On December 17, 2024, SCE, Cal Advocates, and SBUA filed opening briefs.

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<sup>15</sup> September 6, 2024 ALJ Ruling, *Email Ruling Entering Utility Audits Branch of the Commission's Performance Audit into the Record* at Attachment, CPUC UAB Audit Report.

<sup>16</sup> September 6, 2024 ALJ Ruling, *Email Ruling Entering Utility Audits Branch of the Commission's Performance Audit into the Record*.

On December 31, 2024, SCE filed a *Motion to Strike Portions of the Opening Brief of Small Business Utility Advocates*. The ALJ issued a ruling on January 7, 2025 denying this motion.

On January 14, 2025, SCE and Cal Advocates filed reply briefs. SBUA filed a reply brief on January 15, 2025, upon receipt of permission to late-file from the ALJ.

On March 13, 2025, the Commission extended the statutory deadline for this proceeding under Pub. Util. Code Section 1701.5(a) until October 8, 2025.<sup>17</sup>

## **2. Submission Date**

This matter was submitted on January 15, 2025 upon the filing of reply briefs.

## **3. Standard of Review**

Pub. Util. Code Section 451 provides, in relevant part, as follows: “All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable.” Pursuant to Pub. Util. Code Section 454(a):

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

The Commission has longstanding requirements for a showing that the utility meets a prudent manager standard.<sup>18</sup> Under that standard, a utility has the burden to affirmatively prove that it reasonably and prudently operated and

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<sup>17</sup> D.25-03-017, *Order Extending Statutory Deadline* (March 13, 2025).

<sup>18</sup> See, D.18-07-025, *Order Denying Rehearing of Decision (D.) 17-11-033* (July 12, 2018) at 4-6.

managed its system.<sup>19</sup> This means a utility must show that its actions, practices, methods, and decisions show reasonable judgment in light of what it knew or should have known at the time, and in the interest of achieving safety, reliability, and reasonable cost.<sup>20</sup>

#### **4. Burden of Proof & Standard of Proof**

In ratemaking applications, as presented here, the burden of proof is on the applicant utility,<sup>21</sup> thus SCE has the burden of affirmatively establishing the reasonableness of all aspects of its application.<sup>22</sup>

Although the utility bears the ultimate burden to prove the reasonableness of the relief it seeks and the costs it seeks to recover, the Commission has held that when other parties propose a different result, they too have a “burden of going forward” to produce evidence to support their position and raise a reasonable doubt as to the utility’s request.<sup>23</sup>

The Commission has held that the standard of proof the applicant must meet in rate cases is that of a preponderance of the evidence.<sup>24</sup> Preponderance of the evidence usually is defined “in terms of probability of truth, *e.g.*, ‘such

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<sup>19</sup> See, *e.g.*, D.87-06-021, 24 Cal. PUC 2d at 486.

<sup>20</sup> See, *e.g.*, D.87-06-021, 24 Cal. PUC 2d at 486.

<sup>21</sup> D.00-02-046, *Opinion on PG&E 1999 General Rate Case* (February 17, 2000) at 36, *citing to* D.87-12-067. See also, *Re Energy Cost Adjustment Clauses* (1980) 4 CPUC 2d 693, 701; D.83-05-036 (“Of course the burden of proof is on the utility applicant to establish the reasonableness . . . We expect a substantial affirmative showing by each utility with percipient witnesses in support of all elements of its application.”)

<sup>22</sup> D.09-03-025 at 8; D.06-05-016 at 7.

<sup>23</sup> D.20-07-038 at 3-4; D.87-12-067 at 25-26 (1987 Cal. PUC LEXIS 424 \*37).

<sup>24</sup> D.19-05-020 at 7; D.15-11-021 at 8-9; D.14-08-032 at 17.

evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.”<sup>25</sup>

## **5. Issues Before the Commission**

The issues in the scope of this proceeding to be determined or otherwise considered are as follows:<sup>26</sup>

1. Whether the Commission should find the 2022 costs incurred and/or recorded in SCE’s WMPMA, FRMMA, and VMBA incremental, just and reasonable, and properly recoverable as expense and capital in revenue requirement?
2. Whether the Commission should authorize SCE to recover capital expenditures that currently reside in construction-work-in-progress and whether to automatically transfer the capital-related revenue requirement when the capital expenditures, that have been found just and reasonable, close to plant?
3. Whether the Commission should authorize SCE to record and transfer the ongoing revenue requirement, as of each December 31, for the approved capital expenditures in this Application, from the WMPMA to the Base Revenue Requirement Balancing Account for recovery in distribution rates until the ongoing capital-related revenue requirement is included in general rate case base rates?
4. Whether the Commission should approve SCE’s proposed method to recover the WMPMA, FRMMA, and VMBA revenue requirement, totaling approximately \$383.5 million (the amount of SCE’s initial request), in distribution rates, over a 12-month amortization period?
5. How to mitigate any identified impacts of SCE’s Application on environmental and social justice communities, including the extent to which any of SCE’s

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<sup>25</sup> D.08-12-058 at 19, *citing to* Witkin, Calif. Evidence, 4th Edition, Vol. 1 at 184.

<sup>26</sup> *Assigned Commissioner’s Scoping Memo and Ruling* (February 15, 2024) at 6-7.

proposals impact the achievement of any of the goals of the Commission's *Environmental and Social Justice Action Plan*?<sup>27</sup>

6. Whether SCE is required to comply with the affordability metrics pursuant to D.22-08-023, and, if so, whether SCE accurately and sufficiently demonstrated the effects of this application on the affordability metrics?

## **6. Audit Report by the Commission's Utility Audits Branch**

In some instances, the utility will submit an independent audit together with and in support of this type of application. SCE did not submit an audit by an independent entity as part of its application. The Assigned Commissioner's Scoping Memo provided that the Commission's Utility Audits Branch perform an audit to examine, generally, the "costs SCE incurred in 2022 and recorded in the following accounts: (1) the Wildfire Mitigation Plan Memorandum Account, (2) Fire Risk Mitigation Memorandum Account, and (3) Vegetation Management Balancing Account related to SCE's incurred capital expenditures and operations and maintenance expenses associated with wildfire mitigation activities, as well as related general rate case accounts and other spending tracking mechanisms."<sup>28</sup>

In terms of the purpose of the audit, the Assigned Commissioner's Scoping Memo further provided that the Commission's Utility Audits Branch determine whether SCE's recorded costs in the above three accounts were (1) incurred for the activities allowable for corresponding account; (2) properly supported; (3) incremental; and (4) completed and recorded accurately, as claimed by SCE.<sup>29</sup>

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<sup>27</sup> The Commission's *Environmental and Social Justice Action Plan* is available on the Commission's website.

<sup>28</sup> *Assigned Commissioner's Scoping Memo and Ruling* (February 15, 2024) at 8-9.

<sup>29</sup> *Assigned Commissioner's Scoping Memo and Ruling* (February 15, 2024) at 8-9.

The CPUC UAB Audit Report was incorporated into the evidentiary record on September 6, 2024 by ALJ Ruling.<sup>30</sup>

The CPUC UAB Audit Report found that SCE’s requested O&M expenses were “properly supported, incremental, and completed and recorded accurately” and concluded similarly with request to capital expenditures, with the exception of certain Construction Work in Progress (CWIP), as follows:<sup>31</sup>

“... SCE requested to recover capital expenditures of \$22,741,829 classified as CWIP and the associated capital related RR [revenue requirement]. However, the associated capital related RR is unsubstantiated because this amount will be determined once CWIP is transferred to Plant-in-Service as Capital Additions... As a result, we [UAB] determined that SCE’s request to recover capital expenditures attributable to WMPMA for the period of January 1, 2022, through December 31, 2022, should be \$112,994,607, as outlined in the table below:

**WMPMA Capital Expenditures”<sup>32</sup>**

2022	Amount
Requested	\$135,736,436
Finding 1 – Audit Adjustment	(22,741,829)
Updated Total	\$112,994,607

<sup>30</sup> September 6, 2024 ALJ Ruling, *Email Ruling Entering Utility Audits Branch of the Commission’s Performance Audit into the Record.*

<sup>31</sup> CWIP refers to *Construction Work in Progress*, a utility ratemaking term that refers to all funds used for construction projects, including the costs of construction itself and the costs of financing the construction, which are accumulated as CWIP. When a facility under construction is placed into operation, the account balance is transferred to the plant-in-service account and then, subject to review by the regulator, to be included in rate base.

<sup>32</sup> September 6, 2024 ALJ Ruling, *Email Ruling Entering Utility Audits Branch of the Commission’s Performance Audit into the Record*, at Attachment, CPUC UAB Audit Report at 1.

In the discussion below, the Commission's analysis relies upon the findings of the CPUC UAB Audit Report.

## **7. Incrementality**

SCE states that the costs it seeks to recover in this proceeding, as recorded in the WMPMA, FRMMA, and VMBA, are incremental. In describing the concept of "incrementality," as applied to costs, the Commission recently explained, as follows: "Generally, costs are incremental if, in addition to completing the planned work that underlies the authorized costs, the utility had to procure additional resources, be they in labor or materials, to complete the new activity. The existence and completion of a new activity by itself does not prove the cost was incremental. If a new activity is completed by redirecting existing resources in a related work category, no incremental cost was incurred, despite the activity itself being 'incremental.'"<sup>33</sup>

To decide whether the costs at issue in this proceeding are incremental, the Commission starts its analysis with a review of how balancing accounts and memorandum accounts are used within the context of utility ratemaking, generally, and how SCE's specific accounts presented here, the WMPMA, FRMMA, and VMBA, function. With this background on SCE's accounts, the Commission will address the question of incrementality.

The resolution of this question is a prerequisite to the Commission's reasonableness review of SCE's request to recover the cost recorded in the WMPMA, FRMMA, and VMBA for wildfire mitigation-related and vegetation management activities in 2022.

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<sup>33</sup> D.23-02-017, *Decision Approving Settlement* [PG&E] (February 2, 2023) at 27, *rehearing denied*, D.23-10-025.

### **7.1. Balancing Accounts - SCE VMBA**

SCE's VMBA is a balancing account, which is a regulatory accounting method used to ensure the recovery in rates of specified expenditures authorized by the Commission.<sup>34</sup> A balancing account tracks the difference between actual expenditures associated with the balancing account and authorized for recovery by the Commission, and the revenues collected within customer rates to cover those specific expenses.<sup>35</sup> A purpose of a balancing account is to review the actual costs incurred by the utility and provide the utility with the opportunity to request recovery from ratepayers for a given program or function.<sup>36</sup>

SCE's VMBA is a balancing account with some unique characteristics, and it operates pursuant to a directive in D.21-08-036 (SCE's 2021-2023 GRC).<sup>37</sup> Pursuant to D.21-08-036, SCE is seeking recovery of O&M expenses recorded in the VMBA above 115% of the forecasted authorized amount for 2022 vegetation management. This 115% authorized amount is \$209.821 million, as set forth in

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<sup>34</sup> September 6, 2024 ALJ Ruling, *Email Ruling Entering Utility Audits Branch of the Commission's Performance Audit into the Record*, at Attachment, CPUC UAB Audit Report at 4.

<sup>35</sup> September 6, 2024 ALJ Ruling, *Email Ruling Entering Utility Audits Branch of the Commission's Performance Audit into the Record* at Attachment, CPUC UAB Audit Report at 4.

<sup>36</sup> September 6, 2024 ALJ Ruling, *Email Ruling Entering Utility Audits Branch of the Commission's Performance Audit into the Record* at Attachment, CPUC UAB Audit Report at 4.

<sup>37</sup> D.21-08-036, *Decision on Test Year 2021 General Rate Case for Southern California Edison Company* (August 19, 2021) at 185-186 and Ordering Paragraph 14 at 680: "Within 30 days of the issuance of this decision, Southern California Edison Company (SCE) shall file a Tier 1 advice letter to create a two-way Vegetation Management Balancing Account to track the difference between the expenses for vegetation management authorized in this decision and SCE's recorded expenses for these activities. Recovery of any undercollection that is less than 115 percent of the authorized amount as well as the refund of any overcollection, shall be filed via a Tier 2 advice letter. Recovery of costs in excess of 115 percent of the authorized amount for Vegetation Management shall be made by application."

D.21-08-036. In this proceeding, SCE seeks to recover \$244.6 million, which is the amount above the 115% threshold of \$209.821 million.

In D.21-08-036, the Commission further provided that no reasonableness review was necessarily required on amounts between 100% and 115%.<sup>38</sup> On June 14, 2023, SCE submitted Advice Letter 5049-E to recover 2022 vegetation management costs between 100% and 115% of the authorized amount in accordance with D.21-08-036 (SCE's 2021–2023 GRC).<sup>39</sup> The Commission granted this Advice Letter and, thereby, approved of SCE's collection of this amount in rates.<sup>40</sup>

Additional details regarding the VMBA are provided in the chart below, at Section 8.1.

## **7.2. Memorandum Accounts - SCE WMPMA and FRMMA**

The WMPMA and FRMMA are both memorandum accounts authorized by statute in Pub. Util. Code Sections 8386.4(a) and (b). Those provisions allow SCE to record various wildfire mitigation expenses it incurs while carrying out its Wildfire Mitigation Plan, subject to later reasonableness review.<sup>41</sup> The utility company may later seek authorization from the Commission to recover the

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<sup>38</sup> D.21-08-036, *Decision on Test Year 2021 General Rate Case for Southern California Edison Company* (August 19, 2021) at 186, Ordering Paragraph 14 at 680, "For costs between 100 percent and 115 percent of the authorized amount, cost recovery may be made by a Tier 2 advice letter."

<sup>39</sup> SCE Ex-01 at 156.

<sup>40</sup> SCE Ex-01 at 156 (fn. 136), stating: "On July 24, 2023, the Commission's Energy Division approved Advice 5049-E with an effective date of July 14, 2023."

<sup>41</sup> September 6, 2024 ALJ Ruling, *Email Ruling Entering Utility Audits Branch of the Commission's Performance Audit into the Record* at Attachment, CPUC UAB Audit Report at 4.

recorded amounts by passing the costs on to consumers in rates.<sup>42</sup> The establishment of a memorandum account does not guarantee that the utility will recoup the tracked amount, but a utility may be precluded from recovering amounts not booked to a memorandum account under the prohibition of retroactive ratemaking.<sup>43</sup>

The WMPMA and FRMMA were established pursuant to Pub. Util. Code Sections 8386.4. The WMPMA and FRMMA are both memorandum accounts and operate consistent with the above general description.

Additional details are provided in the chart below, at Section 8.1.

## **8. Whether SCE Demonstrates Incrementality**

In this proceeding, SCE claims that the entire amount it seeks to recover reflects “incremental” costs for 2022 wildfire mitigation and vegetation management activities, as recorded in the WMPMA, FRMMA, and VMBA.<sup>44</sup>

One way SCE describes its incremental costs is as revenue requirement, stating that it seeks a “total initial revenue requirement of \$382.25 million.”<sup>45</sup> SCE also describes the incremental amount sought here in terms of type of costs, meaning O&M expense (approximately \$358.543 million) and capital expenditures (approximately \$135.736 million). Elsewhere, SCE describes the

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<sup>42</sup> September 6, 2024 ALJ Ruling, *Email Ruling Entering Utility Audits Branch of the Commission's Performance Audit into the Record* at Attachment, CPUC UAB Audit Report at 4.

<sup>43</sup> September 6, 2024 ALJ Ruling, *Email Ruling Entering Utility Audits Branch of the Commission's Performance Audit into the Record* at Attachment, CPUC UAB Audit Report at 4.

<sup>44</sup> For example, SCE Ex-01 at 146, stating “Incrementality for SCE’s wildfire mitigation activities is assessed at the wildfire mitigation portfolio level and is determined by reviewing total recorded 2022 spend for the wildfire mitigation activities and comparing that to the total dollars authorized for 2022 for wildfire mitigation related activities.” *See, also*, D.21-08-036, *Decision on Test Year 2021 General Rate Case for Southern California Edison Company* (August 19, 2021).

<sup>45</sup> SCE Ex-01E at 5E.

incremental amount by pointing to the balances in the separate accounts, the WMPMA (approximately \$90.193 million O&M expense and \$135.736 million in capital expenditures), the FRMMA (approximately \$23.18 million O&M expense), and the VMBA (approximately \$244.6 million O&M expense).<sup>46</sup>

SCE uses a methodology it refers to as the “portfolio approach” to determine what costs are incremental. SCE explains that it is able to accurately track “incremental” cost under a “but for” test and that this process is enhanced by SCE’s use of wildfire-specific work orders in its accounting system to ensure that the recorded costs would not have been incurred “but for” wildfire mitigation.<sup>47</sup> Once costs exceed total GRC-authorized amounts (and the 115% threshold provided for the VMBA in the 2021–2023 GRC) based on these wildfire-specific work orders, SCE explains it records costs into the memorandum and balancing accounts.<sup>48</sup> In this respect, SCE states that it relies on the cost authorized and the approved revenue requirement for 2022 for SCE’s GRC for the time period at issue here, the year 2022, D.21-08-036 (SCE 2021–2023 GRC). In D.21-08-036, the Commission addressed the year 2022 and adopted a revenue requirement of approximately \$7.28 billion.<sup>49</sup>

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<sup>46</sup> SCE Ex-01 at 145-147. The amount presented for O&M expense includes \$2.5 million that SCE states are a PSPS disallowance and SCE requests it be removed from recovery in this proceeding.

<sup>47</sup> SCE Ex-01 at 145-146.

<sup>48</sup> SCE Ex-01 at 145-146.

<sup>49</sup> D.21-08-036, *Decision on Test Year 2021 General Rate Case for Southern California Edison Company* (August 19, 2021). The CPUC UAB Audit Report at 3 describes that the Commission addressed SCE’s most recent general rate case for years 2021, 2022, and 2023 in A.19-08-013 filed on August 30, 2019. The Commission resolved this proceeding on August 20, 2021, when the Commission issued D.21-08-036 authorizing the \$6.899 billion revenue requirement for 2021. In D.21-08-036, the Commission also authorized an increase in the revenue requirement of \$382

*Footnote continued on next page.*

SCE further supports the use of the “portfolio approach” to determine its incremental costs because, according to SCE, this approach reflects adherence to Pub. Util. Code Section 8386.3.<sup>50</sup> According to SCE, under the portfolio approach, the amounts can be accounted for consistent with Pub. Util. Code Section 8386.3, which states that “[a]n electrical corporation shall not divert revenues authorized by the Commission to implement the wildfire mitigation plan to any activities or investments outside of the plan.”

Cal Advocates and SBUA oppose SCE’s method of determining the incremental amount presented here and, more specifically, oppose SCE’s reliance on the portfolio approach. In response to SCE’s reliance on the portfolio approach to calculate incrementality, Cal Advocates and SBUA argue that the Commission should instead rely on what they refer to as an “activity-by-activity approach” for calculating incrementality and for determining what expenses are subject to review here.<sup>51</sup> Under the activity-by-activity approach, Cal Advocates explains that the analysis shifts to whether the costs for a particular activity were already approved by the Commission as forecasted costs in D.21-08-036 (SCE 2021–2023 GRC) and incorporated into the current revenue requirement.<sup>52</sup> Cal Advocates describes the activity-by-activity analysis as essentially including two parts; first, SCE must isolate the costs as beyond the forecasted GRC-authorized cost threshold and, second, SCE must document that the specific cost is not included within GRC forecast, stating as follows:

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million for 2022. The amounts authorized in the GRC serve as the basis for SCE’s determination of incremental cost, which can be claimed for recovery between GRC cycles.

<sup>50</sup> SCE Ex-01 at 5-6.

<sup>51</sup> Cal Advocates Opening Brief at 6-7; SBUA Opening Brief at 3.

<sup>52</sup> Cal Advocates Opening Brief at 15-16.

“[Costs] are not incremental costs unless a utility provides sufficient documentation to demonstrate the requested recovery costs are above what was already funded in the GRC. SCE has not provided documentation to verify and substantiate the costs as incremental to costs already authorized in its GRC.”<sup>53</sup>

In addition, Cal Advocates and SBUA oppose reliance on the portfolio approach on the basis that the portfolio approach fails to show which costs are incremental from an accounting perspective, meaning that any line-item cost that is specifically identified as a “recorded cost” must be compared to the forecasted amount authorized in D.21-08-036 (SCE 2021–2023 GRC).<sup>54</sup> Cal Advocates and SBUA state that SCE fails to provide such an evidentiary showing and, accordingly, argue that all or part of SCE’s request must be denied based on SCE’s failure to offer sufficient evidence in the form of the activity-by-activity approach.<sup>55</sup>

The Commission finds that all the approaches for determining “incremental” costs, as suggested by SBUA, Cal Advocates, and SCE, have merit but, in this instance, SCE’s presentation of the amount identified as “incremental” and subject to reasonableness review is persuasive. In making this finding, the Commission in this instance considers all of the following, as presented by SCE in this proceeding: (1) in the recent past the Commission has relied upon the portfolio approach to establish the incremental amount, e.g., D.24-03-008, (2) SCE persuasively establishes that these costs are for wildfire

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<sup>53</sup> Cal Advocates Opening Brief at 16.

<sup>54</sup> Cal Advocates Opening Brief at 6.

<sup>55</sup> Cal Advocates Opening Brief at 6-7; SBUA Opening Brief at 3-4.

mitigation activities and are not duplicative, and (3) the CPUC UAB Audit Report supports this outcome.

Regarding past decisions, the Commission recently relied on the portfolio approach in D.24-03-008, which resolved SCE's analogous request for 2021 wildfire mitigation-related and vegetation management costs.<sup>56</sup> Notably, in D.24-03-008, the Commission found that SCE's portfolio approach can be applied in a manner consistent with prospective ratemaking policy to determine incrementality, stating as follows:

“Determining incrementality using a portfolio approach, which considers all 2021 wildfire mitigation costs collectively as compared to all wildfire mitigation costs approved in D.21-08-036, and which considers all 2021 VMBA costs collectively as compared to vegetation management costs approved in D.21-08-036, is consistent with established prospective ratemaking principles.”<sup>57</sup>

In addition, the Commission finds that SCE persuasively establishes that the costs are incremental because it states that these costs would not have been incurred “but for” SCE's wildfire mitigation efforts; that it tracks costs by creating wildfire-specific work orders in its accounting system to ensure that the costs of these activities are separately tracked from SCE's other activities; and that the portfolio method serves to ensure its compliance with Section 8386.3.

The Commission also finds that reliance on the findings of the UAB Audit

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<sup>56</sup> D.24-03-008, *Error! Reference source not found.* (March 7, 2024); as affirmed on rehearing in D.24-06-026.

<sup>57</sup> D.24-03-008, *Error! Reference source not found.* (March 7, 2024) Conclusion of Law 5 at 93; D.24-06-025, *Order Modifying Decision 24-03-008 and Denying Rehearing, as Modified* (June 20, 2024) at 9.

Report is reasonable. The UAB Audit Report found that SCE's costs are neither "duplicative" or "inappropriate."<sup>58</sup>

Importantly, the finding that costs are "incremental" in this proceeding does not limit the ability of the Commission to further review and even disallow these costs based on reasonableness. As SCE states, the use of the portfolio approach to establish incrementality does not inhibit the Commission's review of reasonableness of any specific costs presented by SCE.<sup>59</sup> In other words, simply because the Commission finds an amount "incremental" does not mean that the specific cost is also reasonable. Reasonableness is a separate and independent analysis. Moreover, today's decision does not preclude reliance on other methods of determining incrementality in the future.

For all these reasons, the Commission finds the amounts presented by SCE under the portfolio approach are incremental in this instance.

### **8.1. Relevant Charts - Incremental Amounts and SCE Portfolio Approach**

As explained in the tables below from SCE's prepared testimony, the incremental amount presented by SCE is based on the Commission-authorized 2022 forecasts in D.21-08-036 (SCE 2021-2023 GRC) regarding vegetation management and wildfire mitigation:<sup>60</sup>

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<sup>58</sup> D.24-03-008, *Error! Reference source not found.* (March 7, 2024) at 18.

<sup>59</sup> SCE Opening Brief at 7 (fn. 25).

<sup>60</sup> SCE Ex-01 at 148 (Table IV-33) and 145 (IV-31 and IV-32).

**Summary of Recorded and Incremental  
2022 Vegetation Management  
O&M Expenses by Activity**  
(*\$ in millions*)

2022 Vegetation Management O&M Expenses						
Reference to Testimony	O&M Recorded (A)	FERC Jurisdictional (B)	GRC Authorized With Threshold <sup>1</sup> (C)	Non-Incremental Costs (D)	Incremental Costs (A-B-C-D)	Balancing/Memorandum Account
Vegetation Management	\$ 466,390	\$ 13,665	\$ 207,558	\$ (0,000)	\$ 245,168	VMBA
Vegetation Management	27,471	2,024	2,264	-	23,183	FRMMA
<b>Total</b>	<b>\$ 493,861</b>	<b>\$ 15,689</b>	<b>\$ 209,821</b>	<b>\$ (0,000)</b>	<b>\$ 268,351</b>	

<sup>1</sup> \$2.26M GRC Authorized for Environmental Support to Vegetation Management is not part of VMBA but is the amount authorized for environmental support related to line clearing activities under Environmental Programs.

**Summary of Recorded and Incremental  
2022 Wildfire Mitigation O&M Expenses**  
(*\$ in millions*)

2022 Wildfire O&M Expenses						
Reference to Testimony	O&M Recorded (A)	FERC Jurisdictional (B)	GRC Authorized (C)	PSPS Disallowance (D)	Incremental Costs (A-B-C-D)	Memorandum Account
Grid Hardening	\$ 2,796					WMPMA
Enhanced Operational Practices	\$ 116,920					WMPMA/FRMMA
Fire Science & Advanced Modeling	\$ 7,482					WMPMA
Enhanced Situational Awareness	\$ 5,534					WMPMA
Organizational Support	\$ 8,758	\$ 10,273	\$ 106,240	\$ 2,500	\$ 87,693	WMPMA/FRMMA
Public Safety Power Shutoff (PSPS)	\$ 46,038					WMPMA
Aerial Suppression (Air Operations)	\$ 18,200					WMPMA
Wildfire Mitigation Training & Development	\$ 0,299					WMPMA
Environmental Remediation Programs	\$ 0,678					WMPMA
<b>Total</b>	<b>\$ 206,706</b>	<b>\$ 10,273</b>	<b>\$ 106,240</b>	<b>\$ 2,500</b>	<b>\$ 87,693</b>	(i)
A&G Capitalization	\$ 3,860	\$ -	\$ 3,399	\$ -	\$ 0,461	(ii)
<b>Total Net of A&amp;G Capitalization</b>	<b>\$ 202,846</b>	<b>\$ 10,273</b>	<b>\$ 102,841</b>	<b>\$ 2,500</b>	<b>\$ 87,231</b>	(i)-(ii)

**Summary of Recorded and Incremental  
2022 Wildfire Mitigation Capital Expenditures**  
(*\$ in millions*)

2022 Wildfire Capital Expenditures					
Reference to Testimony	Recorded Capital (A)	FERC Jurisdictional (B)	GRC Authorized (C)	Incremental Costs (A-B-C)	Memorandum Account
Enhanced Operational Practices	\$ 138,194				WMPMA
Enhanced Situational Awareness	\$ 3,514				WMPMA
Fire Science and Advanced Modeling	\$ 0,766	\$ 1,306	\$ 89,559	\$ 135,736	WMPMA
Grid Hardening	\$ 64,985				WMPMA
Public Safety Power Shutoff (PSPS)	\$ 19,142				WMPMA
<b>Total</b>	<b>\$ 226,601</b>	<b>\$ 1,306</b>	<b>\$ 89,559</b>	<b>\$ 135,736</b>	

## **8.2. Refinements - SCE Portfolio Approach**

Referring to discovery delays pertaining to a request Cal Advocates sent on February 21, 2024 and SCE responded to on June 28, 2024, Cal Advocates requests that the Commission direct SCE to provide a more detailed level of information for review, including line-item detail identifying each specific recorded cost associated with its recovery request, including the date the cost was recorded, the vendor who performed the work, and the memorandum or balancing account that the cost was recorded in. SCE states that Cal Advocates' request is "incredibly burdensome."<sup>61</sup>

The Commission finds that SCE's response time was not reasonable but, at the same time, requiring SCE to provide potentially voluminous amounts of data in the future that might not be needed is not an efficient use of resources or time.

Accordingly, to promote greater efficiency in the exchange of relevant information with respect to these three accounts, WMPMA, FRMMA, and VMBA, Cal Advocates may, consistent with relevant authority, advise the Commission of delays in future proceedings.

Lastly, the Commission finds that the amounts presented in these cases, which include costs recorded in WMPMA, FRMMA, and VMBA for wildfire mitigation-related and vegetation management activities or similar accounts, should be declining since these costs are by definition one-time expenses to mitigate wildfires or amounts that reflect new longer-term work that must on an ongoing basis be incorporated, as a forecasted cost, into the electric utility's revenue requirement in its next general rate case. As such, the costs recorded in these accounts should decline.

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<sup>61</sup> SCE Reply Brief at 2-4.

Accordingly, SCE should consider including in future cases involving these accounts and in its general rate cases, historical data illustrating the trend, starting from the first use of these accounts to the present so that the Commission can quickly assess whether the trend is increasing or decreasing, as expected, over time and take any action that might be needed to review these costs in greater depth, if needed.

## **9. Reasonableness Review of SCE's Request**

Section 451 provides, in relevant part, as follows: "All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable." This standard is set forth in detail above, at Section 3. SCE is only permitted to recover costs deemed reasonable under the law. The Commission reviews the costs presented here for reasonableness. A determination of reasonableness requires analysis of whether SCE acted in accordance with the prudent manager standard.

### **9.1. Vegetation Management Activities - VMBA and FRMMA**

For 2022, SCE recorded a total of \$465.823 for O&M expenses for Commission-jurisdictional vegetation management (authorized plus balancing account).<sup>62</sup> Of this amount, SCE seeks recovery in this proceeding of approximately \$268million for O&M expenses incurred in 2022 related to vegetation management, which SCE recorded in both the VMBA and the

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<sup>62</sup> SCE Ex-01 at 4-5 and 116-117; SCE Ex-01 at 116E. (SCE has made minor adjustments to total amounts during this proceeding. Final amounts are found in rebuttal testimony, errata testimony, and briefs.)

FRMMA.<sup>63</sup> According to SCE, it incurred \$244.6 million in costs related to vegetation management activities above the 115% threshold of \$207.558 million for the VMBA set forth in D.21-08-036 (SCE 2021–2023 GRC).<sup>64</sup> SCE refers to the total amount requested here, approximately \$268 million as incremental, and as discussed above. A chart illustrating these amounts in the VMBA and FRMMA is set forth above at Section 8.1.

SCE’s 2022 vegetation management costs, as recorded in the VMBA and FRMMA, are associated with five activities: (1) Distribution Routine Vegetation Management; (2) Transmission Routine Vegetation Management; (3) Fire Hazard Prevention; (4) Dead, Dying, and Diseased Tree Removal; and (5) Wildfire Vegetation Management.<sup>65</sup> SCE’s largest program by volume and cost within these categories is Routine Line Clearing.<sup>66</sup> The Routine Line Clearing Program is addressed below.

### **9.1.1. Routine Line Clearing Program**

Routine Line Clearing consists primarily of compliance-based ground inspections, trimming and removal mitigation activities across SCE’s transmission and distribution networks.<sup>67</sup>

SCE requests recovery of costs for O&M expense for Routine Line Clearing (inspection and mitigation). Cal Advocates recommends a reduction of \$18.140 million to SCE’s vegetation management O&M expenses for Routine Line

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<sup>63</sup> SCE Ex-01 at 4-5 and 116-117. Of this amount, SCE recorded \$23.18 million above the GRC-authorized in the FRMMA. SCE did not record any capital expenditures for vegetation management in the accounts presented here.

<sup>64</sup> SCE Ex-01 at 4-5 and 116-117.

<sup>65</sup> Cal Advocates Opening Brief at 13 (fn.40), *citing to* CA Ex-02C at 6 (fn. 23).

<sup>66</sup> SCE Ex-01 at 119.

<sup>67</sup> SCE Ex-01 at 119; Cal Advocates Opening Brief at 12.

Clearing (inspection and mitigation).<sup>68</sup> Cal Advocates claims that SCE fails to adequately substantiate its request with reasonable documentation.<sup>69</sup> For example, Cal Advocates requested separate accounting for tree trims versus the cost of removal.<sup>70</sup> In response, Cal Advocates states that SCE was unable to provide this breakdown because it tracks “total mitigations, which includes both trims and removals.”<sup>71</sup> SBUA also recommends a substantial reduction to SCE’s request.<sup>72</sup> SBUA claims that “SCE provides generalized contentions that do not allow the Commission to determine that the actual level of costs incurred were reasonable.”<sup>73</sup>

In response, SCE states it established the reasonableness of the costs incurred in 2022 for vegetation management for Routine Line Clearing by providing information. SCE describes cost information in its Request for Proposals, which explains that contractor rates increased for pre-inspections and mitigation. SCE provides details about the contract negotiations to support this increase and specific explanations regarding rate increases for arborist inspections (approximately 28%) and standard maintenance trim rates (approximately 16%).<sup>74</sup> SCE states it also provided all these details to support the increased costs in 2022 related to its vegetation management vendors as well as

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<sup>68</sup> Cal Advocates Opening Brief at 9.

<sup>69</sup> Cal Advocates Opening Brief at 12.

<sup>70</sup> Cal Advocates Opening Brief at 13, *citing to* CA Ex-02C, at 6, fn. 23.

<sup>71</sup> Cal Advocates Opening Brief at 13, *citing to* CA Ex-02C, at 6, fn. 23.

<sup>72</sup> SBUA Opening Brief at 4.

<sup>73</sup> SBUA Opening Brief at 5.

<sup>74</sup> SCE Reply Brief at 7-8.

copies of change orders to show the percentage of the rate increases and explanations of the reasons for the increase in the costs.<sup>75</sup>

After reviewing all the relevant evidence identified above, including cost information and Request for Proposals related to 2022, the Commission finds that SCE provides persuasive evidence supporting its claimed vegetation management costs (mitigation and inspection) for Routine Line Clearing and adequately refutes the arguments presented by Cal Advocates and SBUA.

Accordingly, the Commission denies the request by Cal Advocates for a \$18.140 million reduction to the 2022 costs for routine line clearing activities (inspection and mitigation), as recorded in the VMBA and FRMMA. Similarly, the Commission denies the request by SBUA for a more substantial reduction to SCE's costs for activities related to routine line clearing.

#### **9.1.2. Environmental Support - Tree Removal**

SCE recorded costs of \$29.003 million in O&M expenses related to the Dead, Dying, and Diseased Tree Removal program in 2022 in the VMBA. SCE indicates that the GRC-authorized amount for this program was \$42.135 million. SBUA recommends a reduction of approximately \$4.5 million to SCE's cost recovery request for activities related to the Dead, Dying, and Diseased Tree Removal program in 2022. SBUA states that this reduction is needed to properly reflect "underspend" in the same category of activities.

In response, SCE concedes that an underspend of approximately \$13 million exists in the Dead, Dying, and Diseased Tree Removal program, with the 2022 GRC-authorized amount at \$42.135 million and the 2022 recorded amount at \$29.003 million, but that this underspend amount is reflected in the reduced

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<sup>75</sup> SCE Reply Brief at 8-10.

overall incremental amount requested here and, as a result, no reduction is warranted.

The Commission finds that SCE has established by the preponderance of evidence that the cost reduction proposed by SBUA related to the Dead, Dying, and Diseased Tree Removal program is not warranted in this instance because the underspend of approximately \$13 million is reflected in a reduction to the total amount that SCE requests in this proceeding: “the remaining underspend (-\$13 million) helps to reduce the overall costs recorded in the VMBA for 2022.”

Accordingly, the Commission denies SBUA’s recommended reduction of approximately \$13 million to the Dead, Dying, and Diseased Tree Removal program.

### **9.1.3. Environmental Review – Routine Line Clearing**

In 2022, SCE incurred \$27.471 million for environmental review support in O&M expenses related to Routine Line Clearing.<sup>76</sup> SBUA recommends a reduction of \$10.771 million for environmental review support because, according to SBUA, SCE fails to prove that any additional amounts above the amounts approved for 2021 of \$16.7 million are warranted.<sup>77</sup> SBUA recommends a reduction based on the difference between the two years (\$27.471 million (2022) - \$16.7 million (2021) = \$10.771 million reduction).<sup>78</sup> In support of this reduction, SBUA states that, while SCE provided qualitative factors to support this increase, such as more work in certain areas, new review policies, and new permits, SCE

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<sup>76</sup> SCE Ex-01 at 140.

<sup>77</sup> SBUA Opening Brief at 9; D.24-03-008, *Error! Reference source not found.* (March 7, 2024) at 60.

<sup>78</sup> SBUA Opening Brief at 9; D.24-03-008, *Error! Reference source not found.* (March 7, 2024) at 60.

fails to sufficiently explain the increase from 2021 to 2022 by breaking down the specific impact of each of these elements.<sup>79</sup>

In response, SCE states that the costs differences between 2021 and 2022, although lower than estimated by SBUA, are primarily due to a “significant rise” in the volume of work points requiring field support (e.g., surveys and monitoring).<sup>80</sup> SCE also explains that methods associated to typical forecasting of cost have not been useful in this context because, starting in 2020, the amount of work in this area has dramatically risen, labor costs have been very high, and SCE incurred new costs related to this work.<sup>81</sup>

The Commission finds that SCE has established by the preponderance of evidence that the cost reduction of \$10.771 million proposed by SBUA related to 2022 environmental review support O&M expenses related to Routine Line Clearing is not warranted in this instance because of the significant rise in the volume of work points that require field support.

Accordingly, the Commission denies SBUA’s recommended reduction of \$10.771 million related to 2022 environmental review support O&M expenses related to Routine Line Clearing.

#### **9.1.4. Environmental Review – Structure Brushing**

The Structure Brushing program removes vegetation at the base of select sub-transmission and distribution structures to reduce the chance of ignition due to a spark or contact with failed equipment.<sup>82</sup>

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<sup>79</sup> SBUA Opening Brief at 9.

<sup>80</sup> SCE Reply Brief at 14-15, *citing to* SCE Ex-01 at 139, 141; SCE Ex-03 at 31 and 38-39.

<sup>81</sup> SCE Ex-03 at 31-25.

<sup>82</sup> SCE Ex-01 at 132.

SBUA recommends a reduction of \$1.473 million to environmental support costs for Structure Brushing on the basis that SCE should not recover more than its 2021 authorized costs because SCE has provided “no quantification in workpapers or elsewhere of the direct permit and mitigation fees paid, confirmation that the work for which fees were paid was actually able to be completed or how much of the cost was paid to outside consultants or internal staffing.”<sup>83</sup> In 2021, the Commission approved recovery of \$3.9 million in environmental support costs for Structure Brushing.<sup>84</sup> SCE recorded \$5.373 million in environmental support costs in 2022.<sup>85</sup> SBUA proposes a reduction of \$1.473 million based on the difference between the two years (\$5.373 million (2022) - \$3.9 million (2021) = \$1.473 million).<sup>86</sup>

In response, SCE states that costs increased in 2022 for this particular activity, environmental support costs for Structure Brushing because, for example, environmental permitting, mitigation costs, and related fees increased, which are often required as part of the brushing activities.<sup>87</sup> SCE further states that endangered or threatened species designations broadened in 2022, which resulted in more structures being included in environmental review.<sup>88</sup> SCE also states that the volume of certain reviews related to brushing increased together

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<sup>83</sup> SBUA Opening Brief at 9-10.

<sup>84</sup> SCE Reply Brief at 18, *citing to* D.24-03-008, *Error! Reference source not found.* (March 7, 2024) at 60 and 65.

<sup>85</sup> SCE Reply Brief at 18-19; SCE Ex-01 at 142.

<sup>86</sup> SBUA Opening Brief at 10; SCE Reply Brief at 18-19.

<sup>87</sup> SCE Reply Brief at 18-19.

<sup>88</sup> SCE Reply Brief at 18-19.

with the necessary volume of field support, which resulted in cost increases. SCE claims that SBUA failed to consider these differences between 2021 and 2022.<sup>89</sup>

The Commission finds that SCE has established by the preponderance of evidence that the cost reduction proposed by SBUA related to the environmental support for Structure Brushing is not warranted in this instance by explaining the costs in 2021 are not predictive of 2022 and that costs have increased in 2022 due to additional work requirements. Accordingly, the Commission denies SBUA's recommended reduction of \$1.473 million related to environmental support for Structure Brushing.

#### **9.1.5. Hazard Tree Management Program**

In this proceeding, SCE does not request an amount for its 2022 Hazard Tree Management Program (HTMP). However, SBUA recommends a reduction to SCE's request in this proceeding equal to the difference between SCE recorded costs in 2022 for the 2022 HTMP and the "already-allocated GRC-approved level."<sup>90</sup> In support of this reduction, SBUA argues that SCE failed to accomplish the amount of work that it projected for 2022 and, as a result, a reduction in this proceeding is warranted because its 2022 recorded costs were less than the GRC-authorized amount.<sup>91</sup>

The GRC-authorized amount for 2022 Wildfire Vegetation Management, which is the cost category within which HTMP costs are recorded, is approximately \$28.7 million in O&M expenses.<sup>92</sup> SCE concedes it spent approximately \$8 million less on the 2022 HTMP than authorized in SCE's 2021-

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<sup>89</sup> SCE Reply Brief at 19.

<sup>90</sup> SBUA Opening Brief at 7.

<sup>91</sup> SBUA Opening Brief at 7.

<sup>92</sup> SCE Reply Brief at 21.

2023 GRC.<sup>93</sup> SCE explains why its 2022 forecast was inaccurate by explaining that the HTMP was a new activity and, as such, the forecast for the 2021–2023 GRC was developed before SCE had inventoried its hazard trees, which led to inaccurate estimates of the number of trees and remediations.<sup>94</sup> SCE also explains that risks and targeted areas changed throughout each year, as do the number of tree removals, trims, and projected workload.<sup>95</sup> Based on this explanation, SCE submits that the recorded costs in 2022 were lower than forecasted in the GRC but that alone is not a basis for reducing SCE’s request here because those costs were designated for other activities that were recorded elsewhere.<sup>96</sup> For example, SCE estimates it incurred approximately \$150,000 in tree replacement costs in 2022.<sup>97</sup>

The Commission finds that SCE establishes by the preponderance of evidence that the HTMP work performed and the GRC-authorized amount for the cost category of Wildfire Vegetation Management are reasonable even if SCE recorded less in 2022 for HTMP than authorized for the broader cost category of Wildfire Vegetation Management. Accordingly, the Commission denies SBUA’s recommended reduction of approximately \$8 million in O&M expenses to SCE’s request in this proceeding.

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<sup>93</sup> SCE Reply Brief at 21.

<sup>94</sup> SCE Reply Brief at 21-22.

<sup>95</sup> SCE Reply Brief at 21-22.

<sup>96</sup> SCE Reply Brief at 22.

<sup>97</sup> SCE Reply Brief at 22.

### **9.1.6. Weed Abatement**

SCE requests \$4.26 million in O&M expenses for the Weed Abatement program in 2022.<sup>98</sup> SBUA recommends that SCE's cost recovery request for weed abatement activities be denied.<sup>99</sup> In support of this reduction, SBUA states that SCE fails to establish a connection between the increased costs for tree removal contracts due to SB 247 and SCE's cost increases for work related to weed abatement activities.<sup>100</sup> SBUA claims that no connection exists, stating, "Any claimed weed abatement costs sought in this Application are unsupported and must be denied."<sup>101</sup>

In response, SCE explains that SBUA's recommendation is based on the level of costs in prior years but, in this instance, the costs in prior years are not reflective of the cost incurred in 2022.<sup>102</sup> SCE explains that, generally, weed abatement costs fluctuate yearly due to a number of factors, including lease status of the relevant land areas, weather variables, vegetation growth rates, agency requirements, customer notifications, and environmental constraints.<sup>103</sup> In addition, SCE explains that, while the costs in 2022 were not directly impacted by SB 247, the costs were indirectly impacted, resulting in increased labor

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<sup>98</sup> SCE Reply Brief at 23; SCE Ex-01 at 135.

<sup>99</sup> SBUA Opening Brief at 8.

<sup>100</sup> SBUA Opening Brief at 8; SCE Ex-01 at 117, stating: "SB 247 became effective on January 1, 2020 and specifies qualifications for electrical line clearance tree trimmers performing work to comply with the vegetation management requirements in an electrical corporation's wildfire mitigation plan and requires that qualified line clearance tree trimmers be paid no less than a specified prevailing wage rate."

<sup>101</sup> SBUA Opening Brief at 8.

<sup>102</sup> SCE Reply Brief at 23-24.

<sup>103</sup> SCE Reply Brief at 23-24.

costs.<sup>104</sup> SCE further explains that the labor market for vegetation management workers closely overlaps with the labor market for weed abatement activities.<sup>105</sup> Overall, SCE describes its 2022 costs for the Weed Abatement program as “reasonable, modest, and adequately supported.”<sup>106</sup>

The Commission finds that SCE has established by the preponderance of evidence that the \$4.26 million reduction recommended by SBUA for the Weed Abatement program is not warranted in this instance because weed abatement activities vary year-to-year and, as a result, the 2021 costs are not necessarily predictive of the 2022 costs and, in addition, costs likely increased in 2022 due to the indirect impact of SB 247 on the broader labor market related to vegetation management, which impacts weed abatement labor costs. Accordingly, the Commission denies SBUA’s recommendation to reduce by \$4.26 million SCE’s request for O&M expenses related to the Weed Abatement program in 2022.

SCE requests \$4.26 million in O&M expenses for the Weed Abatement program in 2022.<sup>107</sup> SBUA recommends that SCE’s cost recovery request for weed abatement activities be denied.<sup>108</sup> In support of this reduction, SBUA states that SCE fails to establish a connection between the increased costs for tree removal contracts due to SB 247 and SCE’s cost increases for work related to weed abatement activities.<sup>109</sup> SBUA claims that no connection exists, stating, “Any

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<sup>104</sup> SCE Reply Brief at 23-24.

<sup>105</sup> SCE Reply Brief at 23-24.

<sup>106</sup> SCE Reply Brief at 24.

<sup>107</sup> SCE Reply Brief at 23; SCE Ex-01 at 135.

<sup>108</sup> SBUA Opening Brief at 8.

<sup>109</sup> SBUA Opening Brief at 8; SCE Ex-01 at 117, stating: “SB 247 became effective on January 1, 2020 and specifies qualifications for electrical line clearance tree trimmers performing work to comply with the vegetation management requirements in an electrical corporation’s wildfire

*Footnote continued on next page.*

claimed weed abatement costs sought in this Application are unsupported and must be denied.”<sup>110</sup>

In response, SCE explains that SBUA’s recommendation is based on the level of costs in prior years but, in this instance, the costs in prior years are not reflective of the cost incurred in 2022.<sup>111</sup> SCE explains that, generally, weed abatement costs fluctuate yearly due to a number of factors, including lease status of the relevant land areas, weather variables, vegetation growth rates, agency requirements, customer notifications, and environmental constraints.<sup>112</sup> In addition, SCE explains that, while the costs in 2022 were not directly impacted by SB 247, the costs were indirectly impacted, resulting in increased labor costs.<sup>113</sup> SCE further explains that the labor market for vegetation management workers closely overlaps with the labor market for weed abatement activities.<sup>114</sup> Overall, SCE describes its 2022 costs for the Weed Abatement program as “reasonable, modest, and adequately supported.”<sup>115</sup>

The Commission finds that SCE has established by the preponderance of evidence that the \$4.26 million reduction recommended by SBUA for the Weed Abatement program is not warranted in this instance because weed abatement activities vary year-to-year and, as a result, the 2021 costs are not necessarily predictive of the 2022 costs and, in addition, costs likely increased in 2022 due to

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mitigation plan and requires that qualified line clearance tree trimmers be paid no less than a specified prevailing wage rate.”

<sup>110</sup> SBUA Opening Brief at 8.

<sup>111</sup> SCE Reply Brief at 23-24.

<sup>112</sup> SCE Reply Brief at 23-24.

<sup>113</sup> SCE Reply Brief at 23-24.

<sup>114</sup> SCE Reply Brief at 23-24.

<sup>115</sup> SCE Reply Brief at 24.

the indirect impact of SB 247 on the broader labor market related to vegetation management, which impacts weed abatement labor costs. Accordingly, the Commission denies SBUA's recommendation to reduce by \$4.26 million SCE's request for O&M expenses related to the Weed Abatement program in 2022.

#### **9.1.7. Labor and Overhead**

SCE requests to recover \$47.683 million in O&M expenses for Labor and Overhead costs related to 2022 vegetation management recorded in the VMBA and FRMMA as O&M.<sup>116</sup> Cal Advocates recommends a reduction of \$33.910 million for Labor and Overhead expenses (\$9.835 million in Labor and \$24.076 million in Overhead).<sup>117</sup>

#### **9.1.8. Labor**

Regarding Straight Time Labor for 2022 vegetation management, SCE requests \$9.835 million, which includes \$9.430 million recorded in the VMBA and \$404,000 in the FRMMA.<sup>118</sup> Cal Advocates asserts that these amounts are not reasonable because SCE fails to provide sufficient evidence to demonstrate the Straight Time Labor expenses were not previously included in the forecast approved in D.21-08-036, SCE's 2021-2023 GRC.<sup>119</sup> Cal Advocates essentially argues that the costs are not reasonable because SCE fails to explain why these labor activities are not reflected in the costs included in SCE's 2022 authorized revenue requirement, as follows: The costs cited by SCE are "associated with work performed by employees whose salaries are already funded through

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<sup>116</sup> Cal Advocates Opening Brief at 10 and 15-21.

<sup>117</sup> Cal Advocates Opening Brief at 15.

<sup>118</sup> Cal Advocates Opening Brief at 10 (fn. 31).

<sup>119</sup> Cal Advocates Opening Brief at 15-17.

existing rates in the 2021 GRC Decision [D.21-08-036].”<sup>120</sup> Cal Advocates explains that “just because SCE redirected work on vegetation management” is not sufficient to prove reasonableness.<sup>121</sup> “SCE provides no evidence that it hired new employees or can identify the number of employees hired after its 2021 GRC Decision for vegetation management.”<sup>122</sup> Regarding the evidence, Cal Advocates further states that:

“SCE did not provide the hire dates for SCE’s 2022 recorded straight-time labor costs. SCE also has not demonstrated that it requires additional funding for Vegetation Management labor expenses. In its 2021 GRC, SCE forecasted \$14.307 million in labor expenses for Vegetation Management. SCE’s forecast is \$4.472 million higher than SCE’s 2022 recorded labor expenses of \$9.835 million. SCE states that it incurred lower labor costs in 2022 than it forecasted in its 2021 GRC because “when SCE filed its 2021 GRC application, SCE was anticipating organizational changes that did not materialize in 2022.” With SCE’s higher forecasted labor expenses in its 2021 GRC than it actually recorded in 2022, SCE demonstrates it does not require additional funding for its 2022 labor expenses.”<sup>123</sup>

In response, SCE states that the Commission should approve the Straight Time Labor for 2022 vegetation management. SCE characterizes Cal Advocates’ arguments as not challenging reasonableness or prudence.<sup>124</sup> As such, SCE does not directly address the reasonableness of these costs and instead focuses on the

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<sup>120</sup> Cal Advocates Opening Brief at 16.

<sup>121</sup> Cal Advocates Opening Brief at 17-18.

<sup>122</sup> Cal Advocates Opening Brief at 17-18.

<sup>123</sup> Cal Advocates Opening Brief at 18 (footnotes omitted).

<sup>124</sup> SCE Reply Brief at 4-5.

concept of incrementality.<sup>125</sup> SCE cites prior cases to support its position for approval, including D.22-06-032 and D.24-03-008.<sup>126</sup>

The Commission finds that SCE has failed to establish by the preponderance of evidence that the requested \$9.835 million related to Straight Time Labor for vegetation management is reasonable. SCE points to prior cases to support its position. While these cases address the same type of costs presented here, i.e., vegetation management costs recorded in balancing accounts, these cases are not dispositive.

In D.22-06-032, the Commission found that SCE provided specific evidence to support a finding that the costs were not included in the general rate case revenue requirement.<sup>127</sup> As Cal Advocates persuasively argues here, no such evidence was provided by SCE in this proceeding. In the other case relied upon by SCE, D.24-03-008, the Commission did not directly address cost recovery of the type presented here, a point that SCE concedes.<sup>128</sup> In fact, in D.24-03-008 the Commission does not identify any types of evidence that might be relied upon here to support approval of the amounts presented. Therefore, these two cases are not determinative.

Furthermore, the Commission disagrees with SCE's argument that because it has established that the costs are related to vegetation management, these costs

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<sup>125</sup> SCE Reply Brief at 4-7.

<sup>126</sup> SCE Reply Brief at 4 (fn. 14).

<sup>127</sup> D.22-06-032, *Decision Addressing Southern California Edison Company's Track 3 Request for Recovery of Wildfire Mitigation Memorandum and Balancing Account Balances* (June 23, 2022) at 34-35, which addressed wildfire related costs in the years 2018-2020.

<sup>128</sup> SCE Reply Brief at 4 (fn. 14) stating "see also generally D.24-03-008 (approving the entirety of SCE's requested costs, implicitly including straight-time labor and DOH which were not directly challenged)"; D.24-03-008, *Error! Reference source not found.* (March 7, 2024).

must be approved. SCE must demonstrate reasonableness. While no specific type of documentation is required to demonstrate reasonableness, a requirement that SCE claims would be burdensome, SCE could explain how it determined that the specific labor amount requested exceeds the amounts authorized in the GRC and demonstrate why it incurred the incremental costs pursuant to the prudent manager standard. SCE needs to establish what resulted in an increase from the forecasted amount (e.g., unanticipated increase in the hourly wage or employee headcount) and that SCE acted in a reasonable and prudent manner in incurring these additional costs. Such evidence could include an audit, comparison charts, citations to the GRC decision or evidence and comparison to the evidence in this case, or other detail. SCE presents no such evidence here.

~~Based on the evidence presented, it does not appear SCE performed an analysis to establish whether the requested Straight Time Labor costs for vegetation management were reflected in the 2022 revenue requirement.~~ This constitutes a failure by SCE to meet its burden of proof and renders the reasonableness of these costs questionable. SCE necessarily relied on some sort of methodology to measure excess activities and costs beyond forecasted in the general rate case for expected planning, hiring, and work activities in 2022. Without a baseline or a method for projecting future need, which SCE appears to claim does not exist, the possibility that SCE established a reasonable level of additional Straight Time Labor for 2022 vegetation management is unpersuasive.

Accordingly, SCE fails to establish that the Straight Time Labor for 2022 vegetation management of \$9.835 million (\$9.430 million recorded in the VMBA and \$404,000 in the FRMMA in 2022) is justified.

### 9.1.9. Overhead

Regarding Overhead, SCE requests recovery of \$37.847 million for 2022 vegetation management. Cal Advocates recommends a reduction of \$24.076 million in 2022 O&M expense in the following Overhead categories: Labor Normal Time, Paid Time Off, and Fleet.<sup>129</sup> SCE recorded the amount in the VMBA.<sup>130</sup> Cal Advocates argues that SCE fails to provide any evidence that SCE performed an analysis to distinguish between the additional (i.e., incremental) amount requested here for 2022 vegetation management Overhead and the amounts authorized in the 2021 GRC Decision.<sup>131</sup>

In support of SCE's requests to recover \$37.847 million, SCE presents similar arguments used to support its request for 2022 vegetation management Labor costs. To summarize, SCE states that these costs supported activities related to vegetation management, were recorded in the VMBA, and therefore should be authorized for recovery without evidence showing that the Overhead costs exceed amounts in the prior general rate case.<sup>132</sup>

The Commission finds that SCE fails to establish by the preponderance of evidence that the requested amount for Overhead for vegetation management is reasonable and further finds that the \$24.076 million reduction, recommended by Cal Advocates, is reasonable. As a result, the Commission authorizes recovery of \$13.771 in this proceeding for 2022 vegetation management Overhead. While these costs, as SCE points out, are "incremental" in this instance, SCE must

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<sup>129</sup> Cal Advocates Opening Brief at 19. Cal Advocates does not recommend a reduction related to Labor Premium Time, Material, Contract regarding Overhead recorded in the VMBA related to vegetation management.

<sup>130</sup> Cal Advocates Opening Brief at 20.

<sup>131</sup> Cal Advocates Opening Brief at 20.

<sup>132</sup> SCE Reply Brief at 4-7.

establish reasonableness. SCE fails to provide persuasive evidence on reasonableness. To establish the reasonableness of these costs, SCE could, in this instance, provide documentation to ~~verify and substantiate that~~establish the bases for these incremental costs ~~were not embedded in existing rates~~. This evidence would be important because Overhead costs are already funded through the existing rates authorized in D.21-08-036, SCE's 2021-2023 GRC.

Accordingly, SCE's request for 2022 Overhead for vegetation management of \$37.847 million is reduced by \$24.076 million in O&M expenses, and the authorized amount is \$13.771 million.

For the reasons set forth above, the Commission finds that the O&M expense for 2022 vegetation management as recorded in the VMBA and FRMMA of approximately \$235 million is reasonable.

## **9.2. Wildfire Mitigation-Related Activities – WMPMA and FRMMA**

### **9.2.1. Aerial Suppression**

SCE seeks recovery of approximately \$18.2 million in O&M expenses used to fund the 2022 operations of critical aerial fire suppression resources, known as the Quick Reaction Force (QRF).<sup>133</sup> SCE states it created the QRF in 2019 when it began to partner with local county firefighting agencies by providing funding to support aerial firefighting resources.<sup>134</sup> SCE describes QRF, as follows:

“The QRF is composed of four aerial firefighting helicopters (three helitankers and one intelligence and reconnaissance aircraft), support personnel, and equipment to bolster firefighting capabilities. These resources are capable of being

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<sup>133</sup> SCE Reply Brief at 25; SCE Ex-01 at 112.

<sup>134</sup> SCE Ex-01 at 111.

rapidly deployed virtually anywhere in SCE's service area, either individually or as a fleet."<sup>135</sup>

SCE further states that in 2022, the QRF responded to 27 unique fires within SCE's service area.<sup>136</sup> According to SCE, these activities are critical to its fire mitigation efforts, stating "While aerial suppression resources will not always be able to stop a fire at the onset, aerial resources help reduce the area burned and number of structures damaged or destroyed."<sup>137</sup> In further support of its cost recovery request, SCE points to the Commission's consistent approval of these type of expenses in recent decisions.<sup>138</sup>

Cal Advocates recommends reducing by \$5.515 million the QRF costs.<sup>139</sup> Cal Advocates argues a reasonable cost recovery amount is \$12.68 million, which reflects only the days the helicopters were not deployed, and asserts that, according to relevant contracts, SCE's customers are only responsible for the fixed stand-by lease costs.<sup>140</sup> Cal Advocates states that, based on the review of the contracts between SCE and the counties of Los Angeles, Ventura, and Orange, SCE is only legally responsible under the county contracts for the number of

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<sup>135</sup> SCE Ex-01 at 111.

<sup>136</sup> SCE Ex-01 at 112.

<sup>137</sup> SCE Ex-01 at 112.

<sup>138</sup> SCE Reply Brief at 27 (fn. 106.), stating: "See, e.g., D.19-09-051, p. 249 (approving SDG&E's forecast to lease, year-round, a helitanker to fight wildfires); D.20-12-005, p. 217 (approving PG&E's forecast to purchase four firefighting helicopters as "necessary and reasonable"); D.24-03-008, pp. 40-42 (approving SCE's 2021 aerial suppression costs as just and reasonable). Less than a month ago, the Commission augmented this long line of precedent in re-approving SDG&E's aerial suppression program in the Sempra Utilities' Test Year 2024 GRC. See D.24-12-074, p. 494 (aerial suppression costs are included in the "Grid Operations and Operating Protocols" GRC activity)."

<sup>139</sup> Cal Advocates Opening Brief at 38.

<sup>140</sup> Cal Advocates Opening Brief at 38-39.

days the helicopters are on standby, meaning only pay for the number of days that the helicopters are on stand-by, not the day when the helicopters are deployed in 2022.<sup>141</sup> Cal Advocates claims that SCE confirms that its cost recovery request here includes costs associated with the number of days the helicopters were deployed in 2022.<sup>142</sup>

SBUA recommends the denial of the entire \$18.2 million in SCE's 2022 aerial suppression QRF costs.<sup>143</sup> SBUA states that "general firefighting activities are not traditional utility company activities" and suggests that the general public, rather than the utility customer, is a more reasonable source of revenue to cover the cost, stating "It is indistinguishable from conventional public safety service provided to the public at large from taxes and bond sources. Given customers' affordability crisis, utilities must demonstrate that outside fundings sources are unavailable for a non-core program before using their monopoly status to burden captive customers."<sup>144</sup>

The Commission finds that, after taking into consideration the arguments presented by Cal Advocates and SBUA for a reduction, SCE has established by the preponderance of evidence that, in this instance, its aerial fire suppression resources, known as the QRF, are a critical part of SCE's wildfire mitigation efforts and, therefore, the recovery request of \$18.2 million in O&M expenses to fund the 2022 operations of the QRF is reasonable. The Commission also considers recent past decisions upholding the reasonableness of these costs,

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<sup>141</sup> Cal Advocates Opening Brief at 38 (fn. 131) - 40.

<sup>142</sup> Cal Advocates Opening Brief at 38 (fn. 131) *citing to* SCE's response to Cal Advocates data request PubAdv-SCE-005-RA6, Q2d.

<sup>143</sup> SBUA Opening Brief at 11-12.

<sup>144</sup> SBUA Opening Brief at 11-12.

including most recently, D.24-06-025, where the Commission affirmed on rehearing recovery of aerial suppression costs as a valid use of ratepayer funds.<sup>145</sup> The arguments presented by Cal Advocates and SBUA are not consistent with the Commission's policy of approving these costs in recent years.

Accordingly, the Commission approves, without reductions, SCE's request to recover \$18.2 million in O&M expenses used to fund the 2022 operations of the critical aerial fire suppression resources, known as the QRF, related to aerial suppression activities. The recoverability of costs for suppression of or other attempt to extinguish or prevent spread of an existing wildfire requires a case by case analysis and nothing in this decision should be construed to set policy in the future on this matter.

### **9.2.2. Targeted Undergrounding**

SCE seeks recovery of \$29.587 million in Targeted Undergrounding costs for 2022.<sup>146</sup> SCE's Targeted Undergrounding expenditures are part of the grid hardening activities "to reduce the ignition risks associated with SCE's infrastructure" in High Fire Risk Areas.<sup>147</sup> SCE states that the requested cost recovery relates to capital expenditures for the completion of approximately 15 miles of Target Undergrounding in 2022 as well as material and design/planning costs for plan years 2023 to 2024.<sup>148</sup>

SBUA recommends a reduction of \$1.6 million on the basis that SCE failed to establish reasonableness of the request to recover \$1.6 million for Target

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<sup>145</sup> D.24-06-025, *Order Modifying Decision 24-03-008 and Denying Rehearing, as Modified* (June 20, 2024) at 3-6.

<sup>146</sup> SCE Reply Brief at 30 (fn. 19), *citing to* SCE Ex-01 at 9, Table II-2 at 15-20.

<sup>147</sup> SCE Ex-01 at 9 and 15.

<sup>148</sup> SCE Ex-01 at 15 and 20.

Undergrounding activities that relate to capital expenditures for “material and design/planning costs for plan years 2023 to 2024.”<sup>149</sup> According to SBUA, no benefit to customers has been established to justify rate recovery.<sup>150</sup>

In response, SCE acknowledges that SBUA’s recommendation may have merit but explains that, during the pendency of this proceeding, \$1.29 million of the \$1.6 million moved to plant-in-service as a capital addition as “used and useful assets for the benefit of customers” and that SCE substantiated this change in its rebuttal testimony.<sup>151</sup> On this basis, SCE requests that the Commission approve as reasonable the amount of \$29.27 million, which reflects a reduction of \$0.31 million that has not yet been transferred to plant-in-service as a capital addition.<sup>152</sup>

The Commission finds that SCE has established by the preponderance of evidence that a cost recovery of \$29.27 million for Targeted Undergrounding activities is reasonable based on SCE’s rebuttal testimony, which acknowledges the merits of SBUA’s position regarding the \$1.6 million related to capital expenditures for material and design/planning costs for 2023 to 2024 that had not yet moved to plant-in-service as a capital addition at the time SCE filed its application but now \$1.29 million of the \$1.6 million has transferred to plant-in-service.

Accordingly, the Commission authorizes the recovery of \$29.27 million for Targeted Underground activities and notes that \$0.31 million of expenses related

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<sup>149</sup> SBUA Opening Brief at 11 and SBUA Ex-01 at 15.

<sup>150</sup> SBUA Opening Brief at 11 and SBUA Ex-01 at 15.

<sup>151</sup> SCE Reply Brief at 30-31.

<sup>152</sup> SCE Reply Brief at 31.

to Targeted Underground activities has not yet been moved to plant-in-service as a capital addition.

### **9.2.3. Priority 2 Remediation Work**

Cal Advocates recommends a reduction of \$4.672 million in capital expenditures and \$1.474 million in O&M expenses (total of \$6.146 million) that SCE seeks to recover for Priority 2 remediation work, which includes, for example, crossarm replacements, bird guard replacements, pole anchor repairs, conductor repairs, pole hardware replacements, and pole replacements.<sup>153</sup>

SCE explains that it performs a range of activities, referred to as “remediation activities” to identify safety issues in High Fire Risk Areas that must be resolved based on inspections and these inspection-related safety issues are subsequently prioritized as follows: Priority 1 (condition must be made safe within 24 hours...); Priority 2 (address within 6 to 12 months depending on other factors...); and Priority 3 (address within 5 years).<sup>154</sup> In some instances, SCE states that it performs lower priority work together with higher priority work to gain efficiencies and, at times, this results in completing lower priority work during a different year than forecasted.<sup>155</sup> SCE refers to this situation as “work bundling” and describes how it might result in the completion of work on a different timeline than originally projected, as follows:

“SCE continues to bundle the work at the structure and circuit segment levels to the extent feasible for economic efficiency and to minimize the impact of remediation work on customers, as well as to reduce the volume of repeat outages, road closures and traffic restrictions. In certain cases, this

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<sup>153</sup> SCE Ex-01 at 55; Cal Advocates Opening Brief at 31; CA Ex-03 at 11.

<sup>154</sup> SCE Ex-01 at 50-51 (Table II-5).

<sup>155</sup> SCE Ex-01 at 53.

resulted in future-year scope being accelerated in advance of the established compliance due date (i.e., pole replacement being accelerated from a future year to align with a crossarm replacement due in the current year)."<sup>156</sup>

In support of a reduction, Cal Advocates states that a decrease of \$6.146 million related to distribution remediation contractor costs is warranted because SCE fails to establish that the work performed in 2022 was for “high risk issues pos[ing] an immediate threat to vulnerable areas for costs recovery” and that this work was not included in the forecasted costs in SCE’s 2021 GRC.<sup>157</sup> As such, according to Cal Advocates, SCE fails to prove that performing “future year” Priority 2 remediations was necessary for economic efficiency.<sup>158</sup>

In response, SCE explains that its practice of sometimes addressing Priority 2 remediations before the projected date of resolution is efficient and cost effective.<sup>159</sup> SCE concedes that it performs some Priority 2 remediations sooner than a “due date,” including, for example, completing work in the year presented here, 2022, that was “due” in 2023.<sup>160</sup> SCE explains that Priority 2 remediation involves mitigating ignition risk as well and, importantly, by doing this mitigation work in 2022, SCE avoided doing this work (and the associated costs for customers) in 2023.<sup>161</sup>

The Commission finds that SCE has established by a preponderance of evidence that SCE’s decision to perform some Priority 2 remediations sooner

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<sup>156</sup> SCE Ex-01 at 53.

<sup>157</sup> Cal Advocates Opening Brief at 31.

<sup>158</sup> Cal Advocates Opening Brief at 32.

<sup>159</sup> SCE Opening Brief at 50.

<sup>160</sup> SCE Opening Brief at 50.

<sup>161</sup> SCE Opening Brief at 50.

than the due date, resulted in remediating an ignition risk in an efficient and cost-effective manner.

Accordingly, the Commission denies Cal Advocates' recommended reduction of \$6.146 million in cost recovery related to Priority 2 remediation work.

#### **9.2.4. Priority 3 Remediation Work**

Cal Advocates recommends a reduction in the costs that SCE seeks to recover for Priority 3 remediation work. Specifically, Cal Advocates recommends a reduction of \$18.068 million (\$10.744 million of capital expenditures and \$7.324 million in O&M expense) for both distribution and transmission contractor costs.<sup>162</sup> Cal Advocates supports this reduction because, according to Cal Advocates, Priority 3 work is routine work.<sup>163</sup> Cal Advocates explains that "Priority 3 notification does not require a near-term remediation."<sup>164</sup> SCE has up to 5 years to remediate a Priority 3 notification because it does not pose an immediate, material threat, nor fire risks.<sup>165</sup> In terms of cost recovery, Cal Advocates concludes that, based on D.22-06-032 (2018–2020 Wildfire Mitigation-Related Costs), costs for routine work should be recovered as part of the general rate case process, rather than through a memorandum account reserved for tracking expenses for wildfire mitigation work activities.<sup>166</sup> In D.22-06-032, the

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<sup>162</sup> Cal Advocates Opening Brief at 27.

<sup>163</sup> Cal Advocates Opening Brief at 28.

<sup>164</sup> Cal Advocates Opening Brief at 28.

<sup>165</sup> Cal Advocates Opening Brief at 28.

<sup>166</sup> Cal Advocates Opening Brief at 28, *citing to* D.22-06-032, *Decision Addressing Southern California Edison Company's Track 3 Request for Recovery of Wildfire Mitigation Memorandum and Balancing Account Balances* (June 23, 2022) (referred to herein as "2018–2020 Wildfire Mitigation-Related Costs") at 40. In D.22-06-032, the Commission resolved Track 3 of SCE's GRC for years

*Footnote continued on next page.*

Commission addressed SCE's cost recovery request for 2020 wildfire-related expenses, including the reasonableness of bundling Priority 3 work.<sup>167</sup> Cal Advocates concludes that, contrary to D.22-06-032 (2018–2020 Wildfire Mitigation-Related Costs), SCE improperly bundled work to justify its request to recover Priority 3 costs, meaning that SCE bundled Priority 3 routine work with higher priority wildfire-related work, which is Priority 2 or Priority 1.<sup>168</sup>

In response, SCE concedes that “[f]or 2022, the majority of P3 [Priority 3] notifications were completed by bundling work with other HFRA activities and treated as opportunity maintenance.”<sup>169</sup> SCE also agrees that the Commission determined in D.22-06-032 (2018–2020 Wildfire Mitigation-Related Costs) that Priority 3 work is routine and, therefore, should be recovered through the GRC process but SCE relies on a statement by the Commission in D.22-06-032 that is broadly permission of bundling the Priority 3 work, in certain circumstances: “We do not take issue with SCE bundling this work with higher priority

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2021, 2022, and 2023 in A.19-08-013. The Commission described Track 3 as follows: “SCE’s Track 3 Request seeks two forms of relief. First, SCE requests the Commission find just and reasonable total incremental spending of approximately \$679 million in capital expenditures and approximately \$476 million in Operations & Maintenance (O&M) expense that reflect: (1) costs incurred from 2018–2020 in addition to the Commission-approved amounts from SCE’s Grid Safety and Resiliency Program (GSRP) application, A.18-09-002, recorded in the GSRPBA; and (2) other wildfire mitigation costs SCE incurred in 2020 and recorded in WMPMA, FRMMA, and FHPMA that are incremental to SCE’s 2018 GRC-authorized costs. Second, SCE requests authority to recover a portion of those costs in rates, equal to \$497 million expressed as a revenue requirement, amortized over twelve months.” D.22-06-032 at 5–6.

<sup>167</sup> D.22-06-032, *Decision Addressing Southern California Edison Company’s Track 3 Request for Recovery of Wildfire Mitigation Memorandum and Balancing Account Balances* (June 23, 2022).

<sup>168</sup> Cal Advocates Opening Brief at 28.

<sup>169</sup> SCE Ex-01 at 52 (fn. 43).

notifications where it is efficient and cost-effective to do so.”<sup>170</sup> In addition, SCE clarifies that, while Priority 3 remediations are lower risk, ignition risk still exists, which implies that safety considerations are addressed sooner.<sup>171</sup> With regard to the Priority 3 expenses, SCE clarifies that the Priority 3 work here was part of the forecasted costs in D.21-08-036 (SCE 2021–2023 GRC) but, contrary to Cal Advocates’ analysis, Priority 3 remediation work that is bundled with wildfire specific Priority 1 and/or Priority 2 work in High Fire Risk Areas, as presented here, should be considered within the context of the 2021 GRC, rather than the 2018 GRC, because the 2021 GRC SCE separately forecast remediation costs, including Priority 3 remediations, that were specifically for wildfire mitigation work presented.<sup>172</sup> For this reason, SCE claims the costs for the Priority 3 work presented here are “unmistakenly” not part of the “normal [non-wildfire] GRC process.”<sup>173</sup>

Relying on the outcome in D.22-06-032, the Commission finds that SCE has not established by the preponderance of evidence that this proceeding is the appropriate forum for SCE’s recovery of Priority 3 remediation costs and, as such, grants the reduction recommended by Cal Advocates to the costs presented here related to Priority 3 remediation work. As the Commission stated in D.22-06-032 (2018–2020 Wildfire Mitigation-Related Costs), bundling is appropriate

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<sup>170</sup> SCE Ex-03 at 61 (fn. 157), *citing to D.22-06-032, Decision Addressing Southern California Edison Company’s Track 3 Request for Recovery of Wildfire Mitigation Memorandum and Balancing Account Balances* (June 23, 2022) at 40.

<sup>171</sup> SCE Ex-03 at 62.

<sup>172</sup> SCE Ex-03 at 67-69, stating “SCE’s 2020 P3 remediation costs, ... were based on the 2018 GRC, where remediation costs were not separated out as wildfire and routine. In other words, for 2022, P3 remediation work that is bundled with wildfire specific P1/P2 work in the HFRA (as is the case here) should not be considered as “part of the [non-wildfire] GRC process.”

<sup>173</sup> SCE Ex-03 at 70.

when cost-effective but the Commission also stated that, because Priority 3 work is routine work, it is not appropriate for recovery via the WMPMA.<sup>174</sup> The Commission found:

“The purpose of the WMPMA is to track costs incurred to implement SCE’s approved WMP, *i.e.*, wildfire mitigation work activities. As defined by SCE, P3 notifications “do not pose material, safety, reliability, or fire risks” and there is no indication this work was conducted to implement SCE’s approved WMP. We do not take issue with SCE bundling this work with higher priority notifications where it is efficient and cost-effective to do so. However, the costs for this routine work should be recovered as part of the GRC process, rather than through a memorandum account reserved for tracking expenses for wildfire mitigation work activities.”<sup>175</sup>

Based on the evidence presented and the Commission’s findings in D.22-06-032, while it may be reasonable to bundle the higher priority work with Priority 3 remediations, the costs for Priority 3 work are routine and should be included in the normal recovery of costs through the GRC. In comments to the proposed decision, SCE states that a smaller reduction, *i.e.*, a 5% reduction, to the contested Priority 3 costs would be more appropriate and consistent with the reduction methodology relied upon by the Commission in D.22-06-032 but, as Cal Advocates states, the facts are different in this proceeding, including that the number of Priority 3 remediations was substantially different between the two

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<sup>174</sup> D.22-06-032 at 39.

<sup>175</sup> D.22-06-032, *Decision Addressing Southern California Edison Company’s Track 3 Request for Recovery of Wildfire Mitigation Memorandum and Balancing Account Balances* (June 23, 2022) at 39-40.

proceedings.<sup>176</sup> As a result, the 5% reduction adopted in D.22-06-032 is not necessarily applicable.

Accordingly, the Commission reduces SCE's requested amount consistent with Cal Advocates' recommended reduction of \$18.068 million (\$10.744 million of capital expenditures and \$7.324 million in O&M expense) related to SCE's bundling of Priority 3 remediation work.

#### **9.2.5. Shared Testing of Covered Conductor**

SCE requests recovery of \$1.154 million in O&M expense, reflecting the total costs for the joint utility testing of covered conductor.<sup>177</sup> SCE states that it has been benchmarking and testing covered conductor effectiveness since the inception of the program, and as part of a continual enhancement effort, SCE conducted the joint utility covered conductor testing using an independent third-party, in collaboration with Pacific Gas and Electric Company (PG&E) and San Diego Gas and Electric (SDG&E).<sup>178</sup> SCE's requested cost recovery of \$1.154 million for the joint utility testing of covered conductor is recorded within the

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<sup>176</sup> SCE Opening Comments (June 12, 2025) at 12-13; Cal Advocates Reply Comments (June 17, 2025) at 5, stating "[T]he Track 3 decision [D.22-06-032] adopted a 5% disallowance for Priority 3 remediation contractor costs based on volumes of P3 work performed in 2020 and is no longer representative. In 2022, SCE completed more than 51,700 Priority 3 remediations, over five times the number performed in 2020."

<sup>177</sup> SCE Ex-01 at 61. SCE describes the joint utility testing of covered conductor, in part, as follows: "SCE has been benchmarking and testing covered conductor effectiveness since the inception of the program. As part of a continual enhancement effort, which also aligns with Energy Safety's Areas for Continued Improvement regarding SCE's 2022 WMP, SCE conducted the joint IOU CC testing with Exponent, Incorporated (herein referred to as Exponent), an independent third-party, with collaboration with PG&E and SDG&E, to further understand the effectiveness of covered conductor to mitigate wildfire risk at the driver level and to reduce PSPS impacts." (Footnotes omitted.)

<sup>178</sup> SCE Ex-03 at 76.

Enhanced Operational Practices activity.<sup>179</sup> SCE states that it incurred this total amount and, therefore, recorded this total amount in the WMPMA but that the three large electric utilities agreed to share these costs.<sup>180</sup> SCE states that it has requested reimbursement from SDG&E and PG&E.<sup>181</sup> According to SCE, when it receives reimbursement, it will credit the appropriate memorandum account.<sup>182</sup>

Cal Advocates recommends decreasing SCE's recovery by \$0.770 million, which reflects 2/3 of the total amount, which SCE will receive from PG&E and SDG&E for their portion of costs related to the joint utility testing of covered conductor and which SCE has recorded for 2022 in the WMPMA.<sup>183</sup> Cal Advocates explains that its recommended adjustment serves to remove costs that SCE did not incur for its own customers.<sup>184</sup>

In response, SCE indicates that during the pendency of this proceeding, SCE received reimbursement from the joint utilities in the amount of \$0.692 million.<sup>185</sup> SCE indicates that it would be appropriate to remove this amount from its request.<sup>186</sup> SCE further explains that the remaining amount, \$0.462 million, is more than 1/3 of the total costs but accurately reflects costs incurred on behalf of SCE customers, and not the other utilities, since the amount includes

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<sup>179</sup> SCE Opening Brief at 66.

<sup>180</sup> SCE Ex-01 at 61.

<sup>181</sup> Cal Advocates Opening Brief at 33 and fn. 110, *citing to* SCE response to data request. Cal Advocates describes the SCE response, as follows: "When the reimbursement is received, it will offset the appropriate balancing account and SCE will return funds to ratepayers. SCE's response to Cal Advocates' data request PubAdv-SCE-024-RA6, Q.6b."

<sup>182</sup> Cal Advocates Opening Brief at 33 and fn. 110.

<sup>183</sup> Cal Advocates Opening Brief at 33-34.

<sup>184</sup> Cal Advocates Opening Brief at 33.

<sup>185</sup> SCE Reply Brief at 34-35 and fn. 142.

<sup>186</sup> SCE Reply Brief at 34-35 and fn. 142.

approximately \$0.116 million in costs for work “focused solely on SCE’s needs that benefit only SCE’s customers” and that a “separate scope” of work was developed for SCE related to these costs.<sup>187</sup>

The Commission finds persuasive the recommendation by Cal Advocates to reduce SCE’s request by \$0.692 million to reflect the amount that SCE was reimbursed from the joint utilities as their shared costs relating to the joint testing of covered conductors and, in addition, SCE agreed to this reduction during the proceeding. Moreover, the Commission finds reasonable SCE’s request to recover \$0.462 million, even if this amount is more than 1/3 of the total costs because SCE has established by the preponderance of evidence that the additional amount, \$0.116 million, is for the sole benefit of SCE’s customers and based on a separate scope of work.

Accordingly, SCE’s request to recover \$1.154 million of O&M expense for the joint utility testing of covered conductor within Enhanced Operational Practices is reduced by \$0.692 million to reflect the costs that are the responsibility of other joint utilities.

#### **9.2.6. Mobile Devices**

In 2022, SCE recorded \$7.125 million in capital expenditures for technology solutions to support the Hazard Tree Management Program. As a subset of this amount, SCE requests recovery of \$1.570 million of capital expenditures recorded in 2022 for the purchase and deployment of iPads to field workers. SCE states that these iPads were purchased for its inspection field workers as part of the Hazard Tree Program, Routine Line Clearing, and vegetation management emergent work and to “aid in the implementation of new technology solutions to

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<sup>187</sup> SCE Opening Brief at 67.

improve the efficiency and productivity” of its Enhanced Operational Practices inspection process. SCE recorded these costs in the WMPMA.

Cal Advocates recommends reducing SCE’s request by the entire \$1.570 million in capital expenditures for the purchase of the following: (1) 1,200 Apple 11-inch iPads, (2) 1,200 rugged iPad cases, (3) 1,200 AppleCare services, and (4) 1,200 iPad Anti-Glare Screens. According to Cal Advocates, the reduction is reasonable because, among other things, SCE failed to justify that these iPads were specifically used for Enhanced Operational Practices activities. Cal Advocates also states that SCE did not address why it was unable to reallocate and utilize mobile device funds authorized in its 2021 GRC for these purchases.

The Commission finds that SCE fails to establish by the preponderance of evidence that \$1.570 million in capital expenditures costs is reasonable because the Commission recently provided funding for iPads in D.21-08-036 (SCE 2021–2023 GRC). As stated by Cal Advocates, SCE offers no adequate explanation as to why that funding was not sufficient. SCE describes ongoing implementation of its effort to rely on new technologies for the Enhanced Operational Practices but identifies nothing new related to the identified iPads that required the purchase.

Accordingly, the Commission reduces SCE’s request for recovery by \$1.570 million in capital expenditures related to the iPad purchase and deployment.

#### **9.2.7. PSPS Event Customer Notification**

SCE requests \$13.176 million in O&M expenses and \$19.142 million in capital expenditures related to Public Safety Power Shutoff (PSPS) activities.<sup>188</sup> This amount includes costs related to PSPS Event Customer Notifications. SCE requests recovery of approximately \$5.665 million in O&M expenses and \$13.21

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<sup>188</sup> SCE Ex-01 at 87.

million in capital expenditures in 2022 above the GRC-authorized forecasted amounts for PSPS Event Customer Notifications.<sup>189</sup>

Cal Advocates recommends denying the entire O&M amount, \$5.665 million, for PSPS Events Customer Notification activities.<sup>190</sup> (Cal Advocates recommends a reduction of \$7.85 million for O&M Labor & Overhead, which is addressed separately below).<sup>191</sup> Regarding the recommended O&M reduction of \$5.665 million for PSPS Event Customer Notification, Cal Advocates states this amount is unreasonable because SCE incurred these costs in a manner that did not comply with the PSPS notifications processes, in violation of D.19-05-042 and other Commission directives.<sup>192</sup> According to Cal Advocates, “[d]uring the 2022 PSPS events, SCE failed to send out notifications to many affected customers.”<sup>193</sup> As such, Cal Advocates states this reduction is reasonable based on SCE’s failure to act in a manner consistent with relevant Commission directives on PSPS customer notice.<sup>194</sup>

In response, SCE agrees that “SCE is required to provide customer notifications for PSPS events but states it did so in 2022 and that the costs at issue here were necessarily incurred to provide those notifications.”<sup>195</sup> Regarding the basis for Cal Advocates’ reduction, SCE states that this proceeding is narrowly

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<sup>189</sup> SCE Opening Brief at 62, describes the components at issue: “PSPS Event Customer Notifications O&M costs are made up of Emergency Outage Notification System (EONS) costs of \$4.253 million and IMT Customer Notifications costs of \$1.412 million.”

<sup>190</sup> Cal Advocates Opening Brief at 35.

<sup>191</sup> Cal Advocates Opening Brief at 35 and fn. 120.

<sup>192</sup> Cal Advocates Opening Brief at 38.

<sup>193</sup> Cal Advocates Opening Brief at 35-36.

<sup>194</sup> Cal Advocates Opening Brief at 38.

<sup>195</sup> SCE Opening Brief at 64.

addressing the reasonableness of the costs incurred and not SCE's compliance or non-compliance with PSPS notification directives.<sup>196</sup> Rather, according to SCE, regardless of the evidence presented on compliance or non-compliance, Cal Advocates fails to present evidence that the costs were unreasonable based on the prudent manager standard.<sup>197</sup> SCE does not suggest that compliance matters are resolved but, instead, suggests that 2022 compliance matters are appropriately addressed in a different forum.<sup>198</sup>

SCE relies upon D.24-03-008, which resolved SCE's analogous request for 2021 wildfire mitigation-related and vegetation management costs, as affirmed on rehearing in D.24-06-026. According to SCE, D.24-03-008 supports its position that Cal Advocates is presenting this argument in the incorrect forum because the Commission in D.24-03-008 found that a cost recovery proceeding, such as this proceeding, is not an appropriate forum for evaluating compliance/non-compliance with PSPS rules and guidelines.<sup>199</sup> In D.24-03-008, the PSPS activities at-issue were the PSPS post-event reports, and the Commission found that the cost proceeding was "not the appropriate venue to litigate the quality of SCE's PSPS post-event reports."<sup>200</sup>

The Commission finds that the reasonableness of SCE's cost recovery will be made under the prudent manager standard, which requires that the Commission review the reasonableness of expenditures based on what the utility

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<sup>196</sup> SCE Opening Brief at 64.

<sup>197</sup> SCE Opening Brief at 62-65.

<sup>198</sup> SCE Opening Brief at 64-65.

<sup>199</sup> SCE Opening Brief at 64-65 and fn. 255, *citing to D.24-03-008, Error! Reference source not found.* (March 7, 2024) at 35.

<sup>200</sup> SCE Opening Brief at 65 *citing to D.24-03-008, Error! Reference source not found.* (March 7, 2024) at 35.

“... knew or should have known at the time, and in the interest of achieving safety, reliability and reasonable cost.”<sup>201</sup> From the evidence presented by Cal Advocates, the manner in which SCE spent the funds may not have been effective in providing PSPS notice consistent with existing Commission directives. Even taking into account that possibility, SCE’s 2022 spending can still be reasonable based on what SCE knew or should have known in 2022. We find that SCE’s request for the costs associated with PSPS Event Customer Notifications, \$5.665 million, is reasonable based on the preponderance of evidence, as presented by SCE, regarding what SCE knew or should have known in 2022 when making the decision to spend those funds. No decision is made on the reasonableness of SCE’s implementation of PSPS notification process or SCE’s compliance or non-compliance with PSPS notification rules, and nothing in this decision should be construed to affect any Commission action regarding the adequacy of SCE’s compliance with PSPS requirements. Accordingly, the Commission denies the recommendation by Cal Advocates to reduce SCE’s O&M cost recovery for PSPS Events Customer Notification activities by \$5.665 million.

### **9.2.8. Labor and Overhead Costs**

SCE requests recovery of \$41.575 million for 2022 Labor and Overhead costs recorded in the WMPMA and FRMMA as O&M expense and capital expenditures.<sup>202</sup> The \$41.575 million includes \$33.717 million for EOP activities

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<sup>201</sup> See, e.g., D.87-06-021, 24 Cal. PUC 2d at 486.

<sup>202</sup> Cal Advocates Opening Brief at 41 (fn. 145), providing: “This \$41.575 million includes \$33.717 million for EOP activities and \$7.858 million for PSPS activities from SCE’s response to Cal Advocates data request PubAdv-SCE-029-RA6, Q6, SCE’s response to Cal Advocates data request PubAdv-SCE-002-RA6-RYD, from SCE’s response to Cal Advocates data request PubAdv-SCE-013-RA6, Q1 and Q2.”

and \$7.858 million for PSPS activities.<sup>203</sup> Cal Advocates recommends a reduction of \$19.385 million in Labor and \$22.190 million in Overhead.<sup>204</sup>

### **9.2.9. Labor**

Regarding Labor, Cal Advocates opposes SCE's request to recover costs recorded in these memorandum accounts related to Labor Normal Time and Paid Time Off, totaling \$19.385 million.<sup>205</sup> Cal Advocates explains that SCE fails to provide sufficient evidence to demonstrate that these specific Labor Normal Time costs were not previously included in the forecast approved in D.21-08-036, SCE's 2021–2023 GRC, as follows:<sup>206</sup>

“SCE's 2021 GRC decision already authorized straight-time labor costs for existing full-time employees for 2022.... SCE has failed to provide the number of new employees hired, the number of employees hired after the 2021 GRC Decision for wildfire mitigation, or the hire dates for SCE's 2022 recorded straight-time labor costs.”<sup>207</sup>

Cal Advocates states it requested but did not receive any analysis by SCE that the costs it seeks here are not included in the labor costs for wildfire mitigation activities already included in existing rates.<sup>208</sup>

In response, SCE states that the labor costs are “directly related to wildfire mitigation and vegetation management activities.”<sup>209</sup> SCE clarifies that, in its opinion, it can rely on internal SCE resources or contract resources for its

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<sup>203</sup> Cal Advocates Opening Brief at 41 (fn. 145).

<sup>204</sup> Cal Advocates Opening Brief at 41.

<sup>205</sup> Cal Advocates Opening Brief at 43.

<sup>206</sup> Cal Advocates Opening Brief at 43.

<sup>207</sup> Cal Advocates Opening Brief at 43-44.

<sup>208</sup> Cal Advocates Opening Brief at 43-44.

<sup>209</sup> SCE Opening Brief at 13.

wildfire-related activities.<sup>210</sup> SCE states, “The Commission has approved an authorized amount to perform wildfire mitigation and vegetation management-related *activities*, regardless of whether SCE or contract resources are used.”<sup>211</sup>

In further support of the sufficiency of its evidentiary showing, SCE states:

“[I]ncreased work necessitates additional resources to carry out essential wildfire mitigation and vegetation management *activities*. The Commission does not approve a head count in the GRC; rather, it approves a revenue requirement necessary to effectively carry out the work activities. While the Commission has approved these *activities*, the utility has the flexibility to perform the required work, through whatever reasonable means it deems necessary and appropriate. These staffing assessments consider factors such as the duration of the task, immediate versus long-term need, cost considerations, and resource availability.”<sup>212</sup>

The Commission finds that SCE has failed to establish by the preponderance of evidence that the requested \$19.385 million related to Labor Normal Time and Paid Time Labor is reasonable. SCE is correct that the Commission does not direct the utility to use internal or contract labor, and the Commission agrees that the costs presented here are related to wildfire mitigation activities. On the other hand, the information provided by Cal Advocates demonstrates that SCE did not ~~perform any analysis to establish whether these specific Labor activities were reflected in the 2022 revenue requirement, present sufficient evidence as to the prudence of these incremental costs and~~ constitutes a failure by SCE to meet its burden of proof, ~~and renderings~~ the reasonableness of these costs questionable. ~~SCE could have, for example,~~

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<sup>210</sup> SCE Opening Brief at 13.

<sup>211</sup> SCE Opening Brief at 13 (emphasis in original).

<sup>212</sup> SCE Opening Brief at 14 (emphasis in original).

~~presented its method for determining what activities exceed the existing revenue requirement.~~ SCE necessarily relied on some sort of methodology to measure excess activities beyond forecasted in 2021 for expected planning, hiring, and work activities in 2022. Without a baseline or a method for projecting future need, which SCE appears to claim does not exist, the possibility that SCE established a reasonable level of additional Labor is unpersuasive.

Accordingly, SCE's request related to Labor Normal Time and Paid Time is reduced by \$19.385 million.

#### **9.2.10. Overhead**

Regarding Overhead, Cal Advocates recommends a reduction of \$22.190 million (\$10.658 million O&M expenses and \$11.532 million capital expenditures).<sup>213</sup> SCE recorded these costs in the WMPMA.<sup>214</sup> Cal Advocates argues that SCE fails to show that the requested costs for 2022 wildfire mitigation overhead-related costs, such as "labor, paid time off, material, contracts, fleet, and other charges" were not already reflected in activities account for in the authorized 2022 GRC revenue requirement.<sup>215</sup> Cal Advocates states that, in response to its specific inquiries, SCE fails to demonstrate that SCE performed analysis to determine whether the recorded costs for overhead reflect costs for wildfire related-activities already contained in the 2022 revenue requirement.<sup>216</sup>

In response, SCE presents similar arguments used to support Labor costs to support these Overhead costs. To summarize, SCE states that the Commission makes no distinction between cost categories when authorizing the utility to

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<sup>213</sup> Cal Advocates Opening Brief at 44 (fn. 157).

<sup>214</sup> Cal Advocates Opening Brief at 44 (fn. 157).

<sup>215</sup> Cal Advocates Opening Brief at 45.

<sup>216</sup> Cal Advocates Opening Brief at 45.

record incurred wildfire-related costs and then seek recovery.<sup>217</sup> SCE also relies on an argument about the definition of “incrementality” and the approved “portfolio approach.”<sup>218</sup>

The Commission finds that SCE fails to establish by the preponderance of evidence that its requested 2022 Overhead costs of \$22.190 million (\$10.658 million O&M expenses and \$11.532 million capital expenditures) are reasonable. While these costs, as SCE points out, are “incremental” in this instance, SCE must still establish reasonableness. SCE fails to provide persuasive evidence on reasonableness. To establish the reasonableness of these costs, SCE could, in this instance, provide documentation to verify and substantiate ~~that the costs were not embedded in existing rates~~the reasonableness and prudence of these claimed costs. This evidence would be important because straight-time labor and overhead costs are already funded through the existing rates authorized in D.21-08-036, SCE’s 2021–2023 GRC, and SCE is required to demonstrate reasonableness of any incremental costs it claims, including STL and DOH costs.

Accordingly, SCE’s request for 2022 Overhead is reduced by \$22.190 million (\$10.658 million O&M expenses and \$11.532 million capital expenditures).

### **9.2.11. Fire Risk Modeling and Related Activities**

Cal Advocates recommends a reduction of \$5.503 million related to Labor and Overhead for the following programs and activities: Fire Science and Advanced Modeling activities, Enhanced Situational Awareness, Environmental Remediation programs, grid hardening program, and Organizational Support

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<sup>217</sup> SCE Opening Brief at 18-21.

<sup>218</sup> SCE Opening Brief at 18-21.

costs.<sup>219</sup> According to Cal Advocates, SCE requests recovery of \$31.222 million related to Labor and Overhead for these 2022 wildfire mitigation activities (\$11.963 million for O&M expenses and \$19.260 million of capital expenditures).<sup>220</sup> SCE recorded these costs in the WMPMA and the FRMMA.<sup>221</sup>

Regarding Labor costs, Cal Advocates recommends a reduction of \$5.503 million (\$1.623 million for O&M expenses and \$3.880 million for capital expenditures) and states that this reduction is reasonable because SCE failed to show that these activities, for the straight-time labor and paid time off components of Labor, were not already funded in SCE's 2022 GRC-authorized revenue requirement.<sup>222</sup> Cal Advocates explains that it asked SCE to provide evidence or an analysis to confirm that the straight-time labor and paid time off components of the requested Labor for these programs or activities were not authorized in the 2021 GRC proceeding and included in the revenue requirement, but that SCE provided no analysis in response.<sup>223</sup>

Regarding Overhead costs, Cal Advocates recommends a reduction of \$581,000 (\$154,000 for O&M expenses and \$427,000 of capital expenditures) for straight time labor, paid time off, and fleet (i.e., vehicles or buildings).<sup>224</sup> Cal Advocates states that SCE fails to establish that these overhead costs for 2022 were not already funded in SCE's 2022 authorized GRC revenue requirement.<sup>225</sup>

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<sup>219</sup> Cal Advocates Opening Brief at 47.

<sup>220</sup> Cal Advocates Opening Brief at 48.

<sup>221</sup> Cal Advocates Opening Brief at 48.

<sup>222</sup> Cal Advocates Opening Brief at 50.

<sup>223</sup> Cal Advocates Opening Brief at 51.

<sup>224</sup> Cal Advocates Opening Brief at 46 and 52.

<sup>225</sup> Cal Advocates Opening Brief at 52.

Cal Advocates cites to multiple requests for information, i.e., data requests, and states, as follows:

“SCE’s overhead cost elements include costs for existing assets such as fleet vehicles, straight-time labor overhead costs, and PTO related to the straight-time labor overhead. SCE did not provide any evidence that it performed any incremental analysis to identify and remove overhead costs that the Commission already authorized in its 2021 GRC Decision.”<sup>226</sup>

In response, SCE states that the Commission has previously confirmed that Overhead costs necessarily fluctuate with changes in work loads, which are expected as the utility addresses wildfire mitigation.<sup>227</sup> SCE references past cases, such as D.22-06-032 (2018–2020 Wildfire Mitigation-Related Costs) to support its conclusion that SCE has provided sufficient evidence here to establish recovery of the costs.<sup>228</sup>

The Commission finds SCE fails to establish by the preponderance of evidence the reasonableness of \$5.503 million related to Labor and Overhead for the following programs and activities: Fire Science and Advanced Modeling activities, Enhanced Situational Awareness, Environmental Remediation programs, grid hardening program, and Organizational Support costs. The Commission also agrees with SCE that D.22-06-032 (2018–2020 Wildfire Mitigation-Related Costs) addressed similar costs and may have even authorized recovery of similar costs but the excerpts cited by SCE in support of recovery of the \$5.503 million address the question of incrementality, while the issue here is

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<sup>226</sup> Cal Advocates Opening Brief at 53 and fn. 196, *citing to* SCE’s response to Cal Advocates data request PubAdv-SCE-028-CE3, Q5. (Quotation removed strikeout in the original.)

<sup>227</sup> SCE Opening Brief at 18-20, *citing to* D.24-03-008, *Error! Reference source not found.* (March 7, 2024) at 84-85.

<sup>228</sup> SCE Reply Brief at 5 (fn. 14).

reasonableness. In the absence of an analysis showing that SCE has, for example, a baseline of Labor and Overhead costs for these programs as authorized in SCE's 2021–2023 GRC or elsewhere, SCE's claim of reasonableness on the basis that the specific costs presented here exceed the GRC-authorized amount is not persuasive.

Accordingly, SCE's request for Labor and Overhead related to Fire Science and Advanced Modeling activities, Enhanced Situational Awareness, Environmental Remediation programs, grid hardening program, and Organizational Support is reduced by \$5.503 million (\$1.623 million for O&M expenses and \$3.880 million for capital expenditures).

#### **10. Cost Recovery Ratemaking**

On June 14, 2023, the Commission issued Resolution ALJ-440, instituting a \$6 million permanent disallowance of PSPS program-related costs in the settlement agreement to resolve all issues related to the Commission's Safety and Enforcement Division's investigation of SCE's 2020 PSPS events.<sup>229</sup> SCE agreed to permanently waive its right to seek cost recovery for \$6 million of PSPS program-related O&M expenses focused on customer outreach, critical care backup batteries, and notification requirements that are eligible for tracking in the WMPMA and/or the FRMMA. Of the \$6 million, \$2.5 million of the disallowance is to apply to 2022 incremental costs and the remaining \$3.5 million is to apply to 2023 incremental costs. As a result, SCE has reduced its cost recovery request in this Application by \$2.5 million, as shown on Line 10 of Table V-34 of the Application, in compliance with the Resolution. The implementation of the reduction is authorized and further addressed below.

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<sup>229</sup> SCE Ex-01 at 157.

### **10.1. 2022 Capital and Operations & Maintenance**

In this proceeding, SCE requests that the Commission find reasonable \$135.736 million of capital expenditures incurred in 2022 as recorded to the WMPMA. Approximately \$22.742 million of capital expenditures were classified as CWIP as of August 31, 2023. SBUA recommends that this amount not be included in revenue requirement until the CWIP is transferred to capital additions. SBUA refers to the Commission's findings in D.24-03-008 to support this recommendation. Similarly, the CPUC UAB Audit Report recommended a reduction in SCE's requested 2022 capital expenditures by \$22,741,829, stating as follows:

"SCE requested to recover capital expenditures of \$22,741,829 classified as CWIP and the associated capital related RR [revenue requirement]. However, the associated capital related RR is unsubstantiated because this amount will be determined once CWIP is transferred to Plant-in-Service as Capital Additions... As a result, we [UAB] determined that SCE's request to recover capital expenditures attributable to WMPMA for the period of January 1, 2022, through December 31, 2022, should be \$112,994,607...."

In response, SCE states that it does not record the revenue requirement associated with CWIP in the WMPMA until the assets are ready for service, at which time the classification of the assets changes from CWIP to capital additions. SCE seeks authority to recover certain amounts that have transferred from CWIP to plant-in-service as capital additions. SCE states that, during the pendency of this proceeding, about half of the capital expenditures that were classified as CWIP at the time SCE filed this Application have now transferred to plant-in-service as capital additions. SCE further states that it has demonstrated

that \$13.11 million (out of \$22.742 million) of CWIP capital expenditures have closed to plant-in-service.

As such, SCE requests that this amount be authorized for recovery in this proceeding as the assets are now providing service to customers and the revenue requirement is sufficiently supported in SCE's WMPMA. With respect to the remaining amount, approximately \$9.6 million, SCE requests the Commission to authorize SCE to further update the amount of CWIP that transferred to plant-in-service via the advice letter when implementing the final decision in this proceeding, which would allow any additional amounts that record as a revenue requirement between now and a final decision to be recovered in customers' rates.

The Commission finds that SCE has demonstrated by the preponderance of evidence that \$13.11 million of the \$22.742 million presented as 2022 CWIP has transferred to plant-in-service and, as a result, it is consistent with the recommendations of the CPUC UAB Audit Report and SBUA, to find that SCE can recover the revenue requirement associated with the \$13.11 million in capital expenditures. Regarding the remaining amount of approximately \$9.6 million, SCE is directed to seek authority to incorporate the amount into revenue requirement in a future proceeding. Accordingly, SCE is authorized to recover the revenue requirement associated with the \$13.11 million of the \$22.742 million presented as 2022 CWIP, which has transferred to plant-in-service as capital addition.

For these reasons, the Commission finds reasonable \$46.214 million in O&M expense and \$111.430 million in capital expenditures recorded in the WMPMA and FRMMA. This amount reflects the reductions explained above of

\$41.479 million in O&M expense and \$24.306 million in capital expenditures, as recorded in the WMPMA and FRMMA.

### **10.2. 2021 Capital Expenditures – Construction Work In-Progress**

In D.24-03-008 (2021 wildfire mitigation-related and vegetation management costs), the Commission found that SCE had not described or provided evidence that the assets associated with \$21.09 million in 2021 CWIP capital-related expenditures that SCE requested reasonableness review and authorization for recovery of had entered into service. The Commission directed SCE to request reasonableness review and recovery of the 2021 CWIP in a later proceeding.<sup>230</sup> In this proceeding, SCE further substantiates the revenue requirement associated with 2021 CWIP capital expenditures that have since become capital additions.<sup>231</sup> SCE states that, as of September 30, 2024, \$20.90 million of the \$21.09 million had transferred to plant-in-service.<sup>232</sup> SCE requests that this amount be authorized for recovery in this proceeding as the assets are now in service and SCE states it has recorded the corresponding revenue requirement in the WMPMA.<sup>233</sup> SCE also requests that it be authorized to update the revenue requirement through advice letter for the remaining amount of this \$21.09 million, approximately \$0.19 million, when the assets transfer to plant-in-service.<sup>234</sup>

SCE's request is not opposed.

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<sup>230</sup> D.24-03-008, *Error! Reference source not found.* (March 7, 2024) at 25-26 and Finding of Fact 11 and Conclusion of Law 10.

<sup>231</sup> SCE Opening Brief at 94.

<sup>232</sup> SCE Opening Brief at 94-95, *citing to* SCE Ex-03 at 105-107.

<sup>233</sup> SCE Ex-03 at 107.

<sup>234</sup> SCE Ex-03 (Rebuttal) at 107.

The Commission finds that, consistent with the directives in D.24-03-008, SCE has demonstrated by the preponderance of evidence that \$20.90 million of the \$21.09 million presented as 2021 CWIP has transferred to plant-in-service as capital additions and can be recovered in revenue requirement.

Accordingly, SCE is authorized to increase the revenue requirement as set forth in the WMPMA to reflect these capital additions. SCE is further authorized to seek authority via a Tier 2 advice letter to increase revenue requirement pertaining to the remaining 2021 CWIP of approximately \$1.09 million.

### **10.3. WMPMA, FRMMA, and VMBA**

SCE states that, effective upon a final Commission decision in this Application, SCE will transfer the remaining authorized revenue requirement after accounting for the collected amount under the interim rate authority, including any additional capital-related revenue requirement and interest that accrued to the WMPMA, FRMMA, and VMBA during the pendency of this proceeding, to the distribution subaccount of the Base Revenue Requirement Balancing Account (BRRBA) for recovery from customers over a 12-month period. In addition to the initial transfer, SCE states it will continue to transfer any ongoing revenue requirement associated with the capital expenditures eligible for recovery via the WMPMA to the distribution subaccount of BRRBA for recovery in rates, on an annual basis, until the ongoing revenue requirement is included in GRC-authorized base rates.

SCE's ratemaking request also includes implementation of a PSPS disallowance. SCE explains this disallowance as follows and provides the below explanatory chart:<sup>235</sup>

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<sup>235</sup> SCE Ex-01 at 160-161.

“On June 14, 2023, the Commission issued Resolution ALJ-440, instituting a \$6 million permanent disallowance of PSPS program-related costs in the settlement agreement to resolve all issues related to the Commission’s Safety and Enforcement Division’s investigation of SCE’s 2020 PSPS events. SCE agreed to permanently waive its right to seek cost recovery for \$6 million of PSPS program-related O&M expenses focused on customer outreach, critical care backup batteries, and notification requirements that are eligible for tracking in the WMPMA and/or the FRMMA. Of the \$6 million, \$2.5 million of the disallowance is to apply to 2022 incremental costs and the remaining \$3.5 million is to apply to 2023 incremental costs. As a result, SCE has reduced its cost recovery request in this Application by \$2.5 million, ...”<sup>236</sup>

**Wildfire Mitigation Plan Memorandum Account (WMPMA) for 2022**  
*(\$ in millions)*

<b>Line No.</b>	<b>Item Description</b>	<b>Annual Summary<sup>1</sup></b>
1	<b>O&amp;M Expense</b>	\$ 88.842
2	Capital Related Revenue Requirement	
3	Depreciation	\$ 5.241
4	Income Taxes	\$ (3.599)
5	Property Taxes	\$ 0.210
6	Return	\$ 6.691
7	<b>Total Capital Related Revenue Requirement</b>	\$ 8.544
8	PSPS Disallowance	\$ (2.500)
9	Interest	\$ 3.803
10	<b>Total Revenue Requirement</b>	\$ 98.689

<sup>1</sup> Excludes FF&U

<sup>236</sup> SCE Ex-01 at 160-161.

No party opposes SCE's request regarding ratemaking of the amount authorized herein. SCE's request is consistent with prior requests, which have been authorized by the Commission, in similar proceedings pertaining to wildfire-related costs. Similarly, no party opposes SCE's recommendation to implement the PSPS disallowance. The Commission finds SCE's request pertaining to the PSPS disallowance is an efficient means of implementing the disallowance and passing through the benefits to ratepayers.

As such, the Commission finds this approach consistent with past authorizations, efficient, and reasonable. Accordingly, SCE's ratemaking requests pertaining to the BRRBA and the PSPS disallowance are approved.

#### **11. Affordability Metrics**

On August 4, 2022, the Commission adopted D.22-08-023, which directs when and how the affordability metrics adopted in D.20-07-032 will be applied in Commission energy, water, and communications proceedings and further developed the tools and methodologies used to calculate the affordability metrics. D.22-08-023 requires that SCE include the affordability metrics in any initial filing of a proceeding with a revenue increase estimated to exceed one percent of currently authorized revenues systemwide for a single fuel. Because the revenue requirement requested in this Application exceeds one percent of SCE's currently authorized revenues (i.e., exceeds \$174.291 million), SCE is required to introduce the Affordability Ratio 20 (AR 20) by climate zone, Affordability Ratio 50 (AR 50) by climate zone, and Hours-at-Minimum-Wage (HM) associated with revenues in effect at the time of the filing. SCE is also required to include essential usage bills by climate zone, underlying the affordability metrics associated with revenues in effect at the time of the filing; average usage bills by climate zone associated with revenues in effect at the time

of the filing; and, for climate zones with Areas of Affordability Concern (AAC) as defined in the most recent annual Affordability Report, AR 20 by climate zones subdivided by Public Use Microdata Area. In addition, SCE must introduce the aforementioned metrics along with changes in the AR 20 by climate zone, AR 50 by climate zone, and HM associated with the proposed new revenue requested annually for each year in which the new revenues are proposed.

SCE provides evidence to meet the requirements in D.22-08-023. No party opposed the sufficiency of the showing.

As such, the Commission finds that SCE has complied with the requirement of D.22-08-023.

## **12. Summary of Public Comment**

Rule 1.18 of the Commission's Rules of Practice and Procedure allows members of the public to submit written comments in a Commission proceeding in a number of different ways, including via the *Public Comment* tab, which is found at the online *Docket Card* on the Commission's website. Rule 1.18(b) requires that comments by the public submitted in a proceeding be summarized in the decision issued in that proceeding. The public comments submitted in this proceeding were received from customers across SCE's service territory. These comments generally state that the Commission should deny this request based on concerns regarding rate increases, including recent rate increases due to wildfire mitigation, and company profits. More information regarding the public comments is available on the Commission's website.

## **13. Procedural Matters**

This decision affirms the rulings made by the Administrative Law Judge and the assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

#### **14. Comments on Proposed Decision**

The proposed decision of Administrative Law Judge Regina DeAngelis in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on June 12, 2025 by SCE, Cal Advocates, and SBUA , and reply comments were filed on June 17, 2025 by SCE, Cal Advocates, and SBUA. In response to comments, the proposed decision has been revised consistent with the law. The proposed decision is revised to correct an error to an amount referenced regarding vegetation management expenses for Routine Line Clearing (inspection and mitigation). In addition, the proposed decision is revised to clarify the discussion regarding the adopted reduction to SCE's request related to Priority 3 remediations.

#### **15. Assignment of Proceeding**

Karen Douglas is the assigned Commissioner and Regina DeAngelis is the assigned Administrative Law Judge in this proceeding.

#### **Findings of Fact**

1. The costs presented are incremental in this instance because these costs would not have been incurred "but for" wildfire mitigation efforts.
2. SCE tracks costs by creating wildfire-specific work orders in its accounting system to ensure that the costs of these activities are separately tracked from SCE's other activities.
3. The portfolio method serves to ensure SCE's compliance with Section 8386.3.
4. The UAB Audit Report found that SCE's costs are neither "duplicative" nor "inappropriate," and reliance on the findings of the UAB Audit Report is reasonable.

5. The cost information provided by SCE and Request for Proposals related to 2022 support SCE's vegetation management costs for Routine Line Clearing (inspection and mitigation) and refutes the recommended reductions presented by Cal Advocates and SBUA.

**Vegetation Management - VMBA**

6. SCE underspent approximately \$13 million in the Dead, Dying, and Diseased Tree Removal program, the 2022 GRC-authorized amount is \$42.135 million and the 2022 recorded amount is \$29.003 million, and this difference is reflected in the overall incremental amount requested here.

7. In 2022, SCE experienced a significant rise in the volume of work points that required field support related to the 2022 Routine Line Clearing environmental review.

8. The costs incurred for 2021 environmental support related to Structure Brushing are not predictive of 2022 as costs have increased in 2022 due to additional work requirements.

9. SCE spent approximately \$8 million less on the 2022 HTMP than authorized in SCE's 2021-2023 GRC.

10. SCE's HTMP 2022 forecast was inaccurate because the HTMP was a new activity and, as such, the forecast for the 2021-2023 GRC was developed before SCE had inventoried its hazard trees, which led to inaccurate estimates of the number of trees and remediations.

11. SCE's HTMP 2022 forecast was also inaccurate because risks and targeted areas changed throughout each year, as did the number of tree removals, trims, and projected workload.

12. The expenses for Weed Abatement in prior years are not reflective of the cost incurred in 2022 because costs fluctuate yearly due to a number of factors,

including lease status of the relevant land areas, weather variables, vegetation growth rates, agency requirements, customer notifications, and environmental constraints.

13. While costs in 2022 for Weed Abatement were not directly impacted by SB 247, costs were indirectly impacted resulting in increased labor costs because the labor market for vegetation management workers closely overlaps with the labor market for weed abatement activities.

14. Based on the evidence presented, SCE fails to carry its burden of proof regarding the requested 2022 Straight Time Labor costs of \$9.835 million for vegetation management because it does not appear SCE performed an analysis to establish whether the request is reflected in the 2022 revenue requirement.

15. Regarding 2022 Overhead for vegetation management, SCE points out that the costs are “incremental” but does not establish reasonableness and, as a result, a \$24.076 million reduction, as recommended by Cal Advocates, is reasonable.

### **Wildfire Mitigation – WMPMA and FRMMA**

16. In this instance, SCE’s aerial fire suppression resources, known as the QRF, were a critical part of SCE’s wildfire mitigation efforts.

17. During this proceeding, Target Undergrounding capital expenditures of \$1.29 million out of the \$1.6 million for material and design/planning costs for plan years 2023 to 2024 moved to plant-in-service as a capital addition (\$0.31 million that has not yet been transferred to plant-in-service as a capital addition).

18. SCE’s decision to perform some Priority 2 remediations sooner than the due date remediated ignition risk in an efficient and cost-effective manner.

19. Regarding 2022, SCE completed Priority 3 notifications sooner than scheduled by bundling work with other HFRA activities, and, as a result, treated them as opportunity maintenance.

20. While Priority 3 remediations are lower risk, ignition risk still exists, which implies that safety considerations should be addressed sooner.

21. Other utilities paid \$0.692 million of the \$1.154 million of expense for the joint utility testing of covered conductors that SCE requests here.

22. The Commission recently provided funding for iPads in D.21-08-036 (SCE 2021–2023 GRC) and SCE offers no adequate explanation as to why that funding was not sufficient.

23. SCE describes ongoing implementation of its efforts to rely on new technologies for the Enhanced Operational Practices but identifies nothing new related to the identified iPads that required the purchase.

24. The request to recover costs of \$5.665 million associated with PSPS Event Customer Notifications is reasonable based on what SCE knew or should have known in 2022 when making the decision to spend those funds.

25. No determination is made here on whether SCE's 2022 notices were effective in providing PSPS notice consistent with existing Commission PSPS rules and guidelines.

26. SCE did not ~~perform any analysis to establish whether the recorded present sufficient evidence of the reasonableness and prudence of the claimed~~ Labor costs ~~were reflected increases compared to those authorized~~ in the 2022 revenue requirement pursuant to D.21-08-036, SCE's 2021–2023 GRC.

27. The evidence fails to establish that the requested \$19.385 million related to Labor Normal Time and Paid Time Labor is reasonable.

28. Regarding Overhead of \$22.190 million (\$10.658 million in O&M expenses and \$11.532 million in capital expenditures) recorded in the WMPMA, SCE fails to show that the requested costs for 2022 wildfire mitigation overhead-related costs, such as labor, paid time off, material, contracts, fleet, and other charges

~~were not already reflected in the~~ reasonable, in addition to those costs already authorized in the 2022 GRC revenue requirement.

29. SCE did not ~~perform~~ present an analysis to determine whether the recorded costs for Overhead ~~reflect~~ are reasonable in addition to those costs for wildfire-related activities already contained in the 2022 revenue requirement, as authorized in D.21-08-036, SCE's 2021–2023 GRC.

30. Regarding Fire Science and Advanced Modeling activities, Enhanced Situational Awareness, Environmental Remediation programs, grid hardening program, and Organizational Support, SCE did not provide evidence or an analysis to confirm that the straight-time labor and paid time off components of the requested Labor ~~was not authorized in the revenue requirement~~ were reasonable, in addition to those costs already authorized in D.21-08-036, SCE's 2021–2023 GRC.

### **Cost Recovery Ratemaking**

31. As part of SCE's agreement to permanently waive the right to seek cost recovery for \$6 million of PSPS program-related O&M expenses, as reflected in the Commission Resolution ALJ-440 (June 14, 2023), SCE reduced its cost recovery request in this Application by \$2.5 million, as shown on Line 10 of Table V-34 of the Application in compliance with the Resolution. These costs were eligible for tracking in the WMPMA and/or FRMMA.

32. SCE does not record the revenue requirement associated with CWIP in the WMPMA until the assets are ready for service, at which time the classification of the assets changes from CWIP to capital additions.

33. During the proceeding, about half of the capital expenditures (\$13.11 million out of \$22.72 million) that were classified as 2022 CWIP at the time SCE filed this Application transferred to plant-in-service as capital additions.

34. Regarding the status of certain 2021 CWIP addressed in D.24-03-008 (2021 wildfire mitigation-related and vegetation management costs), as of September 30, 2024, \$20.90 million of the \$21.09 million in 2021 CWIP transferred to plant-in-service.

35. SCE's request to implement a \$2.5 million PSPS disallowance, which is part of the \$6 million disallowance under Resolution ALJ-440 (June 14, 2023), is an efficient means of implementing the total disallowance and passing through the benefits to ratepayers. Implementation of \$3.5 million remains to be addressed in the future.

### **Affordability Metrics**

36. The requirements set forth in D.22-08-023 are met and no party opposed the sufficiency of SCE's showing.

### **Conclusions of Law**

37. The finding that costs are "incremental" in this proceeding does not limit the ability of the Commission to further review and even disallow these costs based on reasonableness.

38. The use of the portfolio approach to establish incrementality does not inhibit the Commission's review of reasonableness of any specific costs presented by SCE.

39. If an amount is found to be "incremental," this does not mean does that the specific cost is also reasonable.

40. The reasonableness of the costs is a separate and independent analysis.

41. The Commission is not precluded from reliance on other methods of determining incrementality.

42. The 2022 amounts presented by SCE under the portfolio approach are incremental in this instance.

### **Vegetation Management - VMBA**

43. SCE's cost recovery for Routine Line Clearing (inspection and mitigation), which consists primarily of compliance-based ground inspections, trimming and removal mitigation activities across SCE's transmission and distribution networks, is reasonable.

44. The request by Cal Advocates for a \$18.140 million reduction to the 2022 costs for routine line clearing activities, as recorded in the VMBA and FRMMA, should be denied.

45. The request by SBUA for a reduction to SCE's costs for activities related to routine line clearing should be denied.

46. The cost reduction proposed by SBUA related to the Dead, Dying, and Diseased Tree Removal program should be denied in this instance because the underspend of approximately \$13 million is reflected in a reduction to the total amount that SCE requests in this proceeding.

47. The cost reduction of \$10.771 million proposed by SBUA related to 2022 environmental review support O&M expenses is not warranted in this instance because of the significant rise in the volume of work points that require field support.

48. SBUA's recommended reduction of \$10.771 million, related to 2022 environmental review support O&M expenses related to Routine Line Clearing, should be denied.

49. Because 2021 environmental support costs for Structure Brushing are not predictive of 2022 and costs increased in 2022 due to additional work requirements, SBUA's recommended reduction of \$1.473 million related to environmental support for Structure Brushing should be denied.

50. The HTMP work performed by SCE in 2022 and the GRC-authorized amount for the cost category of Wildfire Vegetation Management are reasonable even if SCE recorded less in 2022 for HTMP than authorized for the broader cost category of Wildfire Vegetation Management.

51. SBUA's recommended reduction of approximately \$8 million in O&M expenses to SCE's HTWP work should be denied.

52. The \$4.26 million reduction recommended by SBUA for the 2022 Weed Abatement program is not warranted in this instance because weed abatement activities vary year-to-year and, as a result, the 2021 costs are not necessarily predictive of the 2022 costs and, in addition, costs likely increased in 2022 due to the indirect impact of SB 247 on the broader labor market related to vegetation management, which impacts weed abatement labor costs.

53. SBUA's recommendation to reduce by \$4.26 million SCE's request for O&M expenses related to the Weed Abatement program in 2022 should be denied.

54. Because SCE fails to establish that the Straight Time Labor for vegetation management of \$9.835 million (\$9.430 million recorded in the VMBA and \$404,000 in the FRMMA in 2022) is justified reasonable, SCE's request should be reduced by this amount. Because SCE fails to establish that \$24.076 million of the requested Overhead for vegetation management is justified reasonable, SCE's request of \$37.847 million should be reduced by this amount.

55. Based on the preponderance of evidence, SCE's request to recover in rates approximately \$268 million for O&M expenses incurred in 2022 related to vegetation management, which SCE recorded in both the VMBA and the FRMMA, should be reduced to reflect removal of certain Labor (\$9.835 million) and Overhead (\$24.076 million).

56. The O&M expense for 2022 vegetation management as recorded in the VMBA and FRMMA of approximately \$235 million should be found reasonable. No capital expenditures were requested.

**Wildfire Mitigation – WMPMA and FRMMA**

57. In this instance, SCE's 2022 aerial fire suppression resources, known as the QRF, are a critical part of SCE's wildfire mitigation efforts and, as such, SCE's request to recover \$18.2 million in O&M expenses to fund the 2022 operations of the QRF is reasonable.

58. The recoverability of costs for suppression of or other attempt to extinguish or prevent spread of an existing wildfire requires a case by case analysis and nothing in this decision should be construed to set policy in the future on this matter.

59. Recovery of \$29.27 million for Targeted Undergrounding activities is reasonable because SCE demonstrated, via its rebuttal testimony, that \$1.29 million of the disputed \$1.6 million related to capital expenditures for material and design/planning costs for 2023 to 2024 moved to plant-in-service as a capital addition during the proceeding, which reflects a reduction of \$0.31 million that has not transferred to plant-in-service as a capital addition.

60. Cal Advocates' recommended reduction of \$6.146 million in cost recovery related to Priority 2 remediation work should be denied.

61. Relying on the outcome in D.22-06-032, this proceeding is not the appropriate forum for SCE's recovery of Priority 3 costs.

62. While it may be reasonable to bundle the higher priority work with Priority 3 remediations, the costs for Priority 3 remediation work remain routine and should be included in the normal recovery of costs through the general rate case process, consistent with D.22-06-032.

63. Cal Advocates' recommended reduction of \$18.068 million (\$10.744 million of capital expenditures and \$7.324 million in O&M expense) related to SCE's bundling of Priority 3 contractor work is reasonable.

64. Recovery of \$0.462 million for the joint utility testing of covered conductor within Enhanced Operational Practices, which reflects a reduction of \$0.692 million to reflect the costs paid by the other joint utilities, is reasonable.

65. It is reasonable to reduce SCE's request for recovery of \$7.125 million in capital expenditures for technology solutions to support the Hazard Tree Management Program by \$1.570 million in capital expenditures to remove iPad purchase and deployment because no convincing need for the expenditure was established.

66. The recommendation by Cal Advocates to reduce SCE's O&M cost recovery for PSPS Events Customer Notification activities by \$5.665 million should be denied.

67. The request for expenses related to Labor Normal Time and Paid Time should be reduced by \$19.385 million for failure to establish reasonableness.

68. SCE fails to establish that the Overhead costs of \$22.190 million (\$10.658 million in O&M expenses and \$11.532 million in capital expenditures) are reasonable.

69. Regarding the Labor cost for Fire Science and Advanced Modeling activities, Enhanced Situational Awareness, Environmental Remediation programs, grid hardening program, and Organizational Support recorded in the WMPMA and the FRMMA, a reduction of \$5.503 million (\$1.623 million in O&M expenses and \$3.880 million in capital expenditures) is reasonable because SCE fails to show that the activities for the straight-time labor and paid time off

components of Labor were not already funded in SCE's 2022 GRC-authorized revenue requirement.

70. Regarding wildfire mitigation-related activities presented here for activities in 2022 recorded in the WMPMA and FRMMA, \$46.214 million in O&M expense and \$111.430 million in capital are reasonable.

### **Cost Recovery Ratemaking**

71. SCE should be authorized to implement the disallowance reflected in the Commission Resolution ALJ-440 (June 14, 2023) pertaining to PSPS program-related O&M expenses in the manner shown on Line 10 of Table V-34 of the Application.

72. The evidence establishes that \$13.11 million of the \$22.72 million that SCE presented in the Application as 2022 CWIP transferred to plant-in-service and, as a result, it is reasonable to find that SCE should recover the revenue requirement associated with the \$13.11 million in capital expenditures.

73. Consistent with D.24-03-008, the evidence establishes that \$20.90 million of the \$21.09 million presented as 2021 CWIP transferred to plant-in-service as capital additions and can be recovered in revenue requirement.

74. The ratemaking request pertaining to the BRRBA and the \$2.25 million of the \$6 million PSPS disallowance in Resolution ALJ-440 is reasonable and should be approved. Implementation of the remaining \$3.5 million should be addressed in the future.

### **Affordability Metrics**

75. SCE has complied with the requirement of D.22-08-023 (Affordability Metrics).

### **Procedural Matters**

76. The rulings made by the assigned ALJ and the assigned Commissioner in this proceeding are affirmed. All motions not ruled on are deemed denied.

**O R D E R**

**IT IS ORDERED** that:

1. Southern California Edison Company is authorized to recover the 2022 costs recorded in the Wildfire Mitigation Plan Memorandum Account (WMPMA), Fire Risk Mitigation Memorandum Account (FRMMA), and Vegetation Management Balancing Account (VMBA) to the extent set forth herein, and, accordingly, to increase distribution rates through revenue requirement over a 12 month amortization period, together with interest accrued during the pendency of the proceeding, by \$290.502 million in operation and maintenance expenses and \$99.392 million in capital expenditures. The approved cost recovery is summarized at the Appendix.

2. Southern California Edison Company is authorized to collect \$20.90 million in 2021 construction work in progress (CWIP) and \$13.11 million in 2022 CWIP that have transferred to capital additions, as described herein.

3. Southern California Edison Company is authorized to seek authority via a Tier 2 advice letter for authority to increase revenue requirement pertaining to the remaining 2021 construction work in progress of approximately \$1.09 million.

4. Southern California Edison Company (SCE) is directed to update the amount of the revenue requirement via a Tier 2 Advice Letter to reflect the amounts authorized in Ordering Paragraph 1 and 2 and the amounts already collected in rates by SCE under the interim rate relief granted in Decision 24-07-012.

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

6. Southern California Edison Company is authorized to record and transfer the ongoing revenue requirement, as of each December 31, for the 2022 capital expenditure amount approved in this decision from the Wildfire Mitigation Plan Memorandum Account to the distribution subaccount of the Base Revenue Requirement Balancing Account for recovery in distribution rates via the year end consolidated revenue requirement and rate change advice letter process until the ongoing revenue requirement is included in general rate case authorized base rates.

7. Application 23-10-001 is closed.

This order is effective today.

Dated June 26, 2025, at Sacramento, California

ALICE REYNOLDS

President

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

Commissioners

Commissioner Matthew Baker recused himself from this agenda item and was not part of the quorum in its consideration.

## APPENDIX A

## Chart Summarizing Amounts Approved

Title/Activity	Total Costs in Millions of \$						Disputed Issue
	SCE Request under Portfolio Approach <sup>237</sup>		Reductions		Authorized Amount		
	O&M	Capital	O&M	Capital	O&M	Capital	
<b>VMBA</b>							
Dead, Dying, and Diseased Tree Removal	14.458	-					
Distribution Routine Vegetation Management	210.731	-					Routine Line Clearing
Fire Hazard Prevention	0.455	-					
Transmission Routine Vegetation Management	5.516	-					
Wildfire Vegetation Management	13.44	-					
Labor and Overhead Disallowance, per Cal Advocates			9.43				Straight-Time Labor
			24.076				Overhead
<b>Section Total</b>	<b>244.6</b>	<b>-</b>	<b>33.506</b>		<b>211.094</b>		
<b>WMPMA</b>							
Aerial Suppression	16.543	-					Aerial Suppression Activity
Enhanced Operational Practices	37.739	79.71	7.324	10.744			Priority 3 Remediation Contractor Costs
							Future-Year Notification Contractor Costs
			0.692				IOUs' Testing of Covered Conductor
				1.57			Mobile Devices
Enhanced Situational Awareness	2.808	1.213					
Fire Science and Advanced Modeling	2.375	0.6					
Grid Hardening	0.793	43.66					
Organizational Support	3.049	-					
PSPS	23.4	10.554					PSPS Customer Notifications
Wildfire Mitigation Training & Development	0.098	-					
Labor and Overhead Disallowance, per Cal Advocates			12.235	12.071			Labor Costs
			10.812	11.959			Overhead Costs

<sup>237</sup> CA Ex-02, Appendix A at A-4, A-6, A-8, and A-10.

2021 CWIP Addition		20.9					
2022 CWIP Reduction				9.632			
Section Total (Excluding CWIP Adjustments)	86.804	135.736	31.063	36.344	55.741	99.392	
<b>FRMMA</b>							
Enhanced Operational Practices	0.001	-					
Organizational Support	0.888	-					
Vegetation Management	23.183	-	0.405				Labor Costs
Section Total	24.072	-	0.405		23.667		
<b>*GRAND TOTAL (Excluding CWIP Adjustments)</b>	<b>355.476</b>	<b>135.736</b>	<b>64.974</b>	<b>36.344</b>	<b>290.502</b>	<b>99.392</b>	
<b>GRAND TOTAL (Both O&amp;M and CapEx Excluding CWIP Adjustments)</b>	<b>491.212</b>				<b>389.894</b>		

(END OF APPENDIX A)