

Application No.: A.23-05-010
Exhibit No.: SCE-02 Vol. 11
Witnesses: G. Cornel



(U 338-E)

2025 General Rate Case

| Other Costs & OOR

Before the

Public Utilities Commission of the State of California

Rosemead, California
May 12, 2023

SCE-02 Vol. 11: Other Costs & OOR

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I.

INTRODUCTION

A. Content and Organization of Volume

This volume presents Southern California Edison's (SCE) Test Year 2025 forecast of Operations and Maintenance (O&M) expenses for certain Capital-Related Expense & Other, and Inspections & Maintenance Business Plan Elements (BPE) for the Distribution Grid, Transmission Grid, Substation, and Resiliency Business Plan Groups (BPG). These activities include work order write-offs, line rents, underground utility locating service, capital-related expense, and utility joint ownership obligations. SCE also discusses the Customer Requested System Modifications BPE within the System Augmentation BPG for Interconnection, Added Facilities & Special Contracts activities.

In this volume SCE also includes forecasts of T&D Other Operating Revenue (OOR) for the Enterprise Support BPG from transactions not associated with the sale of electric energy. These activities include ownership charges, pole rentals, transmission and distribution services, generation radial tie-lines, tie-line facilities rental agreements, miscellaneous grid activities, added facilities, interconnection facilities, and interconnection request fees.

B. Summary of O&M and OOR Request

SCE is requesting \$128.067 million (constant 2022 dollars) in O&M expenses for Test Year 2025 for the activities listed above. This funding will allow these organizations to manage contracts under the jurisdiction of the California Public Utilities Commission (CPUC or Commission) and Federal Energy Regulatory Commission (FERC), as well as properly account for miscellaneous operations and maintenance costs. The O&M request is shown in Figure I-1 and Table II-2.

SCE is forecasting \$150.033 million (nominal dollars) in OOR for Test Year 2025 for the activities listed above. This revenue will cover the costs for SCE to perform various contract, tariff, and other regulatory activities. The OOR request is shown in Table III-6.

C. Regulatory and Legal Requirements Driving SCE's Request

Many of the activities in this volume are driven by regulatory oversight and/or laws and statutes. For example:

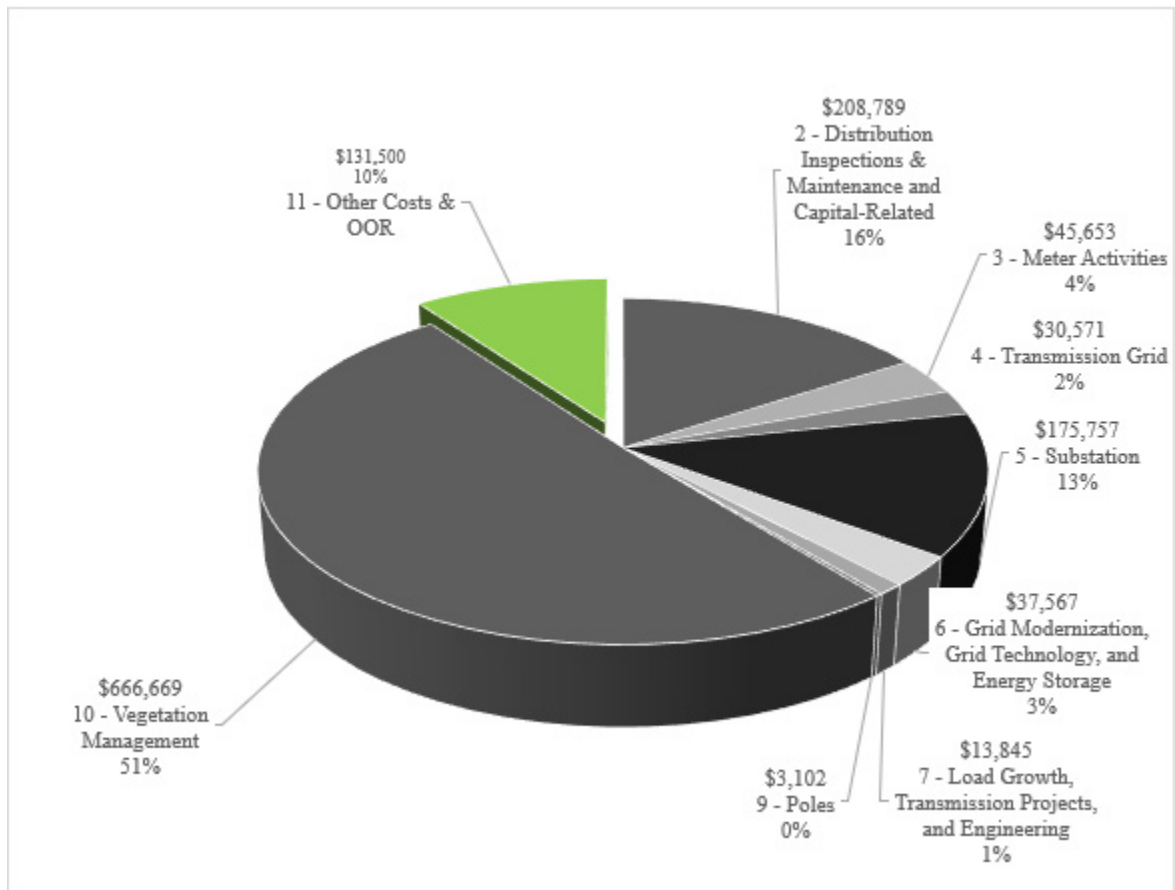
- Capital-related expense and work order write-offs are required accounting treatments under the Code of Federal Regulations and Generally Accepted Accounting Principles.
- Line Rents are driven in part by the obligation to compensate government agencies for the use of public land.

- Underground Utility Locating Service is required by California state law.
- The activities of the Grid Contract Origination, Grid Contract Management, and Grid Contract Operations groups are primarily driven by the requirements provided by regulatory agencies (CPUC, FERC, etc.) and various state and federal laws.

Many of the revenue activities described in this volume are also required for regulatory/legal reasons. For example:

- Ownership Charges. Added/Interconnection Facilities, Transmission and Distribution Services, Tie-Lines, and Interconnection Request Fees are required under Commission and FERC tariffs.
- Pole Rentals are required by Commission decisions and state law.

Figure I-1¹
Capital Related Expense and Other



¹ Numbers may have minor differences due to rounding and/or known errata as referenced in this testimony.

II.

CAPITAL RELATED EXPENSE AND OTHER

A. Overview

This section presents a portion of the expenses for Distribution Grid, Transmission Grid, Substation, and Resiliency BPGs, including work order write-offs, line rents, underground utility locating service, capital-related expense, and utility joint ownership obligations. SCE also discusses the Customer Requested System Modifications BPE within the System Augmentation BPG. Within this BPE, the Interconnection, Added Facilities & Special Contracts activity includes the T&D Grid Contract Origination (including a complement of cost estimating responsible engineers), Grid Contract Management, and Grid Contract Operations groups.

All of these requested activities support SCE's goals of providing our customers with high-quality service that balances the priorities of reliability, affordability, and customer service. These expenses support numerous State and Commission objectives, such as:

- Connecting renewable power to the grid to meet the renewable portfolio standards of 60 percent by 2030 and 100 percent by 2045.
- Reducing the risk of injuries to the public, service disruptions, and damage to facilities, through underground locating services.
- Enhancing reliability and affordability through joint operations and shared facilities with other utilities.

SCE's O&M request of \$128.067 million is shown in Table II-2.

B. 2021 Decision

1. Comparison of Authorized 2021 to Recorded

In the 2021 GRC, the Commission authorized \$91.105 million for Capital Related Expense and Other for Test Year 2021, and SCE recorded \$112.306 million as shown in Table II-1. The higher expenses in the Work Order Write-Offs activity were driven by normal fluctuations in business. The higher expenses in the Line Rents activity were driven by additional USDA Forest Service contracts. The higher expenses in the Underground Utility Locating Service activity were primarily due to an increase in the number and type of service requests and UtiliQuest rate increases in January 2020. The higher expenses in the Work Order Capital-Related Expense activity were due primarily to the mix of capital projects. The higher expenses for Interconnection, Added Facilities & Special Contracts activity was due to the inclusion of the expenses for interconnection cost estimating engineers. The

higher expenses for the Joint Utility Ownership Obligations activity were due to an increase in operations and maintenance billed by the Los Angeles Department of Water and Power (LADWP).

Table II-1
Capital Related Expense and Other O&M Expenses (2021)²
Request, Authorized, and Recorded

GRC_Activity	2021 Request	2021 Authorized	2021 Recorded	Variance
Transmission/Substation Work Order Write-Off	\$ 5,290,961	\$ 5,290,961	\$ 6,189,953	898,992
Distribution Work Order Write-Off	\$ 7,038,896	\$ 7,038,896	\$ 12,904,759	5,865,863
Transmission Line Rents	\$ 17,474,533	\$ 17,474,533	\$ 18,169,154	694,620
Distribution Line Rents	\$ 2,863,000	\$ 2,863,000	\$ 3,014,729	151,729
Telecommunication Line Rents	\$ 1,295,467	\$ 1,295,467	\$ 991,007	(304,460)
Underground Utility Locating Service - Distribution	\$ 9,901,845	\$ 9,901,845	\$ 17,506,504	7,604,659
Transmission/Substation Work Order Related Expense	\$ 7,151,518	\$ 7,093,020	\$ 15,557,052	8,464,032
Transmission Pole Loading Work Order Related Expense	\$ 309,532	\$ 309,532	\$ 1,086,631	777,099
Distribution Work Order Related Expense	\$ 20,870,263	\$ 20,271,354	\$ 17,425,859	(2,845,494)
Distribution Pole Loading Work Order Related Expense	\$ 2,914,197	\$ 2,914,197	\$ 851,251	(2,062,946)
Interconnection, Added Facilities & Special Contracts	\$ 9,348,469	\$ 9,348,469	\$ 10,220,342	871,873
Utility Joint Ownership Obligations	\$ 7,303,346	\$ 7,303,346	\$ 8,388,906	1,085,560
Total	91,762,027	91,104,620	112,306,147	21,201,527

² WP SCE-07 Vol. 01, Authorized vs. Recorded.

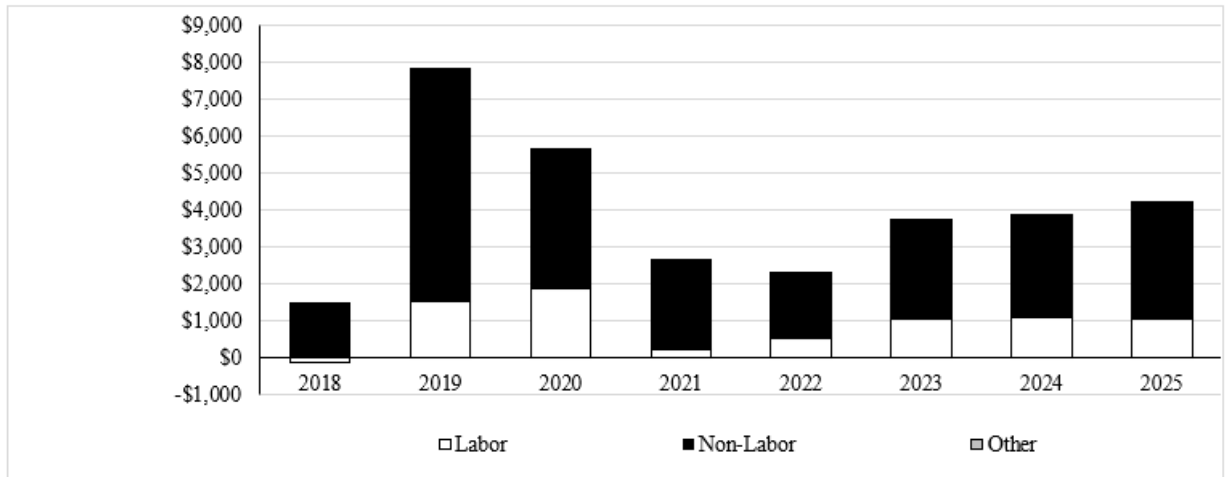
C. O&M Forecast

*Table II-2
O&M Request
(Constant 2022 \$000)*

Business Plan Element	GRC Activity	2025 Forecast
Capital-Related Expense and Other	Transmission/Substation Work Order Write-Offs	\$ 7,867
	Distribution Work Order Write-Offs	\$ 13,086
	Transmission Line Rents	\$ 19,004
	Distribution Line Rents	\$ 3,973
	Telecommunications Line Rents	\$ 1,337
	Underground Utility Locating Service	\$ 17,077
	Transmission/Substation Capital-Related Expense	\$ 14,017
	Distribution Capital-Related Expense	\$ 30,427
Customer Requested System Modifications	Interconnection, Added Facilities & Special Contracts	\$ 14,296
Inspections & Maintenance	Utility Joint Ownership Obligations	\$ 6,983
Total		\$ 128,067

1. Work Order Write-Offs

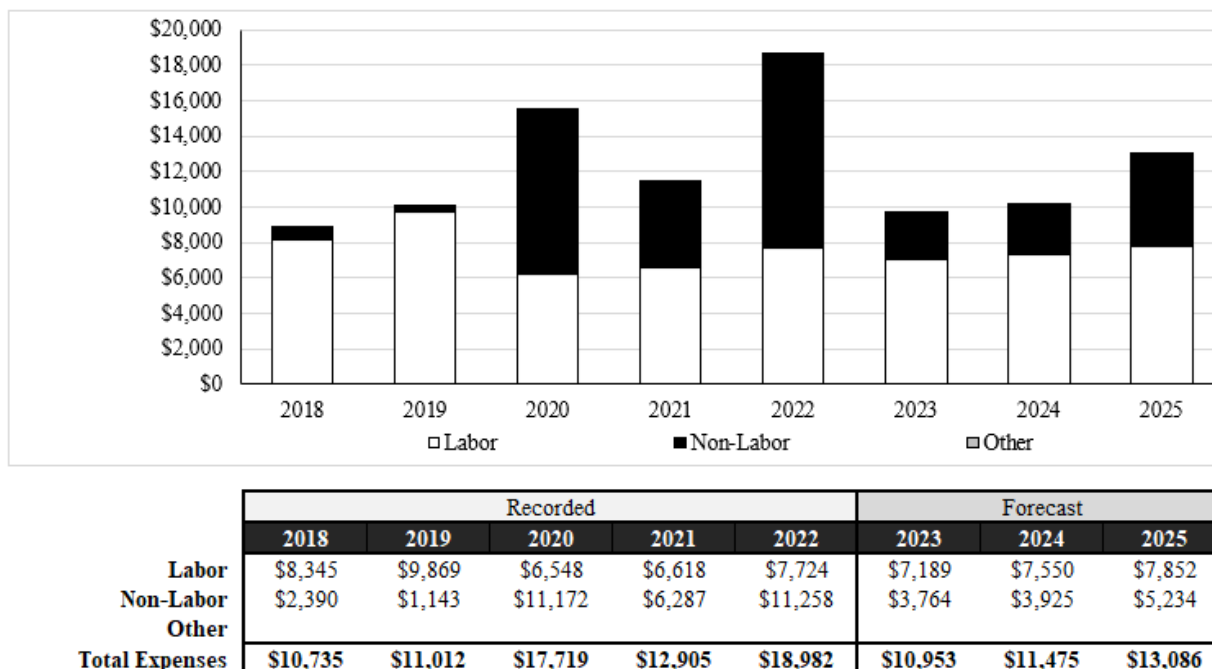
Figure II-2
Transmission/Substation Work Order Write-Offs³
Recorded 2018-2022/Forecast 2023-2025
(Constant 2022 \$000)



	Recorded					Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025
Labor	\$2,716	\$3,549	\$2,551	\$1,279	\$1,194	\$2,513	\$2,553	\$2,360
Non-Labor	\$4,767	\$4,664	\$10,343	\$4,911	\$2,700	\$4,932	\$5,025	\$5,507
Other								
Total Expenses	\$7,483	\$8,213	\$12,894	\$6,190	\$3,894	\$7,444	\$7,578	\$7,867
Ratio of Labor to Total	36%	43%	20%	21%	31%	34%	34%	30%

³ WP SCE-02, Vol. 11, pp. 1-6, O&M Detail Transmission/Substation Work Order Write-Offs. An error was identified subsequent to the finalization of financial data. Therefore, the intended financial number that is stated here in testimony does not align with the financial numbers in standardized workpapers and the RO model. An errata will be submitted to align the financial numbers in testimony, standardized workpapers, and the RO model at a future date.

Figure II-3
Distribution Work Order Write-Offs⁴
Recorded 2018-2022/Forecast 2023-2025
(Constant 2022 \$000)



a) Work Description – Work Order Write-Offs

This section discusses expenses for canceled capital projects and uncollected costs for billable work orders. Write-offs are required accounting treatments under the Code of Federal Regulations and Generally Accepted Accounting Principles and are normal costs of business.

Canceled projects occur for several reasons. For example, during the initial phase of a capital project, costs are incurred for design, securing rights-of-way, and government agency permits. However, due to changes in operating requirements and/or criteria, the project may no longer be needed. In such cases, the associated capital order is canceled, and the expenditures are recorded to work order write-off expense. If cancellation occurs after construction has begun and material has been installed, all reusable material will be returned to inventory, and the labor or other remaining charges are

⁴ WP SCE-02, Vol. 11, pp. 7-12, O&M Detail for Distribution Work Order Write-Offs. An error was identified subsequent to the finalization of financial data. Therefore, the intended financial number that is stated here in testimony does not align with the financial numbers in standardized workpapers and the RO model. An errata will be submitted to align the financial numbers in testimony, standardized workpapers, and the RO model at a future date.

recorded to work order write-off expense. Write-offs can also occur when SCE performs billable work for a customer, such as a relocation, and the bill is not paid. The expenses associated with work order write-offs are shown in Figure II-2 and Figure II-3.

b) Historical Variance Analysis and Forecast

(1) Historical Variance Analysis

(a) Transmission/Substation

The combined labor and non-labor costs varied throughout the historical period due to fluctuating levels of project cancellations and uncollected invoices for billable projects. To help illustrate this activity, below are examples of some of the larger transactions recorded over the period 2018-2022.

- \$0.2 million in 2022 for a true-up invoice disputed by the customer.
- \$4.0 million of hybrid concrete/steel structures initially purchased in 2013 to remediate four lines in Owens Valley was written off in 2020. The project team determined the materials to be obsolete as the Transmission Line Rating Remediation (TLRR) strategy changed and there were no viable projects that could use these materials.
- \$1.8 million of substation reconductors for the Circle City Substation / Mira Loma-Jefferson Line Project initiated in 2009 to prevent a line overload was written off in 2020. Subsequent annual 10-year planning forecasts determined this was no longer needed.

(b) Distribution

The combined labor and non-labor costs varied throughout the historical period due to fluctuating levels of project cancellations and uncollected invoices for billable projects. To help illustrate this activity, below are examples of some of the larger transactions recorded over the period 2018-2022.

- \$0.5 million in material costs for the TLRR Ivanpah-Control Licensed project was written off in 2019. The project scope

1 changed and there were no viable projects that could use these
2 materials.

- 3 • \$0.1 million of incurred costs for the Lockheed Substation
4 replacement project was written off in 2020. The recalculated
5 load needs for the project were deemed no longer necessary.
- 6 • \$0.1 million of incurred design, environmental, and
7 engineering costs for the Rustic 12kV project in anticipation of
8 La Nina torrential rains was written off in 2020. Heavy rainfall
9 did not materialize as previously forecasted.

10 (2) Forecast

11 (a) Transmission/Substation

12 For Test Year 2025, SCE forecasts combined labor and non-labor
13 expenses of \$7.867 million⁵ based on a five-year average as shown in Figure II-2. In D.89-12-057, and
14 subsequently in D.04-07-022, the CPUC stated that if recorded accounts have significant fluctuations
15 from year-to-year, or accounts are influenced by external forces beyond the utility's control, an average
16 of recorded-expenses is appropriate. This approach is appropriate due to the fluctuating levels of project
17 cancellations and uncollected invoices for billable projects.

18 (b) Distribution

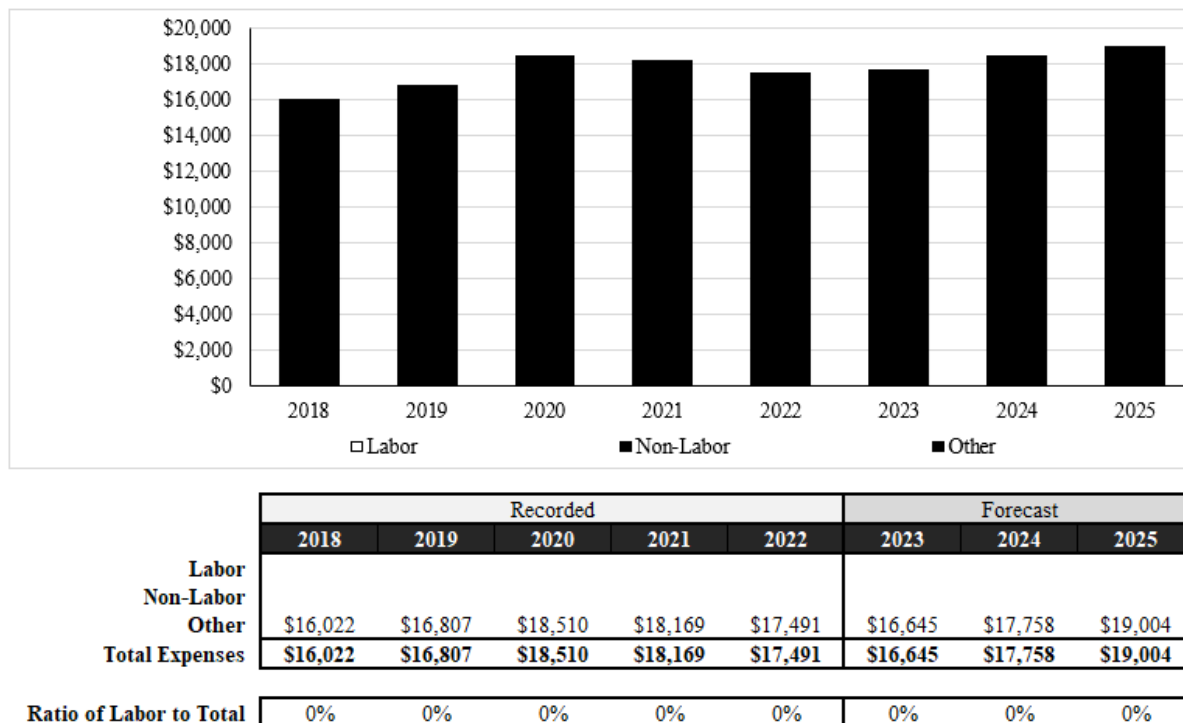
19 For Test Year 2025, SCE forecasts combined labor and non-labor
20 expenses of \$13.086 million⁶ based on a five-year average as shown in Figure II-3. In D.89-12-057, and
21 subsequently in D.04-07-022, the CPUC stated that if recorded accounts have significant fluctuations
22 from year-to-year, or accounts are influenced by external forces beyond the utility's control, an average
23 of recorded-expenses is appropriate.

⁵ The forecast incorporates an adjustment to reflect certain changes made to SCE's employee compensation program. Exhibit SCE-06 Vol. 04.

⁶ The forecast incorporates an adjustment to reflect certain changes made to SCE's employee compensation program. Exhibit SCE-06 Vol. 04.

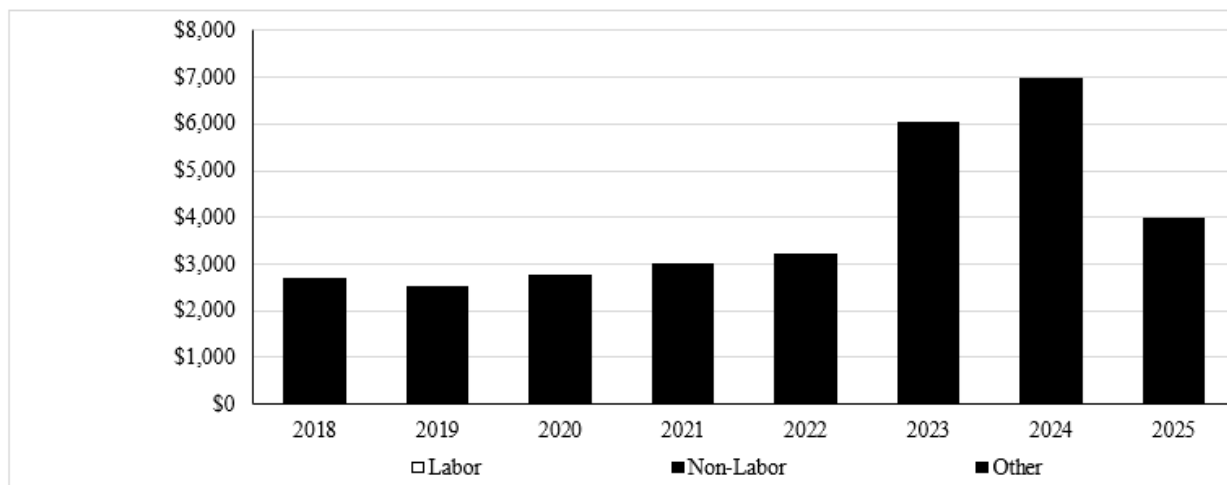
2. Line Rents

Figure II-4
Transmission Line Rents⁷
Recorded 2018-2022/Forecast 2023-2025
(Constant 2022 \$000)



⁷ WP SCE-02, Vol. 11, pp. 13-18, O&M Detail for Transmission Line Rents. An error was identified subsequent to the finalization of financial data. Therefore, the intended financial number that is stated here in testimony does not align with the financial numbers in standardized workpapers and the RO model. An errata will be submitted to align the financial numbers in testimony, standardized workpapers, and the RO model at a future date.

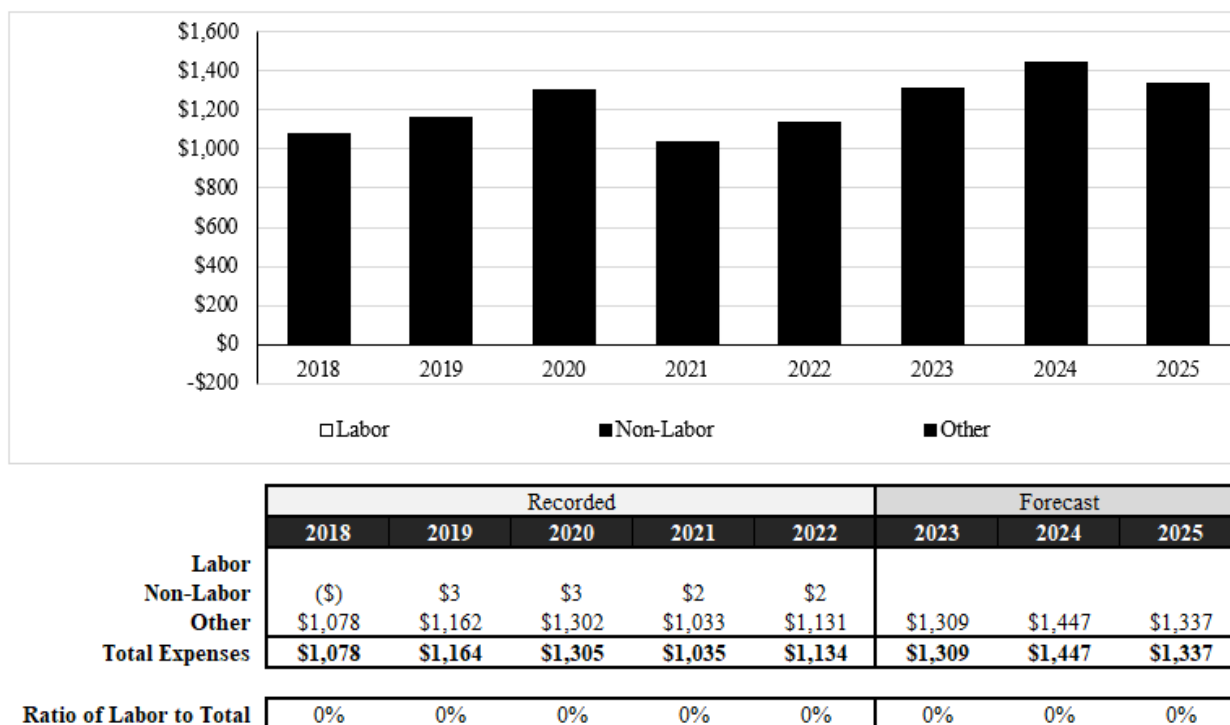
Figure II-5
Distribution Line Rents⁸
Recorded 2018-2022/Forecast 2023-2025
(Constant 2022 \$000)



	Recorded					Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025
Labor								
Non-Labor								
Other	\$2,683	\$2,524	\$2,753	\$3,015	\$3,197	\$6,041	\$6,962	\$3,973
Total Expenses	\$2,683	\$2,524	\$2,753	\$3,015	\$3,197	\$6,041	\$6,962	\$3,973
Ratio of Labor to Total	0%	0%	0%	0%	0%	0%	0%	0%

⁸ WP SCE-02, Vol. 11, pp. 19-24, O&M Detail for Distribution Line Rents. An error was identified subsequent to the finalization of financial data. Therefore, the intended financial number that is stated here in testimony does not align with the financial numbers in standardized workpapers and the RO model. An errata will be submitted to align the financial numbers in testimony, standardized workpapers, and the RO model at a future date.

Figure II-6
Telecommunications Line Rents²
Recorded 2018-2022/Forecast 2023-2025
(Constant 2022 \$000)



a) Work Description – Line Rents

Line rents are expenses SCE incurs to rent property SCE does not own, but which is required for its transmission and distribution system, as well as the rental of sites where SCE has placed telecommunications equipment such as microwave and radio antennas. Expenses include payments to the United States government and others for use of public, private, or tribal lands for line rights of way and telecommunications sites. Payments are made to entities such as the U.S. Bureau of Land Management, the U.S. Forest Service, the Union Pacific, Burlington Northern, and Santa Fe Railroads, the Morongo Band of Mission Indians, and private property owners. Expenses for line rents

² WP SCE-02, Vol.11, pp. 25-30, O&M Detail for Telecommunications Line Rents. An error was identified subsequent to the finalization of financial data. Therefore, the intended financial number that is stated here in testimony does not align with the financial numbers in standardized workpapers and the RO model. An errata will be submitted to align the financial numbers in testimony, standardized workpapers, and the RO model at a future date.

are shown in Figure II-4 for transmission, Figure II-5 for distribution, and Figure II-6 for telecommunications.

b) Historical Variance Analysis and Forecast

(1) Historical Variance Analysis

(a) Transmission Line Rents

The labor costs in this activity are immaterial. The increase from 2018 to 2019 is primarily due to the once every five-year \$500,000 increase in the Morongo Right of Way line rent and the identification of additional USDA Forest Service land agreements. The increase from 2019 to 2020 is primarily due to the start of government line rental payments for the Tehachapi Renewable Transmission Project (TRTP).

(b) Distribution Line Rents

The historical costs in this activity are relatively flat.

(c) Telecommunications Line Rents

The historical costs in this activity are relatively flat.

(2) Forecast

(a) Transmission Line Rents

For Test Year 2025, SCE forecasts expenses of \$19.004 million for this activity as shown in Figure II-4 and Table II-3.

For government line rentals, we used a 2.1 percent annual increase for 2025-2028, which is derived from the most current Federal Bureau of Land Management's (BLM) "Calendar Year 2016 to 2025 Linear Right-Of-Way Rental Schedule" from the attachment titled "Calendar Years 2016 to 2025 Per-Acre Rent Schedule."¹⁰

For non-government line rentals, we examined three of the largest contracts that make up the expenses in this activity. The average year-over-year change for these contracts during 2018-2022 was 2.0 percent.¹¹ We applied this percentage to 2023-2028 and averaged the 2025-2028 costs to normalize for Test Year 2025.

¹⁰ WP SCE-02, Vol. 11, pp. 31-32, ("BLM Per-Acre Rent Schedule") which is through 2025. The 2.1 percent annual increase is used in our forecast calculations through 2028.

¹¹ WP SCE-02, Vol. 11, pp. 33-34, ("Transmission Line Rents – Non-Government Lands").

1 For the Morongo Band of Mission Indians lease, the contract terms
2 call for payments of \$7.0 million beginning in 2019 and increases by \$0.5 million every five years.
3 Starting 2024, the payment will be \$7.5 million continuing through 2029.

4 (b) Distribution Line Rents

5 For Test Year 2025, SCE forecasts expenses of \$3.973 million for
6 this activity as shown in Figure II-5 and Table II-3.

7 For distribution government line rentals, we used the same
8 methodology discussed above for transmission government line rentals.

9 For non-government line rentals, we examined eight of the largest
10 contracts that make up the expenses in this activity. The average year-over-year change for these
11 contracts during 2018-2022 was 11.4 percent. We applied this percentage to 2023-2028 and averaged
12 the 2025-2028 costs to normalize for Test Year 2025.¹²

13 (c) Telecommunications Line Rents

14 For Test Year 2025, SCE forecasts expenses of \$1.337 million for
15 this activity as shown in Figure II-6 and Table II-3.

16 For telecommunications line rentals, we examined nine of the
17 largest contracts that make up the expenses in this activity. The average year-over-year change for these
18 contracts during 2018-2022 was 3.4 percent. We applied this percentage to 2023-2028 and averaged the
19 2025-2028 costs to normalize for Test Year 2025.¹³

¹² WP SCE-02, Vol. 11, pp. 35-36, (“Distribution Line Rents – Non-Government Lands”).

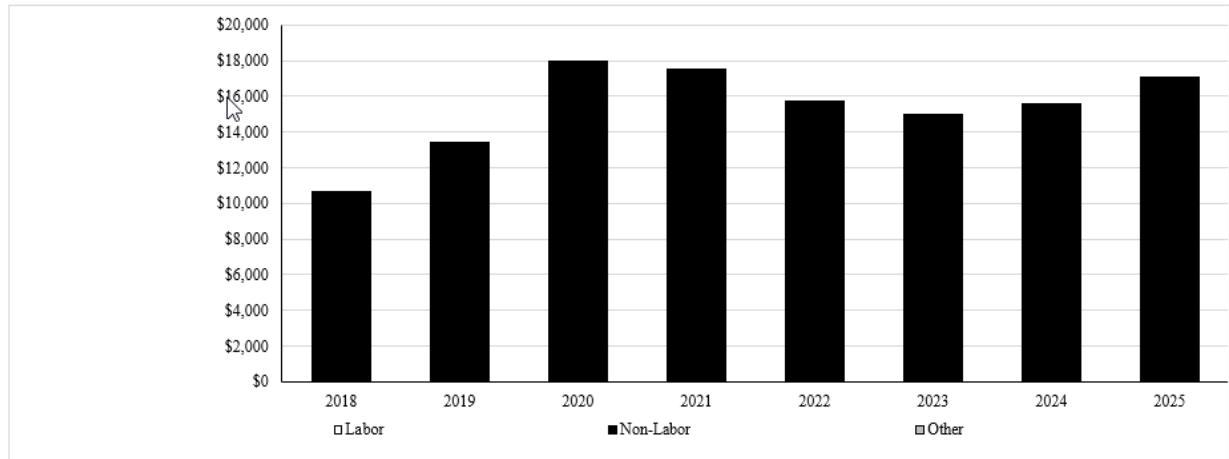
¹³ WP SCE-02, Vol. 11, pp. 37-38, (“Telecommunication Line Rents”).

Table II-3
Summary of Line Rents
Recorded 2022/Forecast 2023-2028
(Constant 2022 \$000)

	2022	2023	2024	2025	2026	2027	2028
Transmission (Government Lands)	\$7,769	\$7,932	\$8,099	\$8,269	\$8,442	\$8,620	\$8,801
Transmission (Non-Government Lands)	\$2,722	\$2,775	\$2,829	\$2,885	\$2,941	\$2,999	\$3,058
Morongo	\$7,000	\$7,000	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Transmission Total	\$17,491	\$17,707	\$18,428	\$18,654	\$18,884	\$19,119	\$19,359
Average 2025-2028				\$19,004			
Distribution (Government Lands)	\$2,340	\$2,389	\$2,439	\$2,491	\$2,543	\$2,596	\$2,651
Distribution (Non-Government Lands)	\$857	\$954	\$1,063	\$1,184	\$1,319	\$1,470	\$1,637
Distribution Total	\$3,197	\$3,343	\$3,502	\$3,675	\$3,862	\$4,066	\$4,288
Average 2025-2028				\$3,973			
Telecommunications	\$1,152	\$1,191	\$1,231	\$1,272	\$1,315	\$1,359	\$1,404
Average 2025-2028				\$1,337			
Change in Bureau of Land Management Rent Schedules from 2022 to 2028 (Government Lands)							
Transmission	2.1%						
Distribution	2.1%						
Change in Non-Government Rent from 2022 to 2028							
Transmission	2.0%						
Distribution	11.4%						
Change in Telecommunications Rent from 2022 to 2028							
3.4%							
Morongo lease terms include an increase of \$0.5 million every five years (2024 for this GRC cycle).							

3. Underground Utility Locating Service

Figure II-7
Underground Utility Locating Service¹⁴
Recorded 2018-2022/Forecast 2023-2025
(Constant 2022 \$000)



	Recorded					Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025
Labor	\$46	\$47	\$61	\$69	\$59			
Non-Labor	\$10,591	\$13,399	\$17,936	\$17,438	\$15,668	\$14,991	\$15,557	\$17,077
Other								
Total Expenses	\$10,637	\$13,446	\$17,998	\$17,507	\$15,727	\$14,991	\$15,557	\$17,077
Ratio of Labor to Total	0%	0%	0%	0%	0%	0%	0%	0%

a) Work Description – Underground Utility Locating Service

Underground locating service consists of two activities:

First, SCE is required by state law to be a member of, participate in, and share in the costs of a regional notification center for calls related to locating underground facilities.¹⁵ SCE uses Underground Service Alert for all “Call Before You Dig” customer transmissions to be routed to SCE or SCE’s designated subsurface installations locators. In 2019, the regional call center began billing SCE for its share of the California Underground Facilities Safe Excavation Board (“Dig Safe Board”).

¹⁴ WP SCE-02, Vol.11, pp. 39-44, O&M Detail for Underground Utility Locating Service. An error was identified subsequent to the finalization of financial data. Therefore, the intended financial number that is stated here in testimony does not align with the financial numbers in standardized workpapers and the RO model. An errata will be submitted to align the financial numbers in testimony, standardized workpapers, and the RO model at a future date.

¹⁵ Cal. Gov. Code § 4216.

1 Second, state law requires that underground facilities be located and marked prior
2 to excavation by the public or the utility. For SCE work, requests are uncontrolled and initiated by the
3 entity planning to perform excavation activities. SCE contracts with UtiliQuest to respond to virtually all
4 routine and emergency distribution facility location requests. UtiliQuest locates and marks distribution,
5 telecommunications, and abandoned underground facilities throughout the SCE service area, except
6 Catalina Island, by marking the pavement or ground with paint. This service protects public safety and
7 enhances reliability.

8 b) Historical Variance Analysis and Forecast

9 (1) Historical Variance Analysis

10 The labor in this activity is immaterial. The non-labor expenses fluctuated
11 based on the number and type of requests for underground locating services, rate increases and new
12 request types in January 2020 resulting from the UtiliQuest Purchase Order re-negotiation.

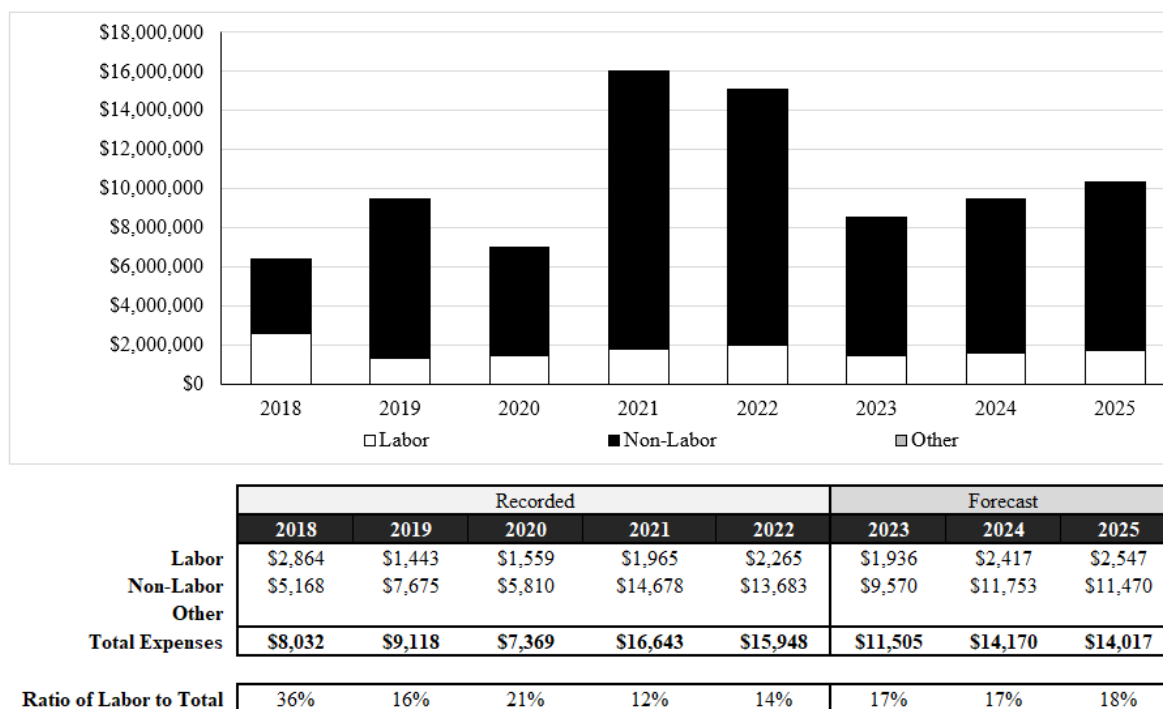
13 (2) Forecast

14 For Test Year 2025, SCE forecasts expenses of \$17.077 million of labor
15 and non-labor based on a three-year average from 2020-2022 as shown in Figure II-7. The three-year
16 average was selected because of the rate changes that occurred in 2020 as discussed above.

17 In D.89-12-057, and subsequently in D.04-07-022, the CPUC stated that if
18 recorded accounts have significant fluctuations from year-to-year, or accounts are influenced by external
19 forces beyond the utility's control, an average of recorded-expenses is appropriate. This approach is
20 appropriate due to the fluctuating volume and type of requests received from customers to locate
21 underground facilities.

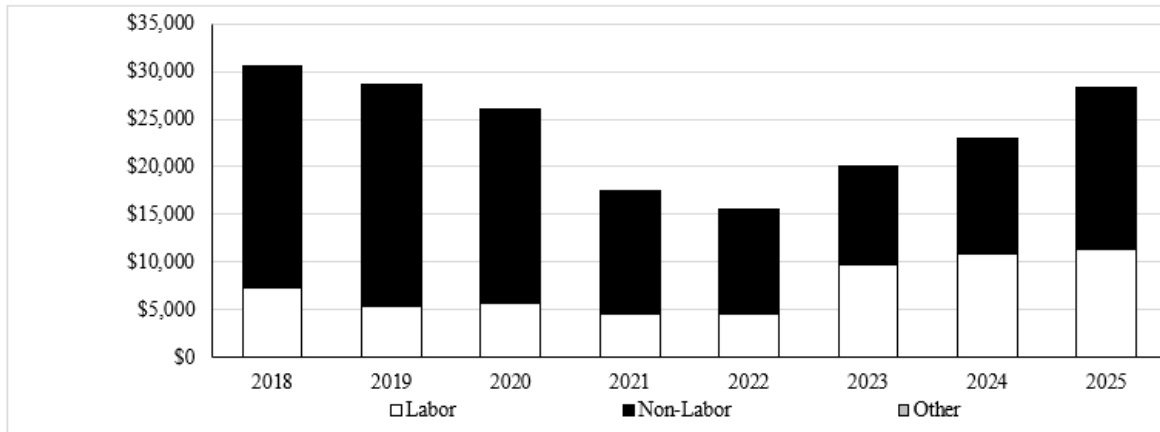
4. Capital-Related Expenses

Figure II-8
Transmission/Substation Work Order Capital Related Expense¹⁶
Recorded 2018-2022/Forecast 2023-2025
(Constant 2022 \$000)



¹⁶ WP SCE-02, Vol.11, pp. 45-50, O&M Detail for Transmission/Substation Capital-Related Expense and WP SCE-02, Vol.11, pp. 57-62, O&M Detail for Transmission Pole Loading Work Order Related Expense. An error was identified subsequent to the finalization of financial data. Therefore, the intended financial number that is stated here in testimony does not align with the financial numbers in standardized workpapers and the RO model. An errata will be submitted to align the financial numbers in testimony, standardized workpapers, and the RO model at a future date.

Figure II-9
Distribution Work Order Capital Related Expense¹⁷
Recorded 2018-2022/Forecast 2023-2025
(Constant 2022 \$000)



	Recorded					Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025
Labor	\$7,312	\$5,643	\$5,900	\$4,752	\$4,792	\$9,929	\$10,931	\$10,711
Non-Labor	\$23,201	\$26,825	\$25,240	\$13,960	\$13,582	\$12,515	\$14,195	\$19,716
Other								
Total Expenses	\$30,513	\$32,468	\$31,140	\$18,712	\$18,374	\$22,444	\$25,127	\$30,427
Ratio of Labor to Total	24%	17%	19%	25%	26%	44%	44%	35%

a) Work Description

The costs recorded in these accounts represent expenses incurred for work that must be done when capital additions or replacements are being performed. These activities do not qualify for capitalization according to standard accounting guidelines.¹⁸ We have combined Transmission/Substation and Distribution together for purposes of discussion because they follow the

¹⁷ WP SCE-02, Vol. 11, pp. 63-68, O&M Detail for Distribution Work Order Capital-Related Expense, WP SCE-02, Vol.11, pp. 69-74, O&M Detail for Distribution Pole Loading Work Order Related Expense and WP SCE-02, Vol. 11, pp. 51-56, O&M Detail for Wildfire Work Order Related Expense. An error was identified subsequent to the finalization of financial data. Therefore, the intended financial number that is stated here in testimony does not align with the financial numbers in standardized workpapers and the RO model. An errata will be submitted to align the financial numbers in testimony, standardized workpapers, and the RO model at a future date.

¹⁸ Capital-related expense is a required accounting treatment under the Code of Federal Regulations and Generally Accepted Accounting Principles.

1 same guidelines and the capital-expense relationship discussed is similar. Table II-4 provides examples
2 where a capital expenditure would result in related expense being incurred.

Table II-4
Examples of Capital Expenditures and Their Related Expense

Capital Expenditure Example	Resulting Related Expense	Rationale
Pole replacement	Replacement of insulators	Insulators are a minor item of the conductor unit of property which is not being replaced
Capacitor bank replacement	Moving conductors to make space for the new capacitor bank	Rearranging and changing the location of plant not retired
Conductor replacement	Replacing a cross arm or adding new brackets to the pole	Cross arms and brackets are minor items of the pole unit of property which is not being replaced
4kV cutover	Replacing cross arms without replacing the pole or insulators without replacing the conductor	Cross arms are minor items of the pole and insulators are minor items of the conductor units of property which are not being replaced
New service connection	Rearranging an existing circuit to accommodate the new line extension	Rearranging and changing the location of plant not retired

3 As these examples show, “related expense” is directly related to capital
4 expenditures. Therefore, as capital expenditures increase or decrease, there is a corresponding change to
5 related expense. Capital expenditures are discussed in more detail in the testimony discussing the
6 Distribution Grid, Transmission Grid, and Substation BPGs.

7 b) Historical Variance Analysis and Forecast

8 (1) Historical Variance Analysis

9 The ratio of capital-related expense to capital expenditures varies based on
10 the mix of capital projects in a given year.

11 Table II-5 shows the adjusted capital-related expenses, the recorded
12 capital expenditures, and the ratio of the two.

13 (2) Forecast

14 SCE uses a five-year capital-related expense-to-capital expenditures ratio,
15 which is then multiplied by forecast capital expenditures, to develop the capital-related expense forecast.

1 From this, we deducted operational savings for the purchase of five generators to use in lieu of rented
2 generators.¹⁹ This approach smooths out year-to-year fluctuations in the mix of capital projects. It also
3 allows the Commission to easily calculate a reduction in capital-related expense if SCE's capital forecast
4 is not adopted in whole.

5 The 2025 forecast for these expenses are \$14.017 million for
6 transmission/substation²⁰ and \$30.427 million for distribution²¹ as shown in Table II-5 and Figure II-8
7 and Figure II-9.

¹⁹ Included in the forecast are employee-led efficiency savings for \$0.103 million related to reduced costs from purchase of generators in lieu of leasing. See Exhibit SCE-06 Vol. 3 for additional details.

²⁰ The forecast incorporates an adjustment to reflect certain changes made to SCE's employee compensation program. Exhibit SCE-06 Vol. 04.

²¹ The forecast incorporates an adjustment to reflect certain changes made to SCE's employee compensation program. Exhibit SCE-06 Vol. 04.

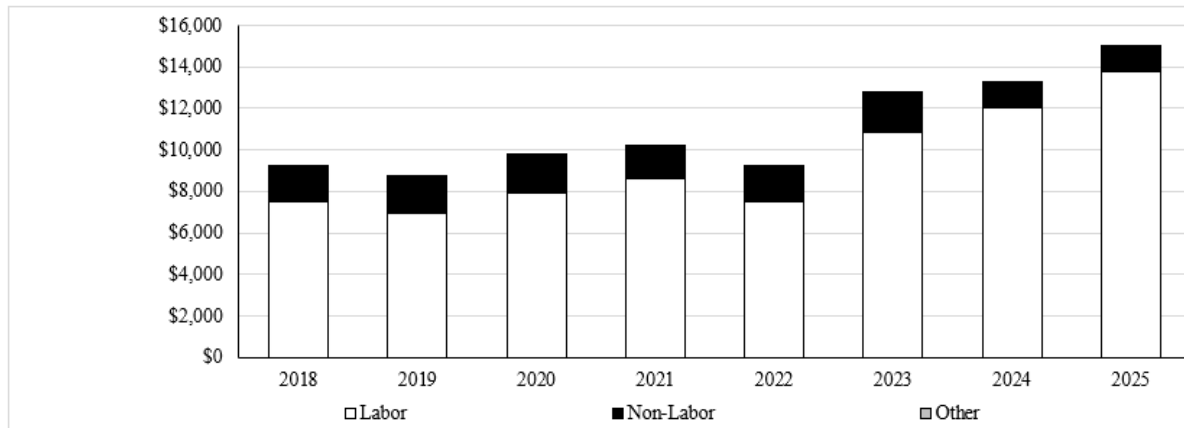
Table II-5
Transmission/Substation and Distribution Capital Related Expense
(Constant 2022 \$000)

\$000s	Recorded					Forecast						
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
Transmission/Substation												
Adjusted Recorded Capital Related Expense	8,032	15,117	12,400	18,308	16,921							
Recorded/Forecast Capital Expenditures	566,705	592,021	604,848	655,807	531,718	488,096	542,684	604,419	556,807	565,560	629,291	
Calculated Capital-Related Expense Ratio	1.42%	2.55%	2.05%	2.79%	3.18%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	
Five-Year Weighted Average Ratio	2.40%											
Gross Forecast Capital-Related Expense						11,706	13,016	14,496	13,354	13,564	15,093	
Savings from improved efficiencies*						(103)	(103)	(103)	(110)	(111)	(112)	
Net Forecast Capital-Related Expense						11,603	12,912	14,393	13,244	13,453	14,980	
Normalized 2025 Test Year									14,017			
Distribution												
Adjusted Recorded Capital Related Expense	30,513	26,470	26,109	17,046	17,399							
Recorded/Forecast Capital Expenditures	1,495,403	2,030,370	1,970,752	2,494,246	2,156,352	2,367,580	2,274,829	2,525,406	2,677,138	2,777,419	2,527,067	
Calculated Capital-Related Expense Ratio	2.04%	1.30%	1.32%	0.68%	0.81%	1.16%	1.16%	1.16%	1.16%	1.16%	1.16%	
Five-Year Weighted Average Ratio	1.16%											
Gross Forecast Capital-Related Expense						27,424	26,350	29,253	31,010	32,172	29,272	
Normalized 2025 Test Year									30,427			

* Generator purchase in lieu of rent for use in substation capital projects.

5. Interconnection, Added Facilities & Special Contracts

Figure II-10
Interconnection, Added Facilities & Special Contracts²²
Total of Grid Contract Origination/Management/Operations
Recorded 2018-2022/Forecast 2023-2025
(Constant 2022 \$000)



	Recorded					Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025
Labor	\$7,492	\$6,946	\$7,908	\$8,641	\$7,491	\$10,814	\$12,012	\$13,146
Non-Labor	\$1,777	\$1,835	\$1,920	\$1,579	\$1,717	\$1,970	\$1,286	\$1,150
Other								
Total Expenses	\$9,269	\$8,782	\$9,827	\$10,220	\$9,208	\$12,784	\$13,298	\$14,296

Ratio of Labor to Total	81%	79%	80%	85%	81%	85%	90%	92%
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1 Interconnection, Added Facilities and Special Contracts is made up of three
2 organizations: Grid Contract Origination (including a complement of cost estimating responsible
3 engineers), Grid Contract Management, Grid Contract Operations. These organizations primarily
4 manage FERC (Wholesale Distribution Access Tariff (WDAT), Transmission Owner Tariff (TOT)) and
5 CPUC (Rule 21, Net Energy Metering (NEM), Rule 2.H)- jurisdictional interconnection contracts. These
6 contracts support growth in renewable energy and provide reliable renewable energy supply, including
7 storage to maximize the use of renewable energy, for customers throughout SCE's service area and are
8 needed to fulfill California's legislative commitment to reducing greenhouse gas emissions, which will
9 drive increases in new, clean load. Additionally, these contracts support growth in large scale retail
10 energy demand. All of this new load will need to be interconnected to the grid.

11 Over the years, SCE has successfully interconnected renewable energy resources as part
12 of ongoing transition of the electricity grid. SCE recognizes that successfully interconnecting new clean
13 energy generation resources and energy storage is critical to maintaining reliability and supporting the
14 transition to zero-carbon electricity. Record procurement orders, advances in renewable generation
15 technology, and a reduction in storage costs have steadily contributed to a growing number of
16 interconnection requests. In 2021, SCE processed an unprecedented number of interconnection requests
17 for Queue Cluster 14, which consisted of 172 WDAT and TOT interconnection requests, an increase of
18 over 110% compared to a typical sized Queue Cluster of approximately 80 requests (e.g., Queue Cluster
19 12 and Queue Cluster 13). Clusters are groups of Interconnection Requests that are studied together,
20 instead of individually, to better assess the collective and individual impacts of the projects through the
21 Interconnection System Impact Study. CAISO recognized that this unprecedented number of
22 interconnection applications in Queue Cluster 14, later called a "supercluster", significantly exceeded
23 the capacity of CAISO and the transmission owners to process the requests on normal timelines
24 established in CAISO's tariff and business practice manual. As a result, CAISO extended the timelines
25 for the study process by approximately one year and correspondingly delayed the next cluster
26 application Queue Cluster 15, expected in April 2023, to ensure meaningful study results for Queue
27 Cluster 14 are delivered.

²² WP SCE-02, Vol. 11, pp. 75-80, O&M Detail for Interconnection, Added Facilities & Special Contracts. An error was identified subsequent to the finalization of financial data. Therefore, the intended financial number that is stated here in testimony does not align with the financial numbers in standardized workpapers and the RO model. An errata will be submitted to align the financial numbers in testimony, standardized workpapers, and the RO model at a future date.

1 We expect increasingly high levels of generation interconnection requests in the coming
2 years driven by California's clean energy goal of 100% by 2045, climate change, retiring generation,
3 advances in renewable generation technology, reduction in storage cost, and increasing customer load
4 from electrification.

5 In addition to the increasing number of interconnection requests during the 2018 to 2022
6 period, projects have also been impacted by ongoing developments in the regulatory environment;
7 examples include tariff interpretations related to study upgrade classification/allocation, additional
8 reporting requirements, tracking of metrics (examples: timeliness, cost variance, surplus capacity), new
9 notification-only process, new microgrid tariff, and new energy storage filing, all of which are
10 collectively adding to the complexity of these projects. Employees with specialized knowledge,
11 experience, and skillsets are needed to effectively meet the deliverables required of the end-to-end
12 interconnection process.

13 To increase the certainty of delivering projects on time and to address the increased
14 workload and complexity, SCE has proactively launched the following initiatives:

- 15 • Using supplemental employees for negotiating and managing agreements.
- 16 • Requesting expedited delivery options from materials suppliers to provide
17 interconnection applicants with the option to reduce equipment delivery lead-time
18 where possible.
- 19 • Improving our customer communications during the construction process, particularly
20 with respect to forecasting impact of customer scope changes on projected in-service
21 dates.

22 SCE also continues to enhance our processes to improve customer experience and
23 facilitate interconnecting generator resources in support of the transition to zero-carbon electricity. We
24 identified opportunities for improvement and created a broad set of potential enhancements to the
25 interconnection process to include:

- 26 • Reduce time from Generator Interconnection Agreement execution to customer
27 kickoff by utilizing automation, drafting scope earlier in the process, and
28 standardizing scope elements.
- 29 • Designate individuals in each department related to interconnections to handle
30 requests and update service-level agreements (SLAs) to reflect revised processes.

- Create a single source for interconnection information from application to construction and long-term management, with automation to reduce manual entry and intervention across process steps.
- Incorporate forecasts for emergent project work such as interconnections into long-term work planning process and resourcing requirements.
- Collaborate with CAISO, CPUC and other IOUs to amend tariff guidelines to improve application quality and process timelines.

In the letter received from the Commission dated May 11, 2022 (Subject: Prioritization of Interconnection to Ensure Grid Reliability), President Reynolds requested “...that SCE take action to ensure interconnection staffing is prioritized and new resources are dedicated as needed to meet the increasing number of interconnect projects in the near term. These interconnection processes are critical to both safety and reliability, and they are highly technical and specialized.” President Reynolds urged “SCE to undertake a rigorous resource planning exercise, that considers existing requests and anticipated interconnection needs through the end of 2026. At a minimum, this planning exercise should address SCE’s staff retention efforts to maintain interconnection expertise over the long-term, including by expanding staff or contracted resources, and its ability to absorb attrition and when key individuals are out of office.”

In addition to an increase in interconnections, SCE is seeing an increase in large-scale retail load projects requiring more oversight as these trigger major upgrades and incorporate on-site generation. Examples include a high-speed rail development project from Los Angeles to Las Vegas, an electric train and a nine million square foot warehouse project in Barstow, and electrification efforts along a trucking corridor from the Port of Long Beach.

The work description, historical variance analysis, and forecast for each of these organizations are discussed below.

a) Work Description

(1) Grid Contract Origination

Grid Contract Origination is the end-to-end owner of the Grid Interconnection Process for interconnection requests related to the connection of renewable energy, such as wind, solar, and battery storage, to SCE’s electrical system. The team works with customers and internal organizations to initiate and complete studies necessary to develop the scope of work, cost and construction schedule for those generation and load projects. The team also negotiates the development

1 of contracts that govern the interconnection of generation resources, large retail and load growth projects
2 to SCE-owned transmission and distribution systems. This includes activities from the receipt of an
3 application, the technical engineering study, the contract negotiation, and the execution of the
4 interconnection or added facilities contract. The team also provides subject matter expertise on policy
5 and strategy issues, such as proposed modifications to the governing interconnection tariffs, performs
6 compliance activities such as CPUC reporting, and updates/implements any policies/procedures
7 necessary to comply with new regulations.

8 In addition to owning the interconnection process, Grid Contract
9 Origination manages certain transmission contracts that predate the formation of the CAISO.

10 Here are examples of common actions performed by Grid Contract
11 Origination during the development of all contract types.

- 12 • Manage relationships with interconnection customers. Primary
13 customer contact for generation projects from the submittal of an
14 interconnection application through the execution of an
15 interconnection agreement.
- 16 • Manage the intake of interconnection requests, including the review of
17 Site Exclusivity, technical diagrams and other required documentation,
18 and assignment of queue positions.
- 19 • Manage technical studies for the WDAT and TOT projects and an
20 array of independent studies for the Rule 21, NEM, and Added
21 Facilities projects.
- 22 • Manage interconnection studies which include calculation and
23 allocation of scope costs among contracts and publish findings in
24 reports issued to customers and CAISO.
- 25 • Lead scoping and results meetings for generation projects connecting
26 to SCE's distribution system.
- 27 • Manage the close-out of withdrawn customer requests.
- 28 • Negotiate and execute interconnection agreements and related
29 contracts and modifications and amendments to contracts.
- 30 • Annually reassess study results from previous clusters to incorporate
31 effects of approved/rejected CAISO transmission projects,

1 withdrawals, and recently executed interconnection agreements and
2 publish reports capturing the change in scope and cost for all projects
3 in the queue.

- 4 • Work with appropriate organizations to develop and update tariffs as
5 regulations change.

6 Grid Contract Origination has completed the intake and evaluation, study
7 coordination, report publication, and results meeting activities related to Phase 1 of Queue Cluster 14.
8 As of the end of February 2023, 106 projects of the 172 initial requests or 62% moved to Phase 2. These
9 106 projects are added to the portfolio of interconnection projects that entered the queue annually over
10 many years and are currently in various stages of the interconnection process. In addition to Queue
11 Cluster projects, the portfolio of interconnection projects also includes projects interconnecting pursuant
12 to Rule 21 Tariff, NEM, and customer-requested contract amendments being negotiated by SCE. The
13 interconnection portfolio amounted to approximately 1,000 total applications and contracts managed by
14 Grid Contract Origination, or approximately 70 projects per Advisor. With the forecasted increase of
15 applications, this is not a sustainable number of applications for each Advisor to effectively manage
16 customer relations and timely draft and negotiate contracts.

17 (2) Grid Contract Management

18 After execution by Grid Contract Origination, the contracts are handed off
19 to Grid Contract Management for “cradle-to-grave” management. The contracts set forth the terms and
20 conditions under which generators and other parties connect to SCE’s electrical grid. When a newly
21 executed contract is received, the Contract Manager in this group analyzes all its terms and conditions to
22 identify action items.

23 Here are examples of common actions performed by Grid Contract
24 Management over the life of the contract.

- 25 • Customer relationship management with interconnection customers
26 from agreement execution through termination.
- 27 • Manage a portfolio of grid interconnection agreements to SCE’s
28 transmission and distribution systems.
- 29 • Obtain, monitor, and release security postings, e.g., for study work,
30 construction, current tax liability reassessment etc.
- 31 • Monitor construction of required facilities.

- Draft various contractual-related documents including amendments to existing interconnect agreements, consent to assignments, termination notices, default notices, initial sync notices, and Permission-To-Operate (PTO) notices.
- Provide monthly meter load data to generators.
- Monitor and obtain proof of generators' insurance coverage, maintenance schedules, and production forecasts.
- Calculate, coordinate and monitor billing for construction, ongoing operations and maintenance, and demand load.
- Calculate and submit quarterly transmission credit refunds.
- Monitor suspensions and defaults to take necessary actions, including contract termination.
- Manage and oversee the replacement of aging equipment related to interconnection and added facilities contracts.
- Regularly interact with customers to provide landmark updates/guidelines, contract interpretation, project updates, assignments, etc., throughout the project lifecycle.

The Contract Manager also acts as a single point of contact (post-construction), resolves audit and contract dispute issues, monitors compliance with new regulations, and provides data for required FERC and CPUC reporting. Other activities managed by this group include contracts related to SCE Rule 2.H Added Facilities, Utility Joint Ownership (discussed in Section 6 below), Facilities Service Agreements, Radial Line Agreements, and projects such as Infrastructure Replacement (oversight of equipment replacements in accordance with the contracts), and Summer Readiness Program (bi-weekly status report of the project's in-service dates provided to the Energy Division).

For the period 2018 to 2022, Grid Contract Origination drafted and executed an annual average of 250 contracts which were added to the overall portfolio of contracts to be managed by Grid Contract Management. As of the end of February 2023, Grid Contract Management has a total of approximately 4,200 active contracts or approximately 520 contracts per Contract Manager. This is not a sustainable number of contracts for each Contract Manager to successfully manage and deliver the contract activities discussed above. Additionally, with the expected increasing

1 volume and complexities, the number of contracts for each Contract Manager will continue to rise
2 making it even more difficult to properly administer and enforce the contracts.

3 (3) Grid Contract Operations

4 Grid Contract Operations manages the SCE Tariff Rules 13, 15, 16, and
5 20 contracts. SCE Tariff Rules 15 and 16 require that developers (and others adding load to the
6 distribution system) pay their portion of the costs associated with line and service extension projects. In
7 addition, SCE Tariff Rules 13 and 20 require that customers make advance payment for other requests,
8 such as temporary electric services and relocations of electric facilities. Collecting funds for all these
9 activities protects the financial interests of the ratepayers.

10 Here are examples of common actions performed by Grid Contract
11 Operations:

- 12 • Manage SCE Tariff Rules 13, 15, 16, 20 and real properties contracts,
13 including refunds, billings, payments, and collections throughout the
14 contract life, where applicable.
- 15 • Determine accounting treatment of advance payments collected from
16 customers.
- 17 • Monitor various email inboxes and phonelines for questions and
18 concerns from developers.
- 19 • Provide analytical support for an SAP-based contract-management
20 system (Contract Billing System), including interfaces with other
21 applications, contract modifications, and process improvements.

22 The non-labor portion of the Interconnection, Added Facilities & Special
23 Contracts organization includes costs for supplemental workers, employee expenses, and chargebacks
24 such as printing, employee relocations, and information technology.

25 b) Historical Variance Analysis and Forecast

26 (1) Historical Variance Analysis

27 The historical labor and non-labor costs in this activity are relatively flat.
28 CAISO's extension of approximately one year and correspondingly delaying Queue Cluster 15 for a
29 year allowed SCE to timely complete the application review and studies of the "supercluster," and
30 manage the portfolio of active interconnection projects in the queue with the resources available in 2022.

1 (2) Forecast

2 For Test Year 2025, SCE forecasts \$13.146 million for labor²³ and \$1.150
3 million for non-labor, which is based on 2022 recorded plus an adjustment for necessary increased
4 staffing as shown in Figure II-10.

5 While CAISO's extension of timelines helped in completing the work
6 activities needed for Queue Cluster 14 projects, SCE recognizes that the demands of existing requests
7 and anticipated interconnection needs has an immediate impact to resources, posing risks of decreased
8 productivity, burnout and low morale, and insufficient employee coverage. This impact may affect
9 SCE's ability to timely respond to customer's needs and support compliance with CPUC procurement
10 orders to meet reliability needs and demand for adequate electricity and impede California's clean
11 energy progress. This risk was recognized by the CPUC, as stated in President Reynolds's letter to SCE
12 CEO Steve Powell. SCE has evaluated its interconnection process and implemented improvement
13 initiatives, as described in its response to the letter from President Reynolds but supporting the State's
14 goals and customer needs also requires additional resources.

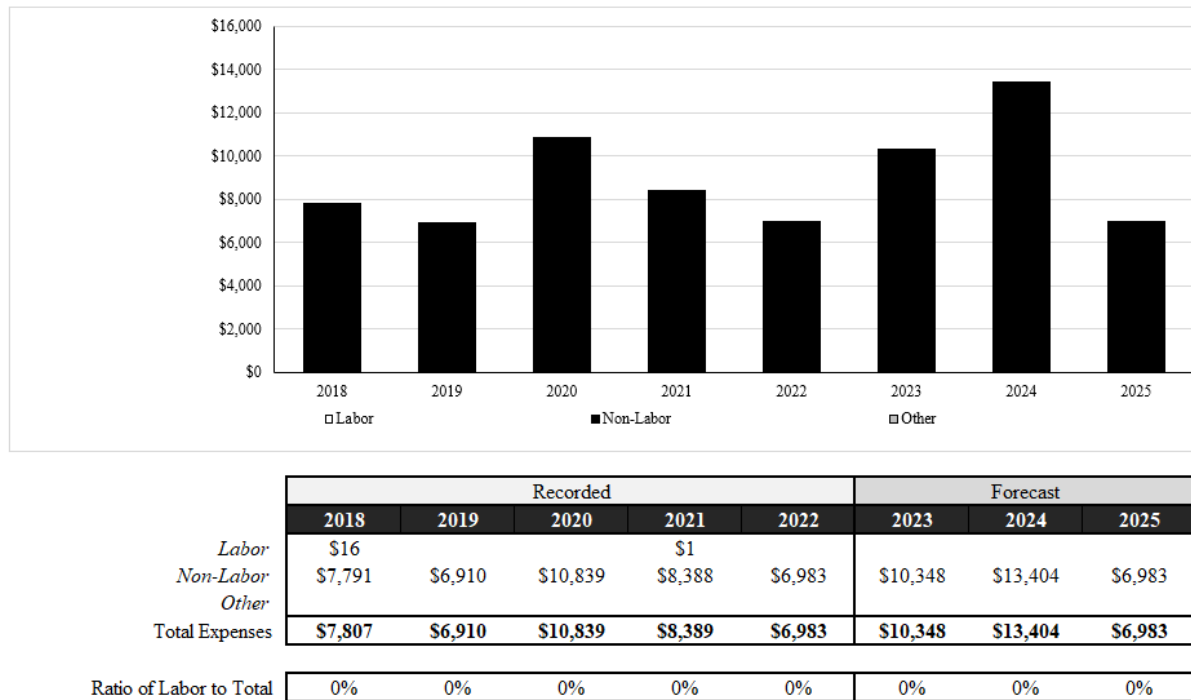
15 To determine resource needs, SCE analyzed how past interconnection
16 applications have moved through the process and the volume of resources required to support each step
17 in the process. SCE then used this baseline view to simulate resourcing needs on various scenarios of
18 interconnection demand and determined the need to add resources incrementally from 2023 through
19 2028. SCE is forecasting a necessary gradual increase in staff of twenty-seven full-time employees
20 which represents a 33% increase from our current staffing levels: Grid Contract Origination (seventeen),
21 these seventeen additional resources will accommodate growing workload, reduce the number of active
22 contracts negotiated per Advisor from approximately 75 to 45 and provide additional resources to
23 process applications and studies; Grid Contract Management (ten), these ten additional resources will
24 accommodate growing workload and reduce the number of contracts managed per Contract Manager
25 from approximately 520 to 340, and Grid Contract Operations (zero). These incremental resources will
26 perform the activities discussed in the respective areas above, support growth in renewable energy and
27 storage, and provide reliable renewable energy supply for customers throughout SCE's service area.²⁴

²³ The forecast incorporates an adjustment to reflect certain changes made to SCE's employee compensation program. Exhibit SCE-06, Vol. 04.

²⁴ WP SCE-02, Vol. 11, pp. 81-83, ("Interconnection, Added Facilities & Special Contracts Staffing").

6. Utility Joint Ownership Obligation

Figure II-11
Utility Joint Ownership Obligations²⁵
Recorded 2018-2022/Forecast 2023-2025
(Constant 2022 \$000)



a) Work Description – Utility Joint Ownership Obligation

This activity records the expenses associated with contracts with other utilities where SCE is a transmission participant and must pay its share of the costs.

- Salt River Project
 - Operation and maintenance of the Arizona Nuclear Power Project/Palo Verde 500kV High Voltage Switchyard (Palo Verde).
- Western Area Power Administration (WAPA)
 - Firm transmission and ancillary service on the Mead-Peaker transmission line.
 - Operation, maintenance, and interconnection charge for SCE's use of common facilities at WAPA's Blythe substation.

²⁵ WP SCE-02, Vol. 11, pp. 84-89, O&M Detail for Utility Joint Ownership Obligations.

- Operation, maintenance, replacement, and use of common facilities at WAPA’s Mead substation.
- Los Angeles Department of Water and Power (LADWP)
 - Operation and maintenance of the Pacific DC Intertie Transmission Facilities.

The contracts related to these expenses are managed by the Grid Contract Management group, which is discussed above in the Interconnection, Added Facilities & Special Contracts section.

b) Historical Variance Analysis and Forecast

(1) Historical Variance Analysis

Any labor in this activity is immaterial. For non-labor from 2019 to 2020, the increase was primarily due to an invoice of \$2.3 million received from LADWP in 2020 for soil contamination and remediation at the Sylmar Converter Station under the Pacific DC Intertie Agreement for periods 2020 and prior. This represented SCE's 50% share of O&M expense that LADWP incurred but did not bill. In addition to the environmental remediation invoice, there were also increases in other O&M expenses billed to SCE from LADWP. From 2020 to 2021, the decrease is due to the previous year’s catch-up LADWP invoice for the environmental clean-up. The decrease from 2021 to 2022 is due to a decrease in LADWP’s O&M expenses billed to SCE.

(2) Forecast

For Test Year 2025, SCE forecast expenses of \$6.983 million, based on last year recorded as shown in Figure II-11. These are mostly FERC-jurisdictional contractual costs, which are filed as part of the FERC Formula Rate Filing.²⁶

²⁶ FERC jurisdictional and the FERC formula rate are discussed in Exhibit SCE-07 Vol. 01, Chapter IV.B. Joint Utility Obligations also include 100% FERC Jurisdictional capital costs of \$5.657 million in 2023, \$9.941 million in 2024, \$5.904 million in 2025, \$7.816 million in 2026, \$1.668 million in 2027, and \$2.012 million in 2028.

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III.

OTHER OPERATING REVENUE

SCE receives Other Operating Revenue (OOR) from transactions not associated with the sale of electric energy. Tariffed OOR is based on CPUC- or FERC-approved rates. Tariffed OOR offsets the revenue requirement we would otherwise collect from customers. The activities are listed in Table III-6 with the associated forecast of \$150.033 million in 2025 tariffed OOR for T&D Activities.

***Table III-6
Other Operating Revenue (OOR) Request
Test Year 2025 Forecast
(Nominal \$000)***

Business Plan Element	Work Activity	2025 Forecast
Other Operating Revenue	Ownership Charges	\$ 453
	Pole Rentals	\$ 13,387
	Transmission and Distribution Services	\$ 64,202
	Generation Radial Tie-Lines	\$ 1,330
	Tie-Line Facilities Rental Agreements	\$ 250
	Miscellaneous Revenue	\$ 923
	SCE-Financed Added Facilities	\$ 37,597
	SCE-Financed Interconnection Facilities	\$ 7,737
	Customer-Financed Added/Interconnection Facilities	\$ 18,707
	Interconnection Request Fees	\$ 5,447
Total		\$ 150,033

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9

A. Ownership Charges

Ownership charges cover the ongoing expenses associated with owning assets, including operations, maintenance, administrative and general, etc. Under SCE Tariff Rule 15, ownership charges

are collected when the meters that are connected to a line extension do not qualify for a full refund.²⁷
The OOR associated with ownership charges is shown in Figure III-12.

1. Historical Variance Analysis

Historical variances are driven by several variables that together influence the revenue for this activity, as explained below in the Forecast section.

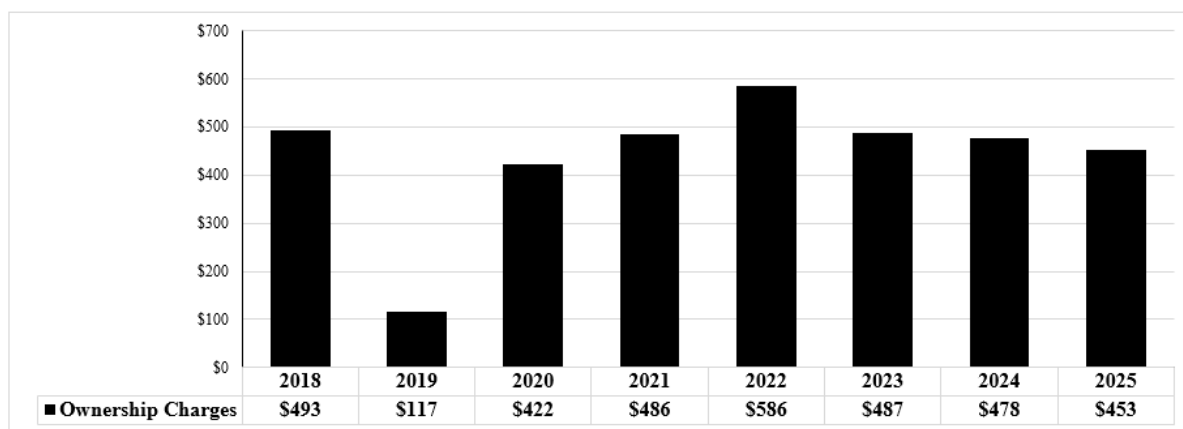
2. Forecast

For Test Year 2025, SCE forecasts Ownership Charges of \$453,000 as shown in Figure III-12, using an escalated five-year average. In D.89-12-057, and subsequently in D.04-07-022, the Commission stated that for those accounts that have significant fluctuations in recorded costs from year-to-year, or which are influenced by external forces beyond the control of the utility, an average over a period of time is a reasonable base estimate. There are several variables that influence these ownership charges, for example, new contracts beginning while old ones are expiring, construction resulting in new meter installations, and load being added during the life of the contract that qualifies the applicant for refunds, which in turn lowers the refundable amount upon which the ownership is calculated. We expect these fluctuations to continue into the future; accordingly, we chose an escalated five-year average (normalized) to forecast revenue in this activity.²⁸

²⁷ SCE Tariff Rule 15 E.6 for Distribution Line Extensions states: “When any portion of a refundable amount has not qualified for a refund at the end of twelve (12) months from the date SCE is first ready to serve, Applicant will pay to SCE a Monthly Ownership Charge of 0.30 percent for administrative and general (A&G) expense, Franchise Fees and Uncollectibles (FF&U), ad valorem tax, insurance, and operations and maintenance (O&M) expense on the remaining refundable balance.” *available at* <https://www.sce.com/regulatory/tariff-books>.

²⁸ WP SCE-02, Vol. 11, pp. 90-91, (“Ownership Charges and Miscellaneous Grid Activities”).

Figure III-12
Ownership Charges²⁹
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



B. Pole Rentals

SCE's pole rental activities are managed by SCE's Joint Pole Organization and discussed in Exhibit SCE-02, Volume 9, Chapter VII. SCE receives pole rental revenues associated with five activities: (1) rental of space on our poles for SCE's renters or licensees (pole rental fees); (2) rental unauthorized attachment fees; (3) application processing and engineering fees or P&E fees for pole attachment requests; (4) post-attachment inspection fees; and (5) conduit rentals (conduit rental fees). The OOR associated with pole rentals is shown in Figure III-13.

1. Historical Variance Analysis

The increase from 2018 to 2019 of \$2.9 million and from 2019 to 2020 of \$3.0 million was primarily due to a joint pole rental rate change from \$11.50 to \$23.40.³⁰ For the period of 2020 to 2021, SCE experienced a decrease in the number of inspections resulting in the reduction of invoices for pole inspections and unauthorized pole rental penalties. The increase from 2021 to 2022 of \$7.3 million was due to an increase in the number of inspections resulting in the increase of invoices for pole inspections and unauthorized pole rental penalties.

²⁹ WP SCE-02, Vol. 11, pp. 92-96, OOR Detail for Ownership Charges.

³⁰ See below in Section B.2 for a discussion on Advice Letter 4252-E.

2. Forecast

SCE developed separate forecasts for each of the activities within the Pole Rental work activity. Revenue for pole rental fees is based on the estimate of the total number of attachments multiplied by the applicable rate. Pole rental fees are based on the rates set forth in the July 9, 2020 settlement agreement between SCE and California Cable & Telecommunications Association (CCTA), which SCE submitted to the Commission in SCE's Advice Letter 4252-E (effective July 15, 2020). For attachments, the volume has increased an average of 1.2 percent per year during the historical period; therefore, our forecast includes a 1.2 percent annual increase through 2028. We averaged the resulting revenue for years 2025-2028 to provide a normalized forecast for Test Year 2025.³¹

Pursuant to D.98-10-058, SCE charges a \$500 penalty for unauthorized attachments.³² For forecasting, we used an average of the activity from 2018-2022 to forecast volume through 2025. In D. 22-10-025, the Commission declined to increase this fee.³³

Revenue for P&E fees are based on the number of customer requests for new pole attachments and realignment of existing attachments times the applicable rate. Effective April 1, 2019, the rate was \$186.78 which is also used for the forecast period. In SCE's 2021 GRC, the Commission approved SCE's P&E fee of \$186.78 and found it to be "reasonable, necessary, and reflective of SCE's actual cost of service."³⁴ The volume of this activity has fluctuated over the historical period, as such SCE has used a five-year average for volume in the forecast.³⁵

Revenue for post-attachment inspections is based on the number of inspections times the applicable rate. SCE's post-attachment inspection fee of \$215.67 is set forth and updated in Tariff PARF (Pole Attachment Related Fees), which was submitted to the Commission by SCE in Advice Letter 4586-E/E-A and approved on October 1, 2021, as part of SCE's advice letter on tariff changes implementing D.21-08-036. As with the P&E fee, the Commission in SCE's last GRC proceeding found

³¹ WP SCE-02, Vol. 11, pp. 97-98, ("Pole Rental Fees"). The workpaper reflects a rate increase for years 2025 through 2028 which increases the Pole Rental Fees revenue forecast from \$7,773 to \$8,426, an increase of \$0.653 million. SCE will subsequently file errata for this revenue increase.

³² D.98-10-058, Conclusion of Law 50, p. 127.

³³ WP SCE-02, Vol. 11, pp. 99-100, ("Rental Unauthorized Attachment Penalties"). Subsequent to D.22-10-025, the ALJ in OII 17-06-027/OIR 17-06-028 issued a ruling on December 12, 2022, requesting comments from parties on outstanding issues in the OII/OIR, including the issue of increasing the unauthorized fee.

³⁴ D.21-08-036, p. 258.

³⁵ WP SCE-02, Vol. 11, pp. 101-102, ("Process & Engineering Fees").

1 the post-attachment inspection fee to be “reasonable, necessary, and reflective of SCE’s actual cost of
2 service,”³⁶ and SCE is continuing the use the rate of \$215.67 for the forecast period. The volume of this
3 activity has fluctuated over the historical period, as such SCE has used a four-year average (2019 to
4 2022)³⁷ for volume in the forecast.³⁸

5 Revenue for conduit rentals is based on the number of feet of conduit multiplied by an
6 annually calculated rate-per-foot. We have seen minimal fluctuations in the number of feet for several
7 years, therefore, we forecasted this activity using 2022 recorded feet and a five-year average of the rate-
8 per-foot.³⁹

9 For Test Year 2025, SCE forecasts Pole Rentals of \$13.387⁴⁰ million as shown in Table
10 III-7 and Figure III-13. SCE requests that the Commission approve and find reasonable SCE’s OOR
11 forecast for (1) Pole Rental Fees of \$7.773 million, along with SCE’s use of the underlying pole
12 attachment rates in SCE’s Advice Letter 4252-E which was used to develop this forecast, (2) Rental
13 Unauthorized Attachment Penalties of \$1.476 million, (3) Process & Engineering Fees of \$1.820
14 million, along with SCE’s continuing use of the underlying P&E fee of \$186.76 approve by the
15 Commission in SCE’s prior GRC proceeding, (4) Post-Attachment Inspection Fees of \$1.604 million,
16 along with SCE’s continuing use of the underlying post-attachment inspection fee of \$215.67 approved
17 by the Commission in SCE’s prior GRC proceeding, and (5) Conduit Rentals of \$714,000.

³⁶ D.21-08-036, p. 258.

³⁷ Post-attachment inspection billing started in May 2018.

³⁸ WP SCE-02, Vol. 11, pp. 103-104, (“Post-Attachment Inspections”).

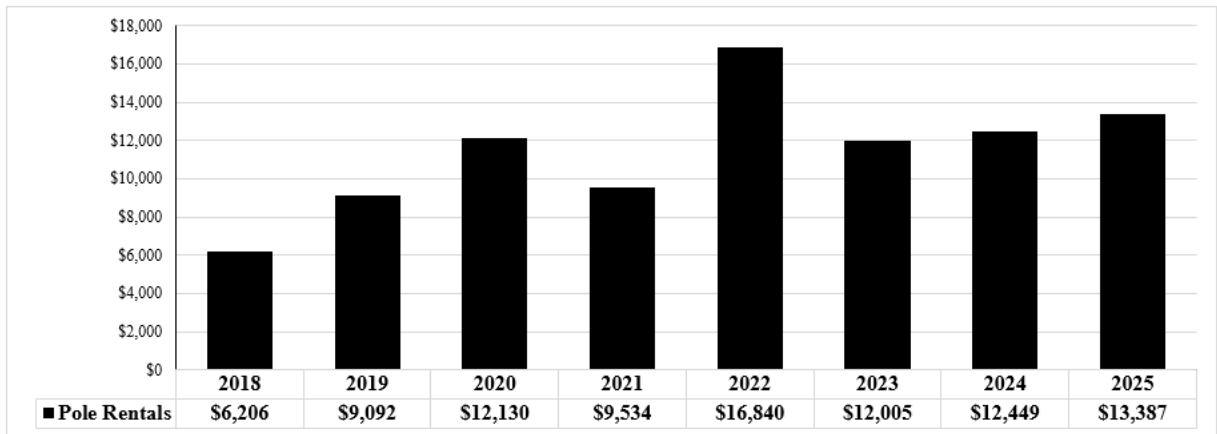
³⁹ WP SCE-02, Vol. 11, pp. 105-106, (“Conduit Rentals”).

⁴⁰ SCE will subsequently file errata to increase the Pole Rentals revenue by \$0.653 million.

Table III-7
Pole Rentals
Test Year 2025
(Nominal \$000)

Activity	2025 Forecast
Pole Rental Fees	\$ 7,773
Rental Unauthorized Attachment Penalties	\$ 1,476
Process & Engineering Fees	\$ 1,820
Post-Attachment Inspections	\$ 1,604
Conduit Rentals	\$ 714
Total	\$ 13,387

Figure III-13
Pole Rentals⁴¹
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



C. Transmission and Distribution Services

These activities include revenue from transmission services provided under Firm Transmission Service agreements and Wholesale Distribution Access Tariff service agreements. Transmission services are provided over facilities inside and outside the control of CAISO. The OOR associated with transmission and distribution services is shown in Figure III-14.

⁴¹ WP SCE-02, Vol. 11, pp. 107-111, OOR Detail for Pole Rentals.

1 **1. Transmission of Electricity of Others**

2 The revenue recorded for this activity is for Firm Transmission Service provided to
3 customers using facilities controlled by CAISO. This revenue is 100 percent FERC-jurisdictional and
4 includes the following customers: The Cities of Azusa, Banning, Colton, Riverside, Vernon, and
5 LADWP. The Firm Transmission Service revenue collected by SCE is subject to FERC-approved high-
6 and low-voltage access rates. The access rates are updated annually through SCE's filing of the
7 Transmission Revenue Balancing Account Adjustment with FERC.

8 **2. Wholesale Distribution Access Tariff**

9 This revenue is for transmission service to customers through facilities not controlled by
10 CAISO under FERC-approved Wholesale Distribution Access Tariff service agreements. Agreements
11 are in place with Arizona Public Service, Azusa, Banning, California Department of Water Resources,
12 Colton, Corona, Golden State Water Company, Industry, Moreno Valley, Pechanga, Rancho
13 Cucamonga, Riverside, Southwest Transmission Cooperative, and Victorville.

14 **3. Firm Transmission Service Public Power Utilities/Non-ISO**

15 This revenue is for Firm Transmission Service provided to the city of Vernon over
16 facilities not controlled by CAISO under FERC-approved rates.

17 **4. Firm Transmission Service Non-Public Power Utilities/Non-ISO**

18 This revenue is for Firm Transmission Service provided to non-Public Power Utility
19 customers using facilities not controlled by CAISO. These customers include California Department of
20 Water Resources and Golden State Water Company. The revenue is subject to FERC-approved rates.

21 a) Historical Variance Analysis

22 The year-to-year variances are driven primarily by increases and/or decreases in
23 the Transmission Revenue Balancing Account Adjustment associated with the High and Low Voltage
24 Existing Contracts Access Charge.⁴²

25 b) Forecast

26 For Test Year 2025, SCE forecasts revenue of \$64.202⁴³ million as shown in
27 Table III-8 and Figure III-14. Transmission of Electricity of Others is 100 percent FERC-jurisdictional;

⁴² SCE's Transmission Owner Tariff (TO Tariff) specifies, among other things, the rates and charges for transmission access over the CAISO-controlled grid. One component of those rates is the Transmission Revenue Balancing Account Adjustment (TRBAA).

⁴³ SCE will subsequently file errata to reduce the Transmission and Distribution Service revenue by \$0.122 million.

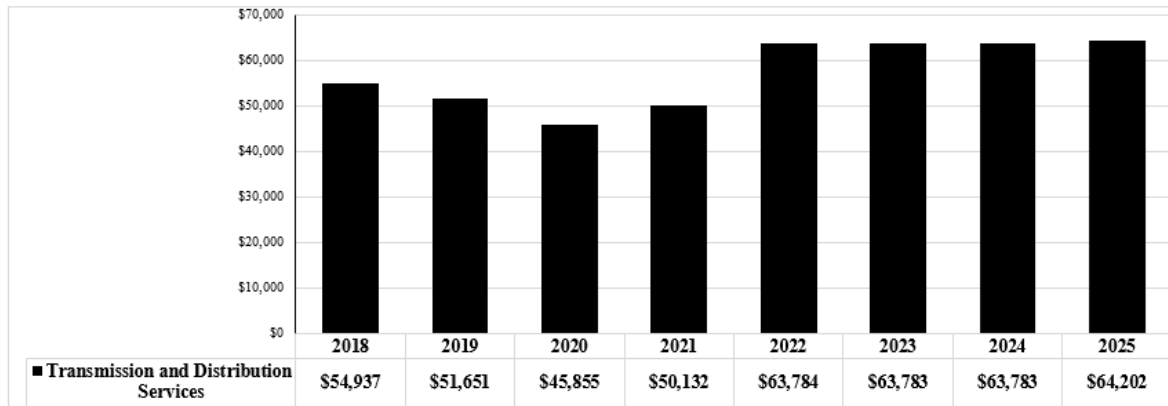
therefore, we used the 2022 recorded of \$52.963 million, which is the amount that will be included in the 2022 FERC Formula Rate Filing. For the other three activities, we took the specific terms and conditions of the existing contracts and applied the current FERC-approved rates.

Table III-8
Transmission and Distribution Service⁴⁴
Test Year 2025
(Nominal \$000)

Sub-Work Activity	2025 Forecast
Transmission of Electricity of Others	\$ 52,963
Wholesale Distribution Access Tariff	\$ 10,044
Firm Transmission Service Public Power Utilities/Non-ISO	\$ 296
Firm Transmission Service Non-Public Power Utilities/Non-ISO	\$ 899
Total	\$ 64,202

⁴⁴ WP SCE-02, Vol. 11, pp. 112-113, (“Transmission and Distribution Services”). The workpaper excludes three contracts terminated in October 2022 which reduced the Wholesale Distribution Access Tariff revenue forecast from \$10,044 to \$9,922, a reduction of \$0.122 million. SCE will subsequently file errata for this revenue reduction.

Figure III-14
Transmission and Distribution Services⁴⁵
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



D. Generation Radial Tie-Lines

SCE has radial line agreements for the Huntington Beach, Mandalay, Ormond Beach, and Mojave Solar generating stations. SCE owns and operates the radial tie-lines connecting the generating stations to the grid controlled by CAISO. The FERC has determined these transmission lines should be classified as generation facilities, and the costs cannot be recovered through transmission rates. The plant owners pay SCE a monthly fee comprising a base cost component and an O&M component. The OOR associated with generation radial tie-lines is shown in Figure III-15.

1. Historical Variance Analysis

The OOR for this activity is relatively flat.

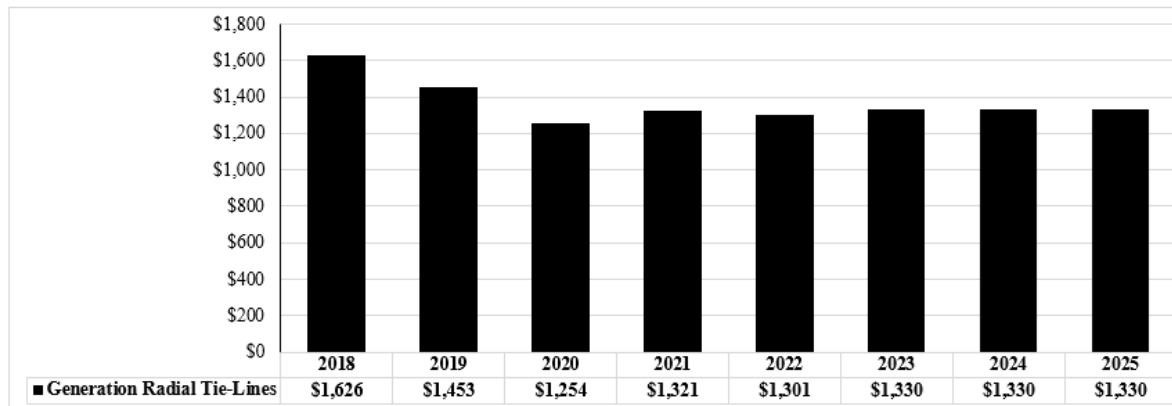
2. Forecast

For Test Year 2025, SCE forecasts revenue of \$1.330 million as shown in Figure III-15. The forecast for the base cost component is a fixed contract amount. The forecast for the O&M component is based on the capital investment at a rate set forth in the contracts. Any known capital investments expected to be made through 2028 are included in the forecast.⁴⁶

⁴⁵ WP SCE-02, Vol. 11, pp. 114-118, OOR Detail for Transmission and Distribution Services.

⁴⁶ WP SCE-02, Vol. 11, pp. 119-120, (“Generation Radial Tie-Lines”).

Figure III-15
Generation Radial Tie-Lines⁴⁷
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



E. Tie-Line Facilities Rental Agreements

This activity includes revenue for the tie-lines from the High Desert Power Project and the Inland Empire Energy Center to the grid controlled by CAISO. SCE receives revenue for operating and maintaining the tie-lines. The OOR associated with tie-line facilities rental agreements is shown in Figure III-16.

1. Historical Variance Analysis

The increase in OOR from 2018 to 2019 is due to a multi-year true-up billing in 2018 for High Desert Power Project⁴⁸ and remained flat in the succeeding years through 2022.

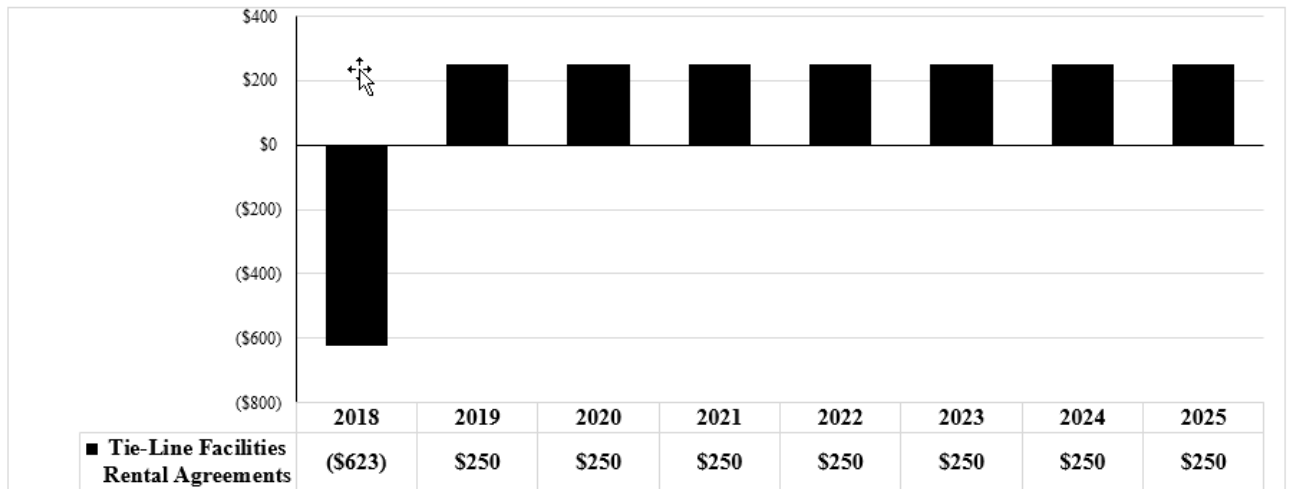
2. Forecast

For Test Year 2025, SCE forecasts revenue of \$250,000 as shown in Figure III-16. Our forecast is based on the actual terms of the two tie-line agreements. The High Desert Power Project pays \$17,320 per month and the Inland Empire Energy Center pays \$3,541 per month. The contract terms do not call for a change in payment during the forecast period.

⁴⁷ WP SCE-02, Vol. 11, pp. 121-125, OOR Detail for Generation Radial Tie-Lines.

⁴⁸ When projects are placed in service, billing begins on an estimated basis. Later, when final costs are determined, billing is adjusted retroactively to the final cost basis.

Figure III-16
Tie Line Facilities Rental Agreements⁴⁹
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



F. Miscellaneous Grid Activities

Miscellaneous Revenue includes OOR primarily from the following two sources and is shown in Figure III-17.

One-Time Added/Interconnection Facilities

SCE Tariff Rule 2, Section H defines added facilities as those that are in addition to, or in substitution for, the standard facilities that SCE would normally install for delivery of electric services. To recover the cost of owning, operating, and maintaining customer-requested added facilities, the customer pays a monthly charge based on the cost of the facilities. The monthly charge is equal to the installed cost of the facilities, multiplied by the monthly added facilities rate that applies to the type of financing. For small projects (typically when the capital investment is less than \$10,000), we ask the added facilities customer to make a one-time payment in lieu of the monthly charges. Interconnection facilities, which are a type of added facilities, uses the same Rule 2 rates.

Property License Fee Revenue and Other

This activity primarily includes revenue for the lease of the 230kV transmission line from Hoover Plant to Mead Substation billed to the Western Area Power Administration.

⁴⁹ WP SCE-02, Vol. 11, pp. 126-130, OOR Detail for Tie-Line Facilities Rental Agreements.

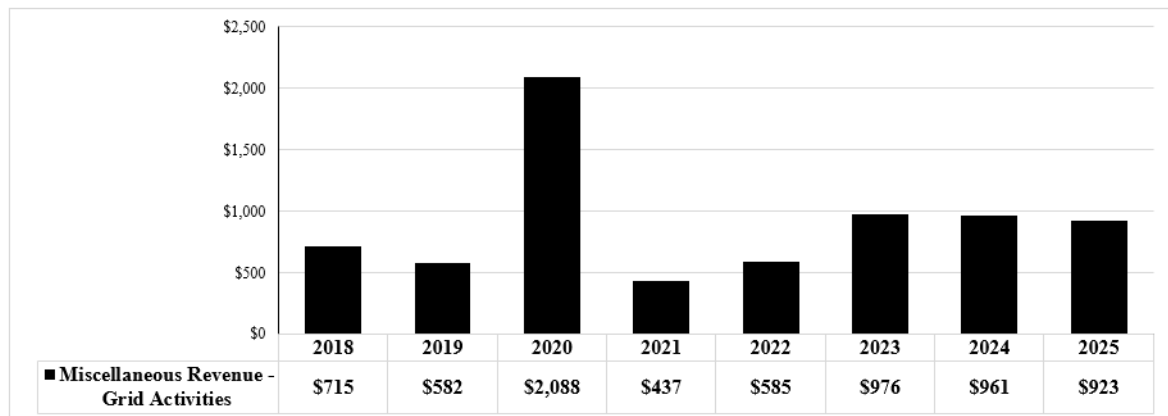
1 **1. Historical Variance Analysis**

2 The Miscellaneous Revenue in this activity is largely driven by customer requests and
3 historical variances fluctuate based on the number and size of the requests.

4 **2. Forecast**

5 For Test Year 2025, SCE forecasts revenue of \$923,000 as shown in Figure III-17. There
6 are no ongoing contracts to develop a forecast for one-time added/interconnection facilities; therefore,
7 we used an escalated five-year average (normalized) to forecast test year revenue. Property license fee
8 and other revenue are largely based on fixed contract amounts and are, therefore, forecast based on the
9 contract rate.⁵⁰

Figure III-17
Miscellaneous Grid Activities⁵¹
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



10 **G. Added Facilities / Interconnection Facilities**

11 Added facilities, as defined in SCE Tariff Rule 2, Section H, are in addition to, or in place of,
12 standard facilities that the company would normally provide for the delivery of service. SCE may, at its
13 discretion, provide financing for added facilities projects. We collect a monthly charge for added
14 facilities. For newly constructed facilities, we base the monthly charge on the original cost of the assets
15 in rate base. For existing facilities, we base the monthly charge on “reconstruction cost new less

⁵⁰ WP SCE-02, Vol. 11, pp. 90-91, (“Ownership Charges and Miscellaneous Grid Activities”).

⁵¹ WP SCE-02, Vol. 11, pp. 131-135, OOR Detail for Miscellaneous Grid Activities.

1 depreciation.”⁵² The general customer base does not pay costs associated with these assets; instead, the
2 specific customer requesting the added facilities/interconnection facilities pays the associated charges,
3 which are reflected in our calculation of OOR, and reduces our overall revenue requirement.

4 Interconnection facilities refer to equipment installed to connect a producer’s or customer’s
5 generator to our system as defined in SCE Tariff Rule 21 and various FERC tariffs. Interconnection
6 facilities are installed and treated as added facilities and, as such, they are owned, operated, and
7 maintained by SCE and subject to the same monthly charges as defined in SCE Tariff Rule 2, Section H.
8 Accordingly, both are encompassed by the term “added facilities.”

9 The tariff sets forth the rates to be charged. For example, if a customer contracts for \$1 million of
10 SCE-financed added facilities without replacement coverage, the monthly charge would be \$10,600, or
11 1.06 percent of \$1 million.

12 The following three sections will cover the three activities with revenue for added facilities.

13 **1. SCE-Financed Added Facilities**

14 The OOR associated with SCE-financed added facilities is shown in Figure III-18.

15 a) Historical Variance Analysis

16 The OOR in this activity fluctuated over the historical period resulting from the
17 addition of SCE-financed facilities, terminations, rate changes, and true-up billing activities. Revenue
18 increased from 2020 to 2021 mainly due to “make-whole payments”⁵³ for renewed 20-year term
19 agreements that reached maturity in 2016-2021. Additionally, revenue decreased from 2021 to 2022
20 mainly due to monthly rate changes as shown in Table III-9.

⁵² SCE Tariff Rule 2, Section H.

⁵³ In the 2021 GRC (Exhibit SCE-07 V.01CA2 Section IX.B.1.c, p. 104), SCE stated that “the customer is required to pay SCE a “make-whole payment” to account for the difference between what SCE collected from the customer based on the 20-year replacement rate versus replacement coverage in perpetuity...” In addition, D.21-08-036 at p. 488, stated that “we find reasonable and approve SCE’s uncontested proposals for addressing terminated or terminating contracts with 20-year terms...”.

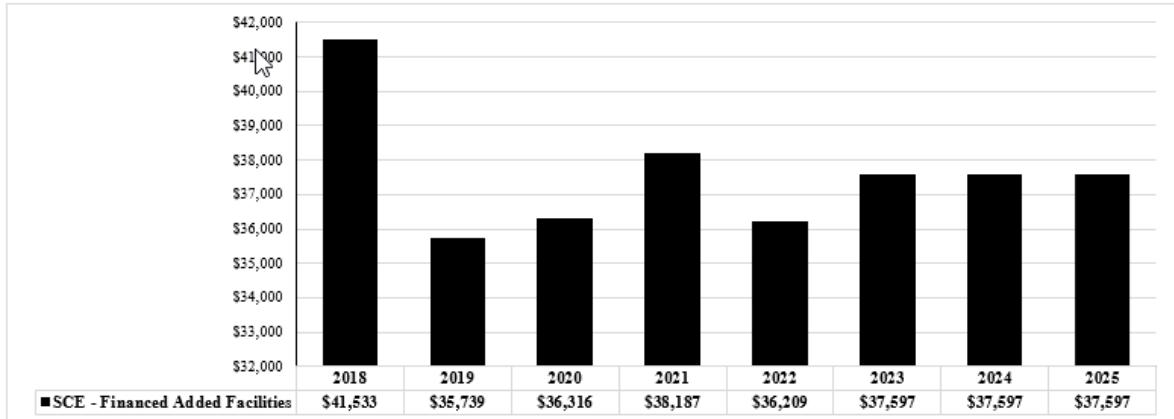
Table III-9
SCE-Financed Added Facilities Rates

Implementation Date	2015 GRC January 2016	2018 GRC July 2019	2021 GRC October 2021
Without Replacement Coverage	1.25%	1.10%	1.06%
20-Year Term Replacement Coverage	1.28%	1.13%	1.08%
Perpetuity Replacement Coverage	1.42%	1.23%	1.16%
ISO-Controlled Facilities	0.26%	0.22%	0.31%

b) Forecast

For Test Year 2025, SCE forecasts revenue of \$37.597 million using a five-year average as shown in Figure III-18. This activity is driven by customer requests for added facilities using SCE financing and by terminations of such contracts. In D.89-12-057, and subsequently in D.04-07-022, the CPUC stated that if recorded accounts have significant fluctuations from year-to-year, or accounts are influenced by external forces beyond the utility's control, an average of recorded-expenses is appropriate. This activity is driven by customer requests for added facilities using SCE financing, terminations of such contracts, and “make-whole payments” of maturing 20-year term agreements. We expect these fluctuations to continue, so we chose a five-year average to forecast revenue in this activity.

Figure III-18
SCE-Financed Added Facilities⁵⁴
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



2. **SCE-Financed Interconnection Facilities**

The OOR associated with SCE-financed interconnection facilities is shown in Figure III-19.

a) Historical Variance Analysis

The OOR in this activity has fluctuated over the historical period resulting from the addition of SCE-financed facilities, terminations, rate changes, and true-up billing activities. Revenue decreased from 2019 to 2020 and from 2021 to 2022 mainly due to monthly rate changes as shown in Table III-10.

⁵⁴ WP SCE-02, Vol. 11, pp. 136-140, OOR Detail for SCE-Financed Added Facilities.

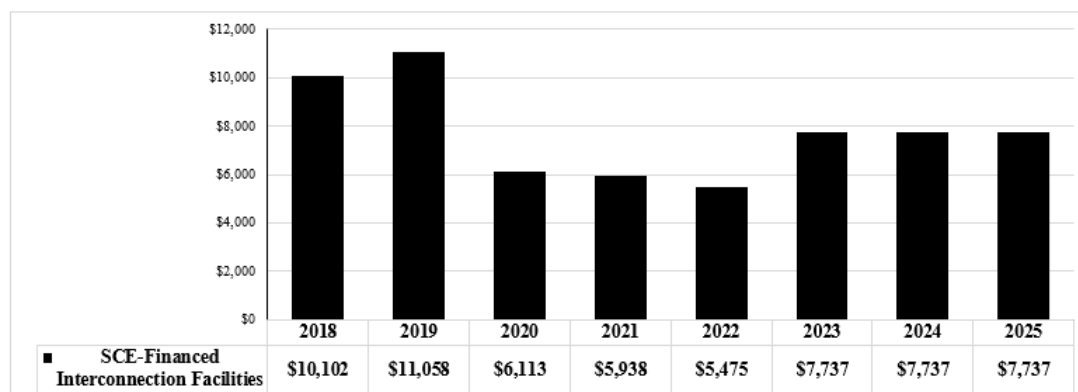
Table III-10
SCE-Financed Interconnection Facilities Rates

Implementation Date	2015 GRC January 2016	2018 GRC July 2019	2021 GRC October 2021
Without Replacement Coverage	1.25%	1.10%	1.06%
20-Year Term Replacement Coverage	1.28%	1.13%	1.08%
Perpetuity Replacement Coverage	1.42%	1.23%	1.16%
ISO-Controlled Facilities	0.26%	0.22%	0.31%

b) Forecast

For Test Year 2025, SCE forecasts revenue of \$7.737 million using a five-year average as shown in Figure III-19. In D.89-12-057, and subsequently in D.04-07-022, the CPUC stated that if recorded accounts have significant fluctuations from year-to-year, or accounts are influenced by external forces beyond the utility's control, an average of recorded expenses is appropriate. This activity is driven by customer requests for interconnection facilities using SCE financing and by terminations of such contracts. We expect these fluctuations to continue into the future, so we chose a five-year average to forecast revenue in this activity.

Figure III-19
SCE-Financed Interconnection Facilities⁵⁵
(Nominal \$000)



⁵⁵ WP SCE-02, Vol. 11, pp. 141-145, OOR Detail for SCE-Financed Interconnection Facilities.

3. Customer-Financed Added/Interconnection Facilities

The OOR associated with customer-financed added/interconnection facilities is shown in Figure III-20.

a) Historical Variance Analysis

The OOR in this activity has fluctuated over the historical period resulting from the addition of customer-financed facilities, terminations, rate changes, and true-up billing activities. Revenue decreased from 2019 to 2020 and from 2021 to 2022 mainly due to monthly rate changes as shown in Table III-11.

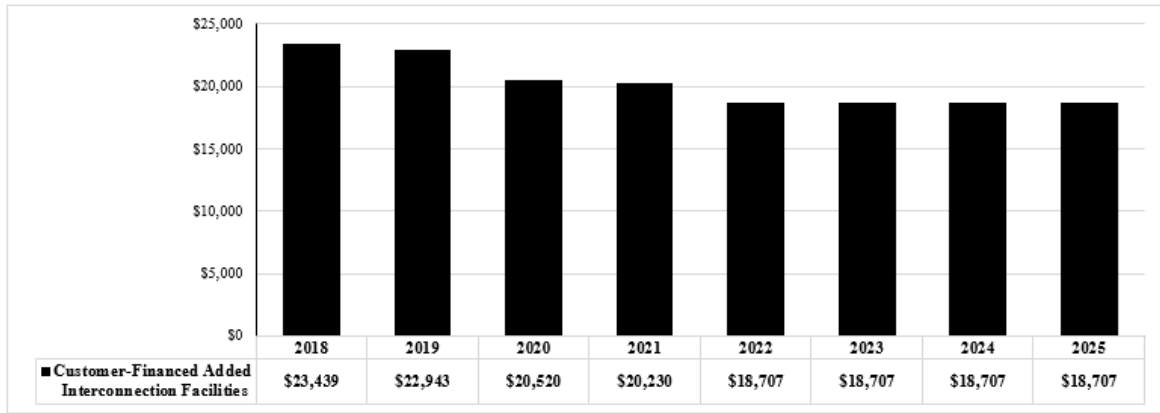
Table III-11
Customer-Financed Added/Interconnection Facilities Rates

Implementation Date	2015 GRC January 2016	2018 GRC July 2019	2021 GRC October 2021
Without Replacement Coverage	0.38%	0.34%	0.29%
20-Year Term Replacement Coverage	0.40%	0.37%	0.32%
Perpetuity Replacement Coverage	0.55%	0.47%	0.39%

b) Forecast

For Test Year 2025, SCE forecasts revenue of \$18.707 million using last year recorded as shown in Figure III-20. This activity is driven by customer requests for added/interconnection facilities using customer financing, terminations of such contracts, and "make-whole payments" of maturing 20-year term agreements.

Figure III-20
Customer-Financed Added/Interconnection Facilities⁵⁶
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



H. Interconnection Request Fees

Interconnection Request Fees includes OOR from NEM, Non-NEM, and WDAT customers applying to interconnect generating facilities.

In accordance with Tariff Rule 21,⁵⁷ NEM customers applying to interconnect generating facilities with a capacity of less than one megawatt must pay an application fee of \$75 and those customers applying to interconnect generating facilities with a capacity of more than one megawatt must pay an application fee of \$800.

Additionally, Non-NEM customers applying to interconnect generating facilities must pay an application fee of \$800.

Lastly, in accordance with the WDAT Tariff,⁵⁸ Fast Track eligible customers submitting an interconnection request to interconnect generating facilities with SCE must pay a non-refundable pre-application fee of \$300 and a non-refundable application fee of \$800.

The OOR associated with Interconnection Request Fees is shown in Figure III-21.

⁵⁶ WP SCE-02, Vol. 11, pp. 146-150, OOR Detail for Customer-Financed Added/Interconnection Facilities.

⁵⁷ SCE Tariff Rule 21, Sheet 41, Table E.1, available at <https://www.sce.com/regulatory/tariff-books>.

⁵⁸ Wholesale Distribution Access Tariff, Attachment I, Section 6.

1 **1. Historical Variance Analysis**

2 The increase of \$2.2 million from 2020 to 2021 and \$2.6 million from 2021 to 2022 is
3 primarily due to the increase in NEM applications.

4 **2. Forecast**

5 For Test Year 2025, SCE forecasts revenue of \$5.447 million as shown in Table III-12
6 and Figure III-21.

7 For NEM application fees, SCE uses a five-year (2018- 2022) historical ratio of
8 applications received to Solar PV installations to gross-up the NEM installation forecast and derive the
9 forecast number of applications. The revenue is then calculated by multiplying the derived applications
10 forecast by the application fee.⁵⁹

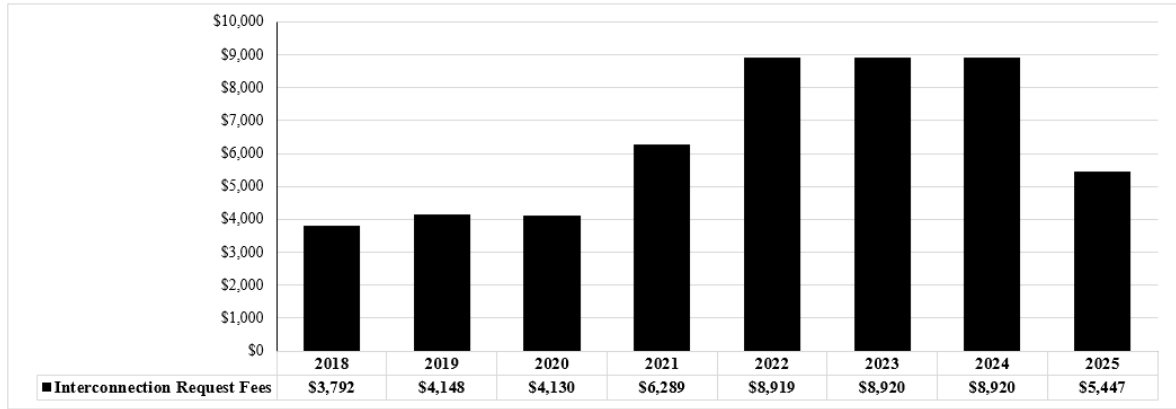
11 For Non-NEM applications fees, SCE used last year recorded as shown in Figure III-21.
12 In D.89-12-057, and subsequently in D.04-07-022, the CPUC stated that if recorded accounts have
13 shown a trend in a certain direction for three or more years, the last recorded year is an appropriate base
14 estimate.

Table III-12
Interconnection Request Fees
Test Year 2025
(Nominal \$000)

Activity	2025 Forecast
NEM Interconnection Request Fees	\$ 5,037
Non-NEM Interconnection Request Fees	
WDAT Pre-Application Fee	\$ 26
Rule 21 Pre-Application Fee	\$ 48
Rule 21 Fast Track Fee	\$ 169
WDAT Fast Track Application Fee	\$ 41
Rule 21 Supplemental Review Fee	\$ 126
Total Non-NEM Interconnection Request Fees	\$ 410
Total	\$ 5,447

⁵⁹ WP SCE-02, Vol. 11, pp. 151-152, (“Net Energy Metering Interconnection Request Fees”).

Figure III-21
Interconnection Request Fees⁶⁰
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



⁶⁰ WP SCE-02, Vol. 11, pp. 153-157, OOR Detail for Interconnection Request Fees.