

Application No.: A.23-05-010
Exhibit No.: SCE-06 Vol. 04
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(U 338-E)

2025 General Rate Case

Employee Benefits, Training and Support

Before the

Public Utilities Commission of the State of California

Rosemead, California
May 12, 2023

SCE-06 Vol. 04: Employee Benefits, Training and Support

Table Of Contents

| Section | Page | Witness |
|--|------|--------------|
| I. INTRODUCTION | 1 | N. Schilling |
| A. Employee Benefits, Training and Support..... | 1 | |
| B. Summary of O&M Request | 3 | |
| II. EMPLOYEE SUPPORT..... | 5 | |
| A. Overview..... | 5 | |
| 1. Risk Factors, Safety, Reliability and Connection with RAMP | 6 | |
| 2. Compliance Requirements | 6 | |
| a) 2012 GRC Decision – Workforce and Leadership Diversity Update | 6 | |
| (1) Ten Year Comparison by Job Category | 7 | |
| (2) Leadership Development for Underrepresented Groups | 10 | |
| 3. Comparison of Authorized 2021 to 2021 Recorded | 12 | |
| B. O&M Forecast | 13 | |
| 1. Operating Unit (OU) Support Services..... | 13 | |
| a) Work Description..... | 14 | |
| (1) Business Partner..... | 14 | |
| (2) Organizational Effectiveness and Change Management | 15 | |
| (3) Employee Relations | 15 | |
| (4) Labor Relations..... | 16 | |
| (5) Administrative Support..... | 16 | |
| (6) Internal Communications..... | 16 | |
| b) Need for Activity | 17 | |

SCE-06 Vol. 04: Employee Benefits, Training, and Support

Table Of Contents (Continued)

| Section | Page | Witness |
|--|------|-----------------|
| c) Alternatives Considered..... | 19 | |
| d) Comparison of Authorized 2021 to Recorded | 19 | |
| e) Scope and Forecast Analysis | 20 | |
| (1) Historical Variance Analysis | 20 | |
| (2) Forecast..... | 21 | |
| 2. Talent Solutions | 25 | |
| a) Work Description..... | 26 | |
| (1) Talent Acquisition..... | 26 | |
| (2) Diversity, Equity and Inclusion | 26 | |
| b) Need for Activity | 27 | |
| c) Alternatives Considered..... | 31 | |
| d) RAMP Integration..... | 31 | |
| (1) Reconciliation Between RAMP and GRC | 31 | |
| e) Comparison of Authorized 2021 to Recorded | 32 | |
| f) Scope and Forecast Analysis | 33 | |
| (1) Historical Variance Analysis | 33 | |
| (2) Forecast..... | 34 | |
| III. EMPLOYEE BENEFITS & PROGRAMS | 35 | S. Trakhtenberg |
| A. Overview..... | 36 | |
| 1. Risk Factors, Safety, Reliability and Connection with RAMP | 37 | |
| 2. Compliance Requirements | 37 | |
| a) Senate Bill (SB) 901 | 37 | |
| b) Previous GRC Decisions..... | 39 | |

SCE-06 Vol. 04: Employee Benefits, Training, and Support

Table Of Contents (Continued)

| Section | Page | Witness |
|--|------|-----------------|
| 3. Comparison of Authorized 2021 to Recorded | 39 | |
| 4. Summary of the TCS | 40 | |
| a) Background on TCS..... | 40 | |
| (1) 2025 GRC TCS | 41 | |
| b) Reasonableness of Compensation Paid by SCE | 44 | |
| 5. Movement of STIP Target to Base Pay | 45 | |
| a) Increasing Importance of Base Pay..... | 45 | |
| b) Compensation Changes to Better Align Base Pay to Market..... | 47 | |
| c) Modeling of STIP to Base Pay Conversion | 48 | S. Edmiston |
| 6. SCE’s Corporate Performance Goals Determination | 49 | J. Clarke |
| a) Our Goals Explicitly Benefit Customers | 51 | |
| 7. Incentive Compensation Determination | 52 | |
| a) Incentive Compensation is a Routine Method of Compensating Employees in Today’s Workforce | 53 | |
| b) Benefits of Incentive Compensation to Customers | 53 | |
| B. O&M Forecast | 54 | S. Trakhtenberg |
| 1. Executive Compensation | 55 | |
| a) Work Description..... | 56 | |
| (1) SCE Executives..... | 56 | |
| (2) “Shared Officers” | 57 | |
| (3) EIX Executives | 57 | |
| (4) Allocation of EIX Executive Costs to SCE | 58 | |

SCE-06 Vol. 04: Employee Benefits, Training, and Support

Table Of Contents (Continued)

| Section | Page | Witness |
|---|------|---------|
| b) Need for Activity | 58 | |
| c) Alternatives Considered..... | 59 | |
| d) Comparison of Authorized 2021 to Recorded | 60 | |
| e) Scope and Forecast Analysis | 60 | |
| (1) Historical Variance Analysis | 60 | |
| (2) Forecast..... | 61 | |
| 2. Short-Term Incentive Program (STIP) | 62 | |
| a) Work Description..... | 63 | |
| b) Need for Activity | 64 | |
| (1) Ratemaking Policy | 64 | |
| (2) STIP Benefits Customers | 64 | |
| c) Alternatives Considered..... | 65 | |
| d) Comparison of Authorized 2021 to Recorded | 66 | |
| e) Scope and Forecast Analysis | 66 | |
| (1) Historical Variance Analysis | 66 | |
| (2) Forecast | 66 | |
| 3. Long-Term Incentive Program | 67 | |
| a) Work Description..... | 68 | |
| (1) Program Description and Scope..... | 68 | |
| (2) Historical Rejection of Rate Recovery for LTI Program | 69 | |
| b) Need for Activity | 71 | |
| (1) SCE Must Provide Long-Term Incentive Compensation to Remain Competitive in the Market | 71 | |

SCE-06 Vol. 04: Employee Benefits, Training, and Support

Table Of Contents (Continued)

| Section | Page | Witness |
|---|------|-------------------|
| (2) SCE’s LTI Programs Benefits Customers | 71 | |
| c) Comparison of Authorized 2021 to Recorded | 73 | |
| d) Scope and Forecast Analysis | 73 | |
| (1) Historical Variance Analysis | 73 | |
| (2) Forecast | 73 | |
| 4. Recognition | 74 | |
| a) Work Description | 75 | |
| (1) Spot Awards | 75 | |
| (2) Encore | 76 | |
| b) Need for Activity | 76 | |
| c) Comparison of Authorized 2021 to Recorded | 77 | |
| d) Scope and Forecast Analysis | 78 | |
| (1) Historical Variance Analysis | 78 | |
| (2) Forecast | 78 | |
| 5. Benefits | 79 | P. Carter-Lockert |
| a) Need for Activity | 79 | |
| b) Alternatives Considered | 79 | |
| c) Pension | 81 | |
| (1) Plan Description | 82 | |
| (2) Historical Perspective on Financial Market Returns and SCE Pension Fund Returns | 84 | S. Patel |
| (3) Pension Cost Ratemaking Background and Recent History | 86 | |
| (4) Statutory Pension Funding Requirements | 87 | |

SCE-06 Vol. 04: Employee Benefits, Training, and Support

Table Of Contents (Continued)

| Section | Page | Witness |
|--|------|-------------------|
| (5) SCE’s New Funding Policy | 88 | |
| (6) Additional Adjustment for Expected Asset Returns | 92 | |
| (7) Comparison of Authorized 2021 to Recorded | 93 | |
| (8) Scope and Forecast Analysis | 94 | |
| d) 401(k) Savings Plan | 100 | P. Carter-Lockert |
| (1) Work Description..... | 100 | |
| (2) Comparison of Authorized 2021 to Recorded | 102 | |
| (3) Scope and Forecast Analysis | 102 | |
| e) Retiree Health Care and Life Insurance..... | 103 | |
| (1) Work Description..... | 104 | |
| (2) Ratemaking Background..... | 107 | S. Patel |
| (3) PBOP Cost Balancing Account | 109 | |
| (4) Comparison of Authorized 2021 to Recorded | 110 | |
| (5) Historical Variance Analysis | 110 | |
| (6) Recovered PBOP Costs Beginning in 2018..... | 111 | |
| (7) Test Year 2025 Forecast for PBOP Costs..... | 111 | |
| (8) PBOP Balancing Account..... | 112 | |
| f) Healthcare Programs | 113 | P. Carter-Lockert |
| (1) Medical Programs | 113 | |
| (2) Dental Plans | 121 | |
| (3) Vision Service Plan..... | 124 | |

SCE-06 Vol. 04: Employee Benefits, Training, and Support

Table Of Contents (Continued)

| Section | | Page | Witness |
|---------|--|------|-------------------|
| g) | Disability Management..... | 126 | J. Smolk |
| | (1) Work Description..... | 126 | |
| | (2) Need for Activity | 127 | |
| | (3) Comparison of Authorized 2021 to Recorded | 127 | E. Jennerson |
| | (4) Scope and Forecast Analysis | 127 | |
| h) | Group Life Insurance | 130 | P. Carter-Lockert |
| | (1) Work Description..... | 131 | |
| | (2) Comparison of Authorized 2021 to Recorded | 132 | |
| | (3) Scope and Forecast Analysis | 133 | |
| i) | EIX Severance Plan | 133 | |
| | (1) Work Description..... | 134 | |
| | (2) Comparison of Authorized 2021 to Recorded | 135 | |
| | (3) Scope and Forecast Analysis | 135 | |
| j) | Miscellaneous Benefit Programs | 136 | |
| | (1) Work Description..... | 137 | |
| | (2) Comparison of Authorized 2021 to Recorded | 138 | |
| | (3) Scope and Forecast Analysis | 139 | |
| k) | Executive Benefits | 139 | S. Trakhtenberg |
| | (1) Work Description..... | 140 | |
| | (2) Comparison of Authorized 2021 to Recorded | 143 | |
| | (3) Scope and Forecast Analysis | 143 | |

SCE-06 Vol. 04: Employee Benefits, Training, and Support

Table Of Contents (Continued)

| Section | Page | Witness |
|---|------|-------------|
| IV. EMPLOYEE TRAINING..... | 145 | J. Morehead |
| A. Overview..... | 146 | |
| 1. Risk Factors, Safety, Reliability and Connection with RAMP | 149 | |
| 2. Comparison of Authorized 2021 to Recorded | 150 | |
| B. O&M Forecast | 151 | |
| 1. Employee Training and Development | 151 | |
| a) Work Description..... | 152 | |
| (1) Enterprise Training Programs | 152 | |
| (2) Talent Management | 153 | |
| (3) Leadership Academy | 153 | |
| (4) SCE’s Compliance Transformation | 154 | |
| (5) Wildfire Activities | 154 | |
| (6) Grid Modernization and Resiliency | 155 | |
| (7) Technical Training Modernization | 155 | |
| (8) SCE’s Technical Development Program | 157 | |
| (9) Learning Operations..... | 157 | |
| (10) Learning Technology | 158 | |
| a) Need for Activity | 158 | |
| b) Alternatives Considered..... | 160 | |
| c) RAMP Integration..... | 161 | |
| (1) Reconciliation Between RAMP and GRC | 163 | |
| d) Comparison of Authorized 2021 to Recorded | 163 | |
| e) Scope and Forecast Analysis | 164 | |

SCE-06 Vol. 04: Employee Benefits, Training, and Support

Table Of Contents (Continued)

| Section | Page | Witness |
|--|------|---------|
| (1) Historical Variance Analysis | 164 | |
| (2) Forecast | 165 | |
| 2. Training Seat Time and Delivery – Transmission and Distribution | 167 | |
| a) Work Description | 168 | |
| (1) T&D Training | 169 | |
| (2) T&D Training Seat Time | 169 | |
| (3) T&D Training Delivery | 170 | |
| b) Need for Activity | 170 | |
| c) Alternatives Considered | 171 | |
| d) RAMP Integration | 172 | |
| (1) Reconciliation Between RAMP and GRC | 172 | |
| e) Comparison of Authorized 2021 to Recorded | 174 | |
| f) Scope and Forecast Analysis | 175 | |
| (1) Historical Variance Analysis | 177 | |
| (2) Forecast | 180 | |

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I.

INTRODUCTION

A. Employee Benefits, Training and Support

This exhibit presents SCE’s Test Year 2025 forecast of O&M expenses for the following Business Plan Elements (BPEs): Employee Support, Employee Benefits and Programs, and Employee Training.

This volume outlines the activities and efforts that are primarily managed in SCE’s Human Resources (HR) Operating Unit (OU). However, some sections of this volume encompass other OUs. Activities and efforts related to employee training across the company, including HR, T&D, Customer Service, and Safety, are included in the Employee Training BPE. Likewise, the Employee Support BPE contains enterprise-wide support activities performed in OUs such as HR, Finance, and Corporate Communications.

This volume of testimony will address SCE’s forecast costs needed to attract, develop, motivate, and retain a high-performing and diverse workforce. Such a workforce is foundational to achieving: (1) SCE’s goals regarding Safety and Diversity, People, and Culture, (2) SCE’s mission to safely deliver reliable, affordable, and clean energy to its customers, and (3) SCE’s long-term objective to help transform the electric power industry by providing clean energy, efficient electrification, grid modernization, and customer choice.

Due to a tight labor market in 2022, SCE had a high number of vacancies, as candidate shortages coupled with increased turnover. While not an isolated occurrence to SCE, the Great Resignation started in 2021 and is expected to continue. The United States saw a record number of 47 million workers quit their jobs in 2022.¹ Likewise, over the last couple of years, SCE has experienced higher than normal levels of turnover. In 2019, prior to COVID, SCE experienced an annual turnover rate of 5.1 percent. As of the end of 2022, SCE’s turnover rate has increased to 7.4 percent, a 45 percent increase. To combat these issues, SCE needed to add resources, implement retention and attraction bonuses and have flexible work modes. In addition, the expectation of continuing high inflation has led to high wage growth, which studies indicate will continue in the coming years. To remain competitive and keep pace with the market changes, SCE will:

¹ World Economic Forum: What does the quit rate tell us about the Great Resignation?, <https://www.weforum.org/agenda/2023/01/us-workers-jobs-quit/> (as of May 6, 2023).

- 1 • Begin market pricing jobs on an annual basis (rather than every other year) to be more
2 responsive to changes in the market;
- 3 • Starting in 2023, SCE is converting certain portions of employee short-term incentive
4 compensation to base pay.²
- 5 • In 2024, SCE will change the offering and cost sharing of medical plans to reduce
6 employees' share of health care premiums across all medical plans in line with the
7 California market; and
- 8 • Continue to acknowledge and reward outstanding work by providing incentive
9 compensation through our long-term and short-term incentive plans and recognition
10 programs.

11 In 2022, SCE hired a record number of approximately 3,500 employees due to the higher turn-
12 over. In anticipation of similar levels of turnover continuing in subsequent years, SCE plans to continue
13 with this approach during the rate case period to ensure it attracts and retains the right people so that we
14 are able to achieve SCE's long-term goals.

15 Based on a PwC Pulse Survey of C-suite executives,³ 77 percent ranked hiring and retaining
16 employees as critical to their business in 2022.⁴ While SCE is planning workforce growth to support our
17 shared goals with our customers and the State of California – namely California's ambitious greenhouse
18 gas reduction (GHG) goals to mitigate future effects of climate change – we must remain focused on
19 retaining our existing workforce as well. The cost of turnover can be severe. The cost of losing an
20 employee can be 150-200 percent of the employee's salary depending on the level and seniority of the
21 individual.⁵ This amount can increase if the position is a hard-to-fill, technical, or C-Suite position.⁶

22 When an employee leaves the company, SCE is forced to dedicate time, money, and additional
23 resources to recruit, onboard, and train a new employee. Additional factors of not retaining our current
24 workforce include loss of productivity, risk of new employees taking longer to complete work and

² This new strategy is discussed in greater detail in Section III.A.5 below.

³ PwC surveyed 678 business leaders from various company sizes and industries.

⁴ PwC Pulse Survey: Executive views on business in 2022, <https://www.pwc.com/us/en/library/pulse-survey/executive-views-2022.html> (as of May 6, 2023).

⁵ Heinz, Kate, *The True Costs of Employee Turnover*, <https://builtin.com/recruiting/cost-of-turnover> (as of May 6, 2023).

⁶ Heinz, Kate, *The True Costs of Employee Turnover*, <https://builtin.com/recruiting/cost-of-turnover> (as of May 6, 2023).

1 increasing the number of errors, added training costs, loss of institutional knowledge and impact on
2 employee morale and work culture.⁷

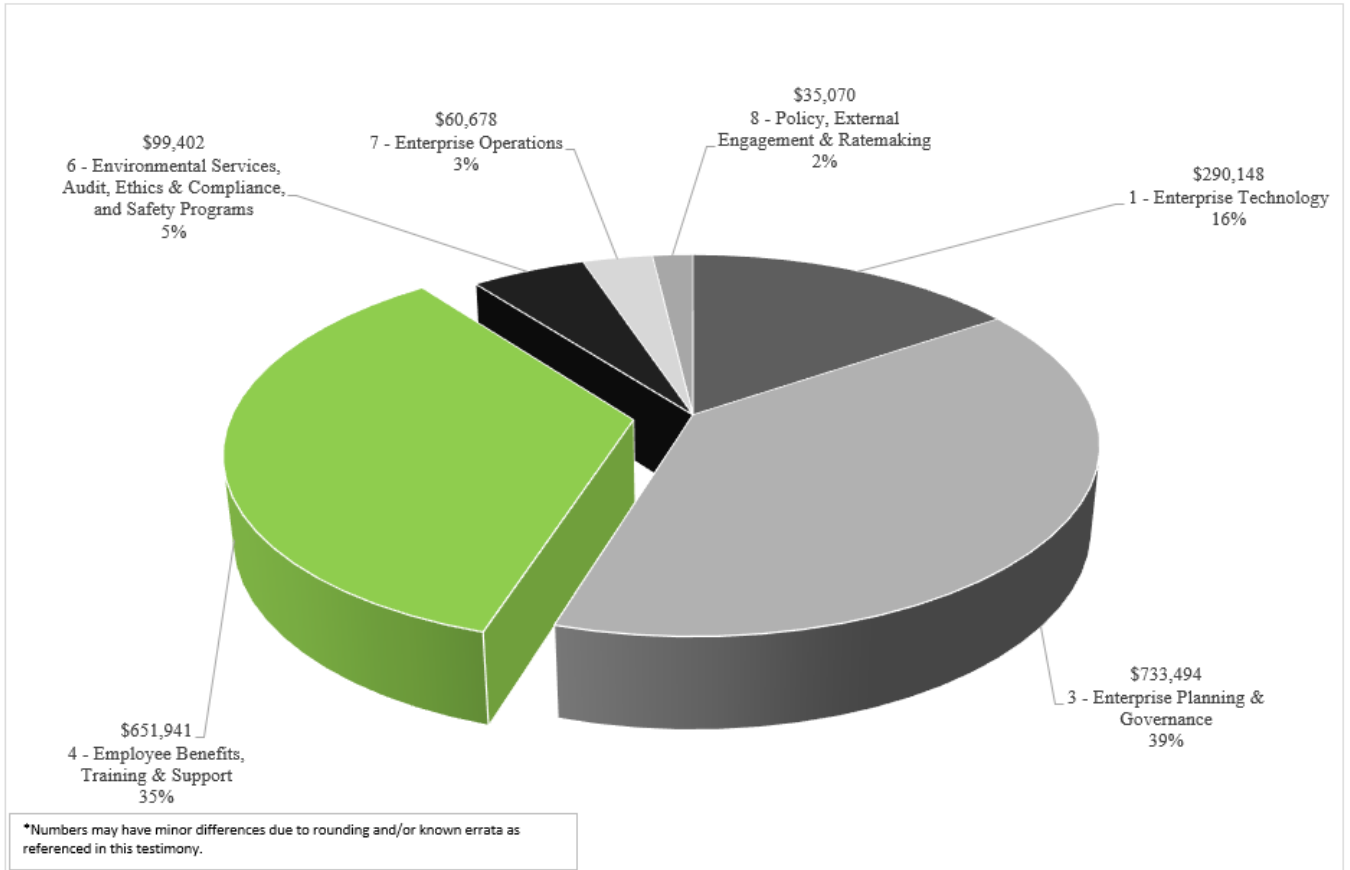
3 In order to decrease turnover and increase retention, as well as attract, develop, and motivate a
4 high-performing and diverse workforce, SCE needs to prepare for technological, demographic, and
5 socio-economic changes affecting the industry and reshaping the global labor market. SCE also needs to
6 have employees with the right skills and competencies to address immediate operational challenges like
7 wildfire risk mitigation, and leaders with the long-term vision to help move the electric power industry
8 toward a clean energy future. In order to achieve these short- and long-term priorities, SCE’s employees
9 must consistently perform at a very capable level and perform their duties in a manner that demonstrates
10 core values and reinforces strategic priorities. Accordingly, SCE’s “people priorities” focus on
11 strengthening SCE’s capabilities and culture in light of the external changes and internal strategic
12 priorities.

13 **B. Summary of O&M Request**

14 This volume presents SCE’s request for \$659.066 million (2022 constant dollars) in O&M
15 expenses for the 2025 Test Year for administrative and general expenses to carry out essential functions
16 across the enterprise. This includes comprehensive aspects of carrying out hiring, compensation,
17 benefits, and training for SCE’s workforce.

⁷ Charaba, Chase, *The Real Cost of Losing an Employee*, <https://www.peoplekeep.com/blog/employee-retention-the-real-cost-of-losing-an-employee> (as of May 6, 2023).

Figure I-1
Employee Support, Employee Benefits and Programs, and Employee Training
O&M Expenses
 (Constant \$000)[§]



[§] 401(k), Medical, Dental and Vision activities are forecast in nominal dollars.

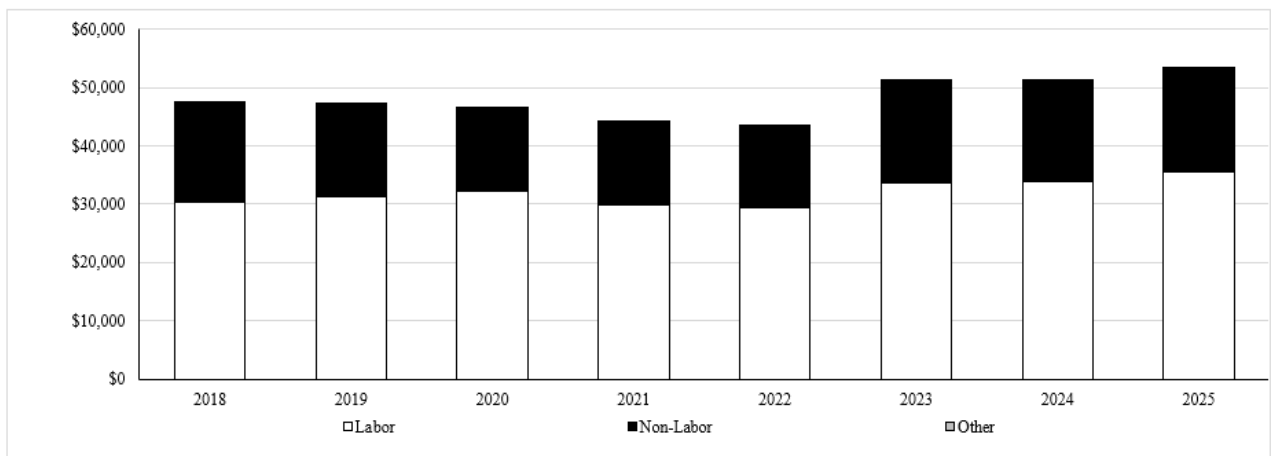
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II.

EMPLOYEE SUPPORT

This Section presents the Test Year 2025 forecast of SCE’s Employee Support BPE. For Test Year 2025, SCE forecasts \$53.328 million of expenses. Figure II-2 shows recorded costs for Employee Support for the years 2018 through 2022, and SCE’s forecast for Test Year 2025. This BPE is composed of two employment-related activities, which support the entire enterprise: Operating Unit (OU) Support Services and Talent Solutions. These activities help the Company’s employees maintain a healthy and productive environment, and affirm its goals regarding Diversity, People, and Culture.

Figure II-2
Employee Support
Recorded 2018-2022/Forecast 2023-2025
(2022 Constant \$000)



| | Recorded | | | | | Forecast | | |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$30,361 | \$31,229 | \$32,281 | \$29,771 | \$29,350 | \$33,605 | \$33,791 | \$35,536 |
| Non-Labor | \$17,246 | \$16,183 | \$14,404 | \$14,472 | \$14,242 | \$17,612 | \$17,622 | \$17,792 |
| Other | | | | | | | | |
| Total Expenses | \$47,607 | \$47,412 | \$46,686 | \$44,243 | \$43,592 | \$51,218 | \$51,413 | \$53,328 |

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A. Overview

Employee Support provides solutions for attracting, developing, motivating, and retaining a high-performing and diverse workforce that supports advancing SCE’s commitment to provide safe, reliable, affordable and clean power to our customers.² It improves the Company’s overall performance

² Southern California Edison’s website, <https://www.sce.com/about-us> (May 6, 2023).

by enhancing the effectiveness of day-to-day operations and work practices, the capabilities and skills of SCE’s employees, and the quality of their output. Employee Support develops policies and programs that promote a work environment that reflects SCE’s and the Commission’s mission,¹⁰ enhances SCE’s corporate culture, and supports the Company’s goals by placing the right people in the right jobs at the right time, and developing and supporting effective organizational strategies and structures.

1. Risk Factors, Safety, Reliability and Connection with RAMP

The Talent Solutions General Rate Case (GRC) activity, shown in Table II-1, addresses risks associated with the physical security of our employees as discussed in SCE’s 2022 RAMP filing.¹¹ This activity helps SCE protect its employees by properly vetting and checking the backgrounds of workers before it hires them, training employees on preventing and avoiding workplace violence, responding safely to active shooter incidents, and deploying the Threat Management Team (TMT) to assess threats to SCE workers. A more detailed description of this activity and costs can be found in Section II.B.2.d) below.

*Table II-1
GRC Activities Included in SCE’s 2022 RAMP Filing*

| RAMP Risk | GRC Activity | 2022 RAMP ID | 2022 RAMP Control/Mitigation Name |
|-------------------|------------------|--------------|-----------------------------------|
| Physical Security | Talent Solutions | C4 | Asset Protection |

2. Compliance Requirements

Employee Support must adhere to one compliance requirement as prescribed by former Commission decisions.

a) 2012 GRC Decision – Workforce and Leadership Diversity Update

In the 2012 GRC decision, the Commission ordered SCE to “continue reporting on workforce composition in its GRCs. In the next GRC, SCE shall add a ten-year comparison by job classification, and an explanation of steps it has taken to ensure top management leadership development for underrepresented groups.”¹²

¹⁰ California Public Utility Commission’s Mission Statement, <https://www.cpuc.ca.gov/about-cpuc/cpuc-overview/about-us> (May 6, 2023).

¹¹ More detail on the Physical Security Risk can be found in Exhibit SCE-04, Vol. 04.

¹² D.12-11-051, OP 28, p. 445.

(1) Ten Year Comparison by Job Category

Table II-2 reflects the progress SCE has made in increasing the representation of female and minority employees in its workforce over the past ten years (2013-2022). Minorities make up 63.3 percent of SCE’s workforce in 2022, up from 57.0 percent in 2013.

**Table II-2
Diversity within Job Categories
2013 and 2022**

| Job Category | Total | Male | Female | Minority Total | Black or African American | Asian | Native Hawaiian or Other Pacific Islander | American Indian or Alaskan Native | Hispanic or Latino | Two or More Races | White |
|-------------------------------|--------|----------------|----------------|----------------|---------------------------|----------------|---|-----------------------------------|--------------------|-------------------|----------------|
| 2013 Executives | 123 | 84 68.3% | 39 31.7% | 37 30.1% | 8 6.5% | 13 10.6% | N/A | N/A | 16 13.0% | N/A | 86 69.9% |
| 2022 Executives | 115 | 76 66.1% | 39 33.9% | 45 39.1% | 8 7.0% | 17 14.8% | 2 1.7% | N/A | 11 9.6% | 7 6.1% | 70 60.9% |
| 2013 Managers | 887 | 615 69.3% | 272 30.7% | 384 43.3% | 52 5.9% | 140 15.8% | 1 0.1% | 7 0.8% | 167 18.8% | 17 1.9% | 503 56.7% |
| 2022 Managers | 1,126 | 764 67.9% | 362 32.1% | 603 53.6% | 67 6.0% | 193 17.1% | 3 0.3% | 4 0.4% | 283 25.1% | 53 4.7% | 523 46.4% |
| 2013 Supervisors | 621 | 519 83.6% | 102 16.4% | 305 49.1% | 53 8.5% | 23 3.7% | 5 0.8% | 3 0.5% | 208 33.5% | 13 2.1% | 316 50.9% |
| 2022 Supervisors | 556 | 469 84.4% | 87 15.6% | 306 55.0% | 36 6.5% | 22 4.0% | 2 0.4% | 6 1.1% | 218 39.2% | 22 4.0% | 250 45.0% |
| 2013 Professionals - Salaried | 4,924 | 3,087 62.7% | 1,837 37.3% | 2,817 57.2% | 300 6.1% | 1,231 25.0% | 26 0.5% | 27 0.5% | 1,108 22.5% | 125 2.5% | 2,107 42.8% |
| 2022 Professionals - Salaried | 4,842 | 2,970 61.3% | 1,872 38.7% | 3,159 65.2% | 267 5.5% | 1,216 25.1% | 33 0.7% | 21 0.4% | 1,412 29.2% | 210 4.3% | 1,683 34.8% |
| 2013 Professionals - Hourly | 2,691 | 822 30.5% | 1,869 69.5% | 1,909 70.9% | 338 12.6% | 259 9.6% | 37 1.4% | 17 0.6% | 1,180 43.8% | 78 2.9% | 782 29.1% |
| 2022 Professionals - Hourly | 2,168 | 790 36.4% | 1,378 63.6% | 1,684 77.7% | 179 8.3% | 223 10.3% | 12 0.6% | 6 0.3% | 1,162 53.6% | 102 4.7% | 484 22.3% |
| 2013 Represented | 3,794 | 3,536 93.2% | 258 6.8% | 1,985 52.3% | 262 6.9% | 180 4.7% | 4 0.1% | 37 1.0% | 1,459 38.5% | 43 1.1% | 1,809 47.7% |
| 2022 Represented | 3,933 | 3,680 93.6% | 253 6.4% | 2,264 57.6% | 208 5.3% | 165 4.2% | 16 0.4% | 40 1.0% | 1,726 43.9% | 109 2.8% | 1,669 42.4% |
| 2013 Total Workforce | 13,040 | 8,663 66.4% | 4,377 33.6% | 7,437 57.0% | 1,013 7.8% | 1,846 14.2% | 73 0.6% | 91 0.7% | 4,138 31.7% | 276 2.1% | 5,603 43.0% |
| 2022 Total Workforce | 12,740 | 8,749 68.7% | 3,991 31.3% | 8,061 63.3% | 765 6.0% | 1,836 14.4% | 68 0.5% | 77 0.6% | 4,812 37.8% | 503 3.9% | 4,679 36.7% |

Minority Total: Includes Black or African American, Asian, Native Hawaiian or Pacific Islander, American Indian or Alaskan Native, Hispanic or Latino, and Two or More Races (Non White)

Executives: Directors and Officers

Managers: Managers, Senior Managers and Principal Managers

Supervisors: Supervisors and Senior Supervisors

Regarding women in leadership roles,¹³ SCE has made progress over the past ten years (2013-2022) to increase its leadership representation and workforce diversity. The number of female Managers has increased to 32.1 percent in 2022 compared to 30.7 percent in 2013. Women and racial/ethnic minorities make up 73.0 percent of SCE’s Executive leadership in 2022, up from 61.8 percent in 2013. SCE places a high value on diversity and believes managing and nurturing a high-performance diverse workforce in an equitable and inclusive environment is fundamental to achieving

¹³ Leadership roles include Supervisors, Managers and Executives in the table above.

1 the Company's business objectives. Before a diverse team can work together to be creative and share
2 their unique experiences, they must feel respected, valued, and welcomed. Otherwise, only those who
3 are comfortable will speak up and share their opinion. The company knows that no one is better situated
4 to shape our Diversity, Equity and Inclusion (DEI) priorities than the employees who come to work at
5 SCE each day, so we conduct a quarterly Employee Pulse Survey measuring employee engagement and
6 sentiment and capturing key aspects of the work environment. The company's 2022 Pulse Survey results
7 show that 87 percent of employees say they are proud to work at SCE, 85 percent of employees say they
8 are treated with respect at work, and 83 percent of employees say their job makes good use of their skills
9 and abilities.¹⁴

10 To better understand work environment issues and employee needs, the
11 Company has also hosted listening sessions open to all employees to provide a facilitated, safe-space
12 opportunity for employees to engage in candid discussions. Sessions have addressed topics relevant to
13 DEI such as racial injustice, unconscious bias, and micro-aggressions, as well as work-environment
14 issues such as bullying, harassment and poor behavior. Additionally, our Business Resource Groups
15 (BRGs) have hosted listening sessions to address employee experiences and needs and to determine
16 areas of opportunity, utilizing the results to inform DEI Plans in each of our 16 operating units.
17 Beginning in 2022, the Company hosted MARC (Men Advocating Real Change) dialogue teams, open
18 to all employees and designed to help build inclusive leadership skills and enhance workplace culture,
19 with a specific focus on engaging men and creating effective gender partnerships.

20 Most recently, following the tragic shootings in Monterey Park in January
21 2023 – an area where many of our employees live or have family and friends – our ASCEND (Asian
22 Society for Cultural Exchange Networking and Diversity) Business Resource Group, mobilized and
23 hosted two listening sessions attended by over 400 employees to speak openly and candidly about their
24 experiences and feelings relative to the shootings. Empowering employees with these opportunities to
25 talk freely in a safe environment embodies the company values of safety (including psychological
26 safety) and respect, instills the value of teamwork, and aligns with our values of integrity, continuous
27 improvement and excellence.

28 The SCE/EIX Senior Vice President of HR is the leader of the Company's
29 DEI efforts. Through a comprehensive annual DEI Report, the Company provides transparency of

¹⁴ Refer to WP SCE-06, Vol. 04, Book A, pp. 1-22, Employee Pulse Survey.

1 workforce, supplier diversity and philanthropy data, as well as pay equity and employee sentiment.
2 Coupled with 10 DEI Commitments,¹⁵ SCE continues to make progress in DEI throughout our
3 workforce, workplace, community, suppliers and marketplace.

4 In 2022, to increase accountability of DEI throughout the organization,
5 each Operating Unit created DEI Action Plans for implementation in 2022-2023. These Action Plans
6 integrate DEI into day-to-day operations to achieve OU business goals. The greatest areas of opportunity
7 were identified through Employee Pulse Survey results, employee listening sessions and OU-specific
8 DEI surveys. These areas include recruitment and retention, employee development, psychological
9 safety/culture, communication and collaboration, and recognition.

10 Each DEI Action Plan contains metrics and milestones to measure
11 progress and ultimately, sustainable impact for our workforce and in our culture. SCE has been
12 recognized by a variety of groups for its commitment to diversity, including:

- 13 • In 2022, SCE was recognized by The Human Rights Campaign
14 Foundation as one of the best places to work for LGBTQ+ Equality.”¹⁶
- 15 • The 2021 Disability Equality Index honored Edison International as
16 one of the best places to work from surveys from the American
17 Association of People with Disabilities group.¹⁷
- 18 • The distinction of best companies for Latinos was awarded to SCE by
19 Latino Leaders Magazine.¹⁸
- 20 • The Hispanic Association of Corporate Responsibility awarded SCE 5
21 stars on the Corporate Inclusion Index.¹⁹

¹⁵ 2022 Diversity, Equity & Inclusion Report, <https://s3.amazonaws.com/cms.ipressroom.com/406/files/20234/eix-2022-diversity-equity-and-inclusion-report.pdf> (as of May 6, 2023).

¹⁶ Best Places to Work for LGBTQ+ Equality 2022, <https://www.hrc.org/resources/best-places-to-work-for-lgbtq-equality-2022> (as of May 6, 2023).

¹⁷ 2021 Best Places to Work, <https://disabilityin.org/what-we-do/disability-equality-index/2021companies/> (as of May 6, 2023).

¹⁸ Latino Leaders January/February 2022, <https://issuu.com/latinoleadersmagazine/docs/january-february22> (as of May 6, 2023).

¹⁹ Refer to WP SCE-06, Vol. 04, Book A, pp. 23-29, 2022 Hispanic Association on Corporate Responsibility Corporate Inclusion Index.

- SCE was recognized as a "GB" corporation in 2022 for having Gender-Balanced Boards on its Board of Directors.²⁰
- SCE's Women's Roundtable was awarded a place in the top 25 Employee Resource Group (ERGs) by Diversity Impact Awards.²¹

(2) Leadership Development for Underrepresented Groups

Properly developing employees and creating comprehensive leadership development programs are imperative in retaining high-performing talent. The Company provides various leadership programs to build and develop a talent pipeline that mirrors the demographic representation of its entire workforce and the qualified labor market. SCE's Safety Leadership training programs started in 2018, with Engage and Connect workshops that were developed specifically for leaders to build influencing skills to reinforce a physical and psychological safety culture throughout the Company.²² The program accompanied an individual development program, called Switch.

For SCE's highest-potential employees at all levels, ranging from Individual contributor through Officers, several programs are offered to build capabilities for the assumption of larger, more complex roles in the organization. These programs occur for extended periods of time and include real-world experiences, classroom and online instruction, simulations, assessments, coaching, mentoring, and project opportunities designed to build strategic, operational, financial, and customer relations skills and perspectives. The high-potential programs are reviewed periodically to confirm that a diverse group of employees are included in the training program.

New leaders participate in SCE's "Empower" Training program. Empower is a one-year experiential journey that equips new-to-role leaders with ongoing education, coaching and performance support to prepare employees to transform the electric power industry. The program focuses on leadership capabilities needed to deliver superior value to customers and to empower employees to perform work safely. Leaders build inclusive skills that foster inclusion, support employee performance and leadership of employees from a value-based foundation.

²⁰ 50/50 Women on Boards Gender Diversity Directory, <https://5050wob.com/directory/?companyname=&city=&noofwomen=§or=Utilities&state=&rating=> (as of May 6, 2023).

²¹ Diversity Impact Awards, <https://globalergnet.com/conference/diversity-impact-awards/> (as of May 6, 2023).

²² See Leadership Academy section, Employee Training of this Volume.

1 In 2021, as part of its DEI Commitments, SCE began a Talent Accelerator
2 program to advance talent movement by pairing officers with high-potential talent, starting with Black
3 employees. In 2022, the program was expanded to additional racial/ethnic groups. The program provides
4 mentorship, advocacy, and increased visibility to participants with the objective of enhancing leadership
5 capabilities and career development opportunities. Of the five participants from the first cohort who
6 completed the program in July 2022, two were promoted and three were selected for team lead roles for
7 a company-wide initiative to ensure efficiencies. This initiative utilizes employee ideas to create
8 efficiencies and drive sustainable improvements, especially in the areas of safety, quality, and
9 affordability. Of the seven participants in the second cohort that will complete the program in July 2023,
10 one has already been promoted to a Director position.

11 SCE also looks for external opportunities, such as the Asian American
12 Professional Association, American Association of Blacks in Energy, the Society of Hispanic Engineers,
13 and the Howard University student division of the National Society of Black Engineers. These
14 organizations are focused on development of individuals in underrepresented groups. In addition, SCE
15 has partnered with Workplacediversity.com, an organization focused on increasing outreach to women,
16 veterans and LBGTQ+ communities.

17 For the past several years, SCE has sponsored the Clean Energy Education
18 & Empowerment (C3E) Initiative's annual Women in Clean Energy Symposium. In 2019, SCE also
19 participated in nominating and recognizing outstanding mid-career women who are advancing solutions
20 that can transform the energy infrastructure. The U.S. C3E Initiative aims to close the gender gap and
21 increase the participation, leadership, and success of women in clean energy fields. In addition, SCE is
22 sponsoring several participants in the Advancing Technical Women Program (co-sponsored by
23 University of California, Irvine, and the Center for Creative Leadership) as well as supporting
24 speaking/recognition programs for high-performing females at the Leadership Conference for Women in
25 Energy sponsored by EUCI.²³ In 2019, SCE became a corporate member of the Stanford University
26 VMWare Women's Leadership Innovation Lab, joining a coalition of companies committed to
27 advancing women in leadership. The company has also partnered with organizations that promote
28 gender equality, including the Association of Women in Water, Energy and Environment (AWWEE),
29 the Society of Women Engineers (SWE), Catalyst and Fairygodboss.

²³ Formerly known as Electric Utility Consultants, Inc., but now known only as EUCI.

1 In 2020, SCE committed \$1 million in shareholder funding to pilot a four-
2 year annual scholarship program supporting lineworker students, to expand diversity in the skilled craft
3 workforce pipeline with an initial focus on attracting Black participants. In 2021, the scholarship (in
4 partnership with IBEW Local) awarded up to \$25,000 per awardee to attend Los Angeles Trade-Tech
5 College's six-month program to receive a Powerline Mechanic Certificate, as well as additional
6 assistance to support awardees' success during the program. Of our first cohort of 11 scholarship
7 recipients, four have begun careers with SCE, while the other seven are in various stages of completing
8 pre-hiring requirements. In 2022, we welcomed our second cohort, consisting of 11 students. They
9 began their education in July 2022. The 2023 cohort application process began on March 6, 2023, and
10 the focus of the program this year is to attract candidates who self-identify as Black, Asian Pacific
11 Islander, Native American or female.

12 Finally, in 2021, Edison International gave more than \$3.5 million in
13 shareholder funding to support STEM scholarships specifically targeted to underrepresented college
14 students. In 2021, 30 high school seniors were each provided with a \$40,000 shareholder funded
15 scholarship to support college level studies in a STEM subject through the Edison Scholars program.²⁴
16 In 2022, another 30 awards were granted. Eighty percent of the awardees self-identified as Asian,
17 African American, or Latino/a. The scholarship amount has been increased to \$50,000 for 2023. 94
18 percent of the 2023 awardees are racially and ethnically diverse.

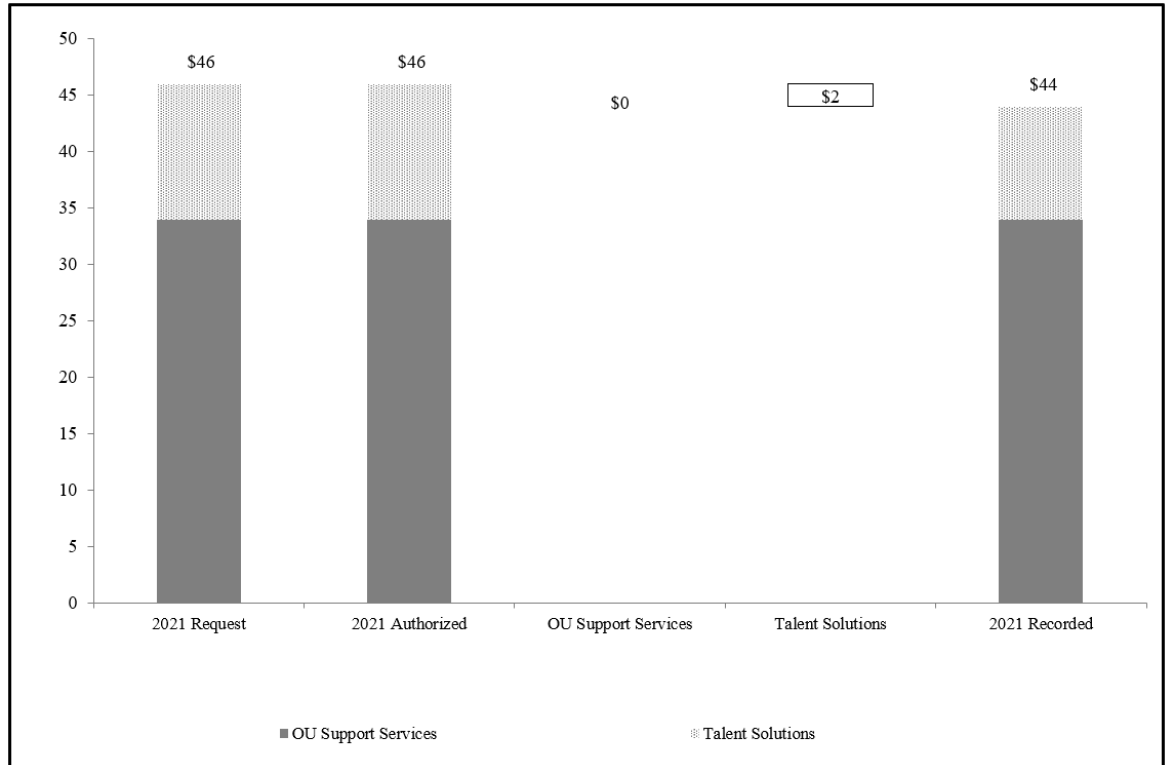
19 **3. Comparison of Authorized 2021 to 2021 Recorded**

20 Figure II-3 compares the amounts authorized by the Commission in the 2021 GRC to
21 2021 recorded O&M spend for Employee Support. SCE's 2021 authorized amount for Employee
22 Support was \$45.924 million. SCE recorded \$44.243 million for a variance of \$1.681 million. In 2021,
23 SCE continued to experience the global impact of the COVID-19 pandemic. Therefore, SCE made
24 necessary adjustments to normal operations and practices in an effort to mitigate the risk of COVID-19
25 transmittal and spread, and in order to comply with COVID-driven governmental directives and
26 guidance. Some of these adjustments by SCE impacted to a degree our ability to rapidly fill open
27 positions, as well as the scope of activities related to traveling for business travel, attending job-related
28 or industry-related conferences, or engaging in normal levels of in-person training. As a result of the

²⁴ Edison International 2021 Diversity, Equity and Inclusion Report, <https://s3.amazonaws.com/cms.ipressroom.com/405/files/202210/eix-2021-diversity-equity-and-inclusion-report.pdf>, at pp. 19-21 (as of May 6, 2023).

1 protocols that we necessarily adopted during the pandemic, the recorded expenses for this activity in
2 2021 were lower than authorized.

Figure II-3
Employee Support
O&M Expenses for 2021 – Authorized versus Recorded²⁵
(2022 Constant \$ Millions)



3 **B. O&M Forecast**

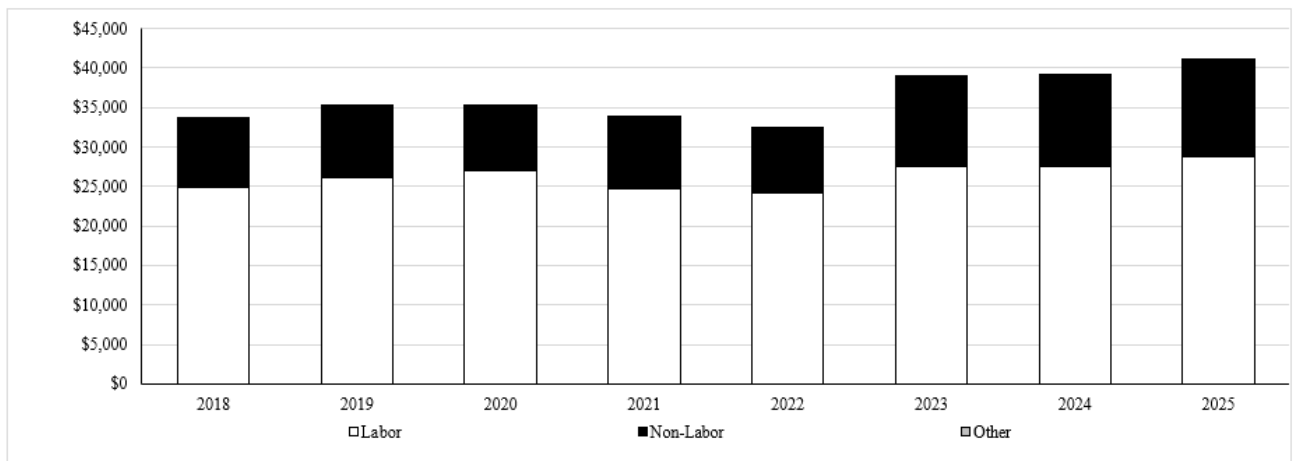
4 **1. Operating Unit (OU) Support Services**

5 OU Support Services spans across the Company and is not specific to any one OU. The
6 responsibilities of this activity include supporting the OUs as a whole, such as Business Partner Support
7 and Organizational Development/Organizational Effectiveness Support, while other actions include
8 employee-specific activities, like Employee Relations, Labor Relations, Internal Communications, and
9 Administrative Support. Each of these departments is discussed in detail below.

²⁵ Refer to WP SCE-07, Vol. 01, Authorized vs. Recorded.

1 For the Test Year 2025, SCE forecasts \$41.068 million of O&M expenses.²⁶ Figure II-4
 2 shows recorded costs for OU Support Services for the years 2018 through 2022, and SCE’s forecast for
 3 Test Year 2025.

Figure II-4
OU Support Services
Recorded 2018-2022/Forecast 2023-2025
(2022 Constant \$000)



| | Recorded | | | | | Forecast | | |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$24,828 | \$26,196 | \$26,945 | \$24,650 | \$24,190 | \$27,442 | \$27,605 | \$28,799 |
| Non-Labor | \$8,876 | \$9,088 | \$8,272 | \$9,237 | \$8,294 | \$11,635 | \$11,643 | \$12,269 |
| Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$33,704 | \$35,283 | \$35,217 | \$33,888 | \$32,484 | \$39,077 | \$39,249 | \$41,068 |

4 **a) Work Description**

5 **(1) Business Partner**

6 The Business Partner department consists of HR professionals, who are
 7 responsible for aligning business objectives and people strategy development to support OU goals and
 8 organization transformation. They act as an HR partner to the OUs to assist in acquiring, building,
 9 engaging, and retaining a high-performance workforce. The department works with OUs in both
 10 strategic and tactical capacities to implement programs and activities, and advises employees,
 11 supervisors, managers, and officers on HR initiatives, issues, compliance, labor law and governing
 12 regulation matters. HR business partners drive change and improvement through projects and efforts

²⁶ Refer to WP SCE-06, Vol. 04, Book A, pp. 30-36, O&M Detail for OU Support Services.

1 initiated by the OUs or HR that have impacts on people to ensure the company is structured, staffed,
2 skilled and well-positioned to meet changing HR/people needs of the organization. They consult and
3 lead annual lifecycle efforts for performance management, compensation planning, talent and succession
4 planning, and workforce planning. Advisement and coaching are provided to managers and employees
5 on all things related to employment, policies, procedures and practices, including individual
6 performance, organizational health and the overall work environment. They serve as the first point of
7 contact for employees and managers across the enterprise and provide onsite HR guidance where
8 needed. The Business Partner department also leads and manages organizational change management
9 strategies to improve organizational effectiveness. Organizational change efforts that have people
10 impacts include, but are not limited to, business transformations involving organizational culture
11 changes, operating model changes, organizational design, software implementations, and process
12 improvements.

13 **(2) Organizational Effectiveness and Change Management**

14 The Business Partners' Organizational Effectiveness group uses tools,
15 assessments and workshops that focus on team and leader effectiveness and organizational health. In this
16 way, it seeks to identify and remove barriers that operational groups may encounter based on how the
17 people in the group come together and perform the work. Performing this specific function creates better
18 working environments, better morale, and increases team synergy and effectiveness. Due to changes in
19 employee work modes across the company, additional organizational and team effectiveness solutions
20 are required to address teams that now operate in mixed work mode formats (fully remote, hybrid, or
21 onsite).

22 Change Management supports project deployment which impacts people,
23 their roles at work, how they do the work, and overall ways of working. If done correctly, Change
24 Management fosters the adoption of the process or product being changed. It manages the change
25 impacts to employees; this allows employees to continue to perform and deliver in an environment in
26 which change may significantly distract, slow down, or stop productivity. Incorrectly managed change
27 could lead to additional mitigation needs, possible re-work, and additional management efforts based
28 upon unanticipated impacts.

29 **(3) Employee Relations**

30 The Employee Relations department, in coordination with Ethics and
31 Compliance, advises managers and supervisors on workplace environment issues and corrective actions

1 under established policies and procedures, to provide consistency across the Company. For example, this
2 department conducts investigations on conduct and behavior, performance, and work environment. They
3 plan and conduct work environment assessments and consult and advise HR Business Partners and
4 business leaders on findings and recommended courses of action. They also lead and support the Fitness
5 for Duty program, including drug and alcohol testing, to help ensure employees are fit to come to work
6 and to foster the safety of all our employees.

7 **(4) Labor Relations**

8 The Labor Relations department represents the company on all wages,
9 working conditions, and benefits for represented employees. The department also negotiates and
10 implements the collective bargaining agreements for the Company's bargaining-unit workforce. They
11 advise and provide counsel on union and employee-represented matters; this encompasses discipline,
12 grievances, arbitration, and training. They also oversee compliance with federal and state labor
13 regulations, as well as safety matters in the work environment.

14 **(5) Administrative Support**

15 Administrative Support activities include responsibilities that impact the
16 entire population of the Company, including Company-wide employees and retirees. The employees in
17 Administrative Support help ensure compliance with company policies as well as federal, state, and
18 local agency laws. Therefore, labor and non-labor costs are incurred for support in administering the
19 benefit plans, tracking and updating employee and retiree data, and processing biweekly paychecks
20 relating to salaries and wages, bonuses, payroll taxes, and voluntary and involuntary deductions.

21 People Operations, is an organization within Administrative Support that
22 develops and implements SCE's people strategy and plan, manages the portfolio of HR strategic
23 initiatives, and provides insights on key workforce-related trends, issues, and opportunities, such as
24 calculating the turnover in critical positions, population of employees approaching retirement and
25 headcount vacancy rates. Additionally, it monitors and reports progress on the Company People and
26 Culture goals and conducts corporate-wide surveys (Employee Engagement Surveys and Exit
27 Interviews).

28 **(6) Internal Communications**

29 The Internal Communications work activity is composed almost entirely
30 of labor budget to support activities that SCE undertakes to facilitate employee awareness of key
31 business updates or corporate initiatives. Three primary areas of focus in this work activity are:

- Cascading Communications (examples include supporting company-wide livestreams and the annual business briefing);
- Enterprise Communications (examples include safety, HR/benefits and cyber communications); and
- OU Communications (examples include targeted communications to major Operating Units such as T&D and Customer Service).

b) Need for Activity

At a foundational level, OU Support Services help ensure compliance with federal, state, and local agencies such as the Internal Revenue Service, Department of Labor, and Department of Health and Human Services. At a more refined level, OU Support Services nurtures the company culture and work environment which are key to a company’s success. SCE must build and sustain an employee environment where people feel engaged and are enabled to do their best work. SCE needs to have good “people programs” in place, fair and consistent policies and practices, and appropriate standards of conduct.

The Employee Relations team makes sure that SCE’s policies and practices are adhered to; the team also oversees and recommends necessary corrective actions to take when deviations occur from what is expected. In the course of conducting investigations and providing recommendations on policy or corrective actions, the team gains insights to the work environment conditions, working relationships, and management effectiveness. The information and insights gained are passed along to OU Leaders and the HR Business Partners for fostering and improving a work environment that reflects all our Company values. The team also provides advice on initiatives or programs being created to help ensure that programs and services are applied consistently. Such programs include new leader training (teaching leaders about Company policies, Edison HelpLine, corrective action process, etc.), and compliance training that includes computer-based trainings.

The Labor Relations team provides similar support to SCE’s represented workforce. In addition, the team plays a key role in managing the workforce by understanding labor laws and providing advice on pay, benefits, seniority, work conditions, and collective bargaining agreement administration, and practices both in the normal course of business and also during contract negotiations. This helps keep operations running smoothly and assists in avoiding costly strikes or delays.

1 Continuous change remains a key characteristic of SCE’s internal and external
2 environment. To achieve the Company goals which include service excellence, innovation, and helping
3 customers make cleaner energy choices, SCE needs to have foundational expertise in change
4 management across the company at the individual and organizational level. This requires that SCE
5 continue enhancing its organizational change management efforts to implement a standardized approach
6 that provides a consistent way of dealing with different aspects of organizational change management
7 (e.g., communication planning, change management application, training planning, risk, stakeholder and
8 sponsor assessment and management); this results in more effective execution of change management
9 efforts and higher change adoption rates, which ultimately lead to better and more efficient results on
10 behalf of our customers.²⁷ The Organizational Effectiveness team provides a prudent level of expertise
11 to lead the organization through change.

12 Through an Organizational Change Management (OCM) plan, employees and
13 customers are aware of what is changing and how it would affect them. In 2022, OCM continues to
14 support major change initiatives across the enterprise with the following example related to grid
15 strengthening and infrastructure. Resource support can be seen in the successful launch of Grid
16 Modernization’s Engineering and Planning (E&P) team for the Distributed Resources Plan, External
17 Portal (DRPEP). This allows the public to interact with and understand SCE’s plan for the management
18 of its distributed electrical assets. Additional efforts saw the concurrent implementation of the Microgrid
19 External Portal which provides restricted access in all the functionalities, data and processes as
20 implemented, available on DRPEP. This portal is intended to provide Distribution Resources Plan
21 related information in support of local governments, tribal governments, Counties’ Office of Emergency
22 Services, and organizations created by political subdivisions to carry out provisions of the State
23 Emergency Plan. These launches require extensive change management strategies, and the development
24 of numerous change management artifacts, plans and deliverables to deliver successful project
25 implementations where impacted stakeholders are aware of the changes and are able to sustain those
26 changes.

27 OU Support Services benefit the customer because work is accomplished more
28 quickly. SCE’s efforts help employees collaborate on and complete work more effectively. Turnover, as
29 stated previously, slows productivity and efficiency, and generates costs to replace needed positions.

²⁷ 3 Factors of Change Which Define or Constrain Project ROI, <https://blog.prosci.com/three-factors-of-change-which-define-or-constrain-project-roi> (as of May 6, 2023).

1 With OU Support Services this cost is reduced, as we strive to retain all the members of our high-
2 performing workforce. Additionally, teams that function in a completely healthy, supportive, and
3 compliant manner do not require interventions from Employee Relations, Labor Relations, Legal, and
4 Health and Wellbeing resources. Such interventions can be an additional drain on SCE resources. Also,
5 workers that collaborate, get along, and are content in their work environment are less likely to be sick
6 or claim workplace stress, requiring additional resources and triggering loss of productivity.²⁸

7 **c) Alternatives Considered**

8 SCE considers these areas (Business Partners, Organizational Effectiveness and
9 Change Management, Employee Relations, Labor Relations, People Operations, Administrative
10 Support, and Internal Communications) fundamental and essential to a company's operations. All these
11 groups maintain compliance requirements set by federal or state laws, or collective bargaining
12 agreements, and failure to comply with these requirements can have negative results on the Company
13 and on our employees. As SCE considers the need for these activities essential, there are periodic
14 reviews of the services to ascertain the effectiveness and efficiency of the associated work. Generally,
15 when periodic reviews are conducted and completed, there are actions and recommendations that are
16 then implemented by the Company.

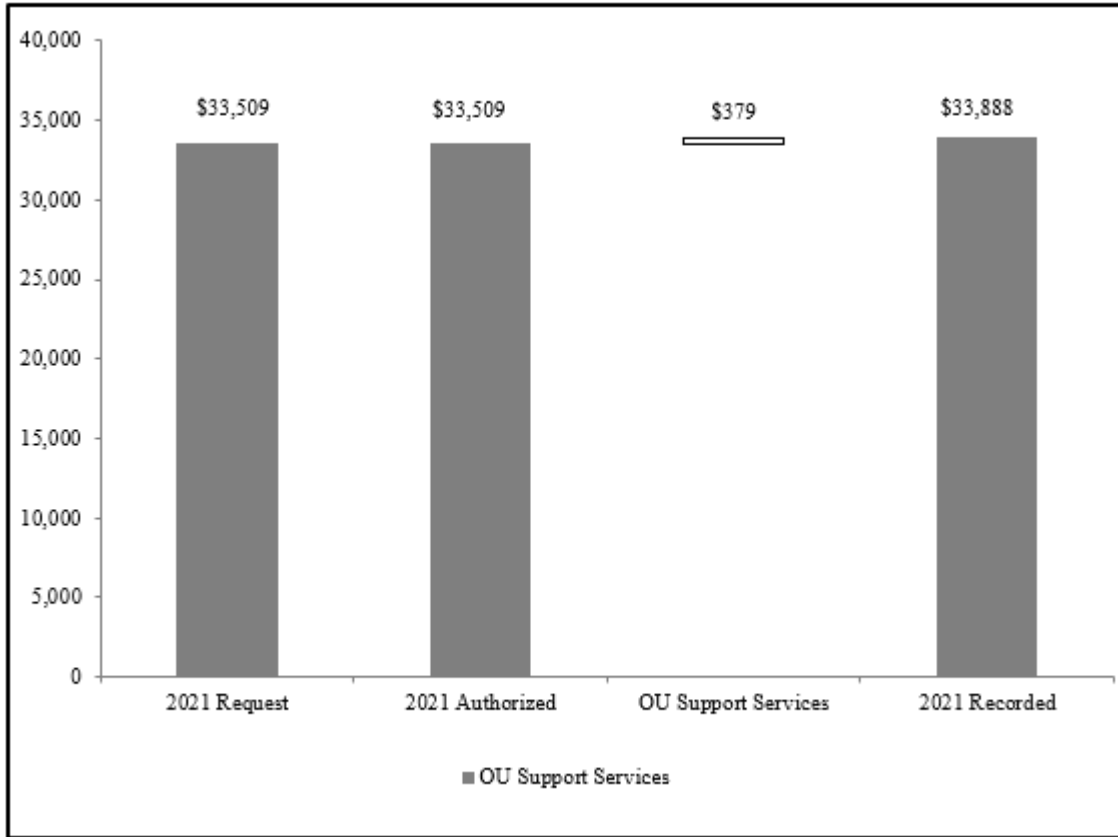
17 **d) Comparison of Authorized 2021 to Recorded**

18 This section compares the amounts authorized by the Commission in the 2021
19 GRC to the 2021 recorded O&M in this activity, along with an explanation for the variance. SCE's 2021
20 authorized for OU Support Services was \$33.509 million. SCE recorded \$33.888 million.²⁹ The variance
21 is very small, mostly due to an overrun in non-labor expenses caused by the internet stipend given to
22 employees working from home during COVID.

²⁸ Effective Collaboration Is Crucial To High Employee Engagement, <https://www.forbes.com/sites/forbestechcouncil/2021/12/21/effective-collaboration-is-crucial-to-high-employee-engagement/?sh=2a1d42a1348e> (as of May 6, 2023).

²⁹ Refer to WP SCE-07, Vol. 01, Authorized vs. Recorded.

Figure II-5
OU Support Services
O&M Expenses for 2021 – Authorized versus Recorded
(2022 Constant \$000)



e) **Scope and Forecast Analysis**

(1) **Historical Variance Analysis**

(a) **Labor**

From 2018 through 2022, labor costs fluctuated slightly with increases in 2019 and 2020, and then decreases in 2021 and 2022 due to not backfilling positions because of the need to defer certain non-wildfire-related activities and programs in order to address emergent public safety risks. The small decrease in labor cost for 2021 and 2022 was primarily driven by attrition and vacant positions remaining open longer, or not being backfilled to allow repurposing of resources.

1 (b) **Non-Labor**

2 Non-labor costs show an upward trend from 2018 to 2019 because
3 of increased consulting services. There was a heavier reliance on the Organization Effectiveness vendor
4 who had not been utilized in 2018. This cost was for special consulting fees and vendor expenses to
5 incorporate changes to the benefit programs and participant web sites caused by union negotiations.
6 Additionally, higher costs in 2019 occurred due to the use of the culture IQ survey tool³⁰ and associated
7 processes. Total Compensation Study contract expenses for the 2021 GRC were also paid in 2019,
8 additionally increasing consulting costs for that year.

9 In 2021, the Company incurred costs for internet stipends due to
10 employees working from home during COVID, which will no longer be incurred.

11 (2) **Forecast**

12 (a) **Labor**

13 OU Support Services forecasts \$28.799 million in labor expenses
14 for Test Year 2025. OU Support Services forecast methodology is based on utilizing the last recorded
15 year with adjustments due to forecast labor costs increasing in our Business Partners and People
16 Operations departments explained below.

17 SCE continues to evolve with the impacts of technology,
18 infrastructure modernization, changing customer demands, and the move toward meeting our 2045
19 Pathway³¹ goals as discussed in SCE-01, Vol. 01, Steve Powell's Policy testimony. IOUs have the
20 largest population of workers older than 53, representing 29.8 percent of their workforce.³² The
21 demands and retiring workforce require us to increase the headcount in our line workers and planners.
22 According to *CEWD's Gaps in the Energy Workforce* nationwide survey, the number of potential
23 replacements for retirements and non-retirement attrition in 2021 was forecasted to be 44,000 employees
24 (including line workers) over the next five years. The forecast for workers in corporate jobs such as HR

³⁰ An enterprise-wide tool used for digital Pulse surveys and proctored paper surveys, including the management of raw survey data and project management.

³¹ Edison International website, Carbon Neutrality By 2045, available at <https://www.edison.com/our-perspective/pathway-2045> (as of May 6, 2023).

³² Refer to WP SCE-06, Vol. 04, Book A, pp. 37-42, Gaps in the Energy Workforce.

1 is estimated at approximately 94,000.³³ SCE must prepare to meet these needs in our workforce. In order
2 to support this type of growth, SCE needs to increase our support staff.

3 Additionally, labor statistics reveal the demand for lineworkers is
4 expected to grow by 8.5 percent by 2026. It is estimated there were 21,500 lineworker job openings in
5 2022 alone. At SCE, lineworkers are one of twenty job classifications within the Safety and Reliability
6 Investment Incentive Mechanism (SRIIM). As described in SCE-02, Vol. 02, Part IV, Safety and
7 Reliability Investment Incentive Mechanism (SRIIM), SCE will be increasing its SRIIM employees by
8 about 69 employees per year for 2025-2028.³⁴ This work is necessary as SCE prepares to hire apparatus
9 crews with specialized training in automated equipment in order to adequately inspect and maintain the
10 distribution apparatus installed on SCE's distribution grid. To support the increased workforce, specific
11 positions within Employee Support will need to increase as well.

12 We have reviewed existing processes and positions to ensure
13 efficiencies. As a result, we recognized \$0.053 million in labor cost savings through cross-training and
14 resource sharing within HR. Despite this, labor costs continue to show an upward trend from 2022
15 through 2025 as support work increases due to our increasing workforce. As the business grows and
16 increases there is a need for HR workforce to grow as well, to support the Company-wide increases in
17 employees.

18 An additional increase of \$1.40 million is attributable to an
19 adjustment to reflect certain changes made to SCE's employee compensation program, as discussed in
20 this volume at Section III.A.5.³⁵

21 (i) **Business Partner**

22 HR Business Partners (HRBP) will undertake an expanded
23 role to provide enhanced onsite counsel and support with the expected expansion across the enterprise.
24 For the future state operating model of the HRBP organization, SCE plans to hire ten additional
25 employees, including mid-level professionals along with equivalent management to lead. The work of
26 HRBPs is being divided into three areas: strategists, program/process consultants, and field-based
27 generalists. Currently, there are 22 resources planned for the strategist and consultant functions, which

³³ Refer to WP SCE-06, Vol. 04, Book A, pp. 37-42, Gaps in the Energy Workforce.

³⁴ See Exhibit SCE-02, Vol. 02, Distribution Apparatus Inspection and Maintenance.

³⁵ See Section III, Employee Benefits & Programs, O&M Forecast section, of this Volume.

1 at the beginning of this volume, turnover and retirements can adversely affect the company and our
2 customers by incurring costs in excess of 150-200 percent of the employee's salary.³⁹

3 **(b) Non-Labor**

4 OU Support Services forecasts a total of \$12.269 million in non-
5 labor expenses for Test Year 2025.⁴⁰ SCE utilized the Last Recorded Year plus itemized increase to
6 forecast Non-Labor costs for 2025. Beginning with the Last Recorded Year, an itemized increase was
7 added to the forecast for 2025 to account for additional costs for consulting fees and vendor costs to
8 incorporate changes to the benefit programs and participant web sites caused by union negotiations for
9 2025 through 2028. Additionally, incremental consultant costs were added to the OU Support Services
10 forecast to allow for the market pricing of jobs on an annual basis. This is necessary due to the
11 competitive job market and higher than normal turnover rate SCE has been experiencing.⁴¹

12 An additional incremental increase of \$0.341 million reflects the
13 return to pre-pandemic annual activities that were not recorded in 2021 and 2022. For example, the
14 annual Business Briefing is an opportunity to bring the company's top 700 leaders together to discuss
15 our goals and company priorities, including our commitment to making clean energy more accessible
16 and reliable for all, with customers at the center of everything we do. Leaders are required to share the
17 event takeaways with the over 12,000 team members who do not participate in this event and help
18 connect their roles to the work ahead. After more than a decade of in-person events, COVID-19 health
19 and safety guidelines required a shift to a virtual format in 2021 and 2022, which reduced production
20 costs. However, feedback from attendees noted the virtual format was less effective, with post-event
21 satisfaction survey results declining by 12-13 percent, the lowest in history. In 2023, the event was held
22 in-person again and, according to internal surveys, participants found it valuable and walked away with
23 a better understanding of the critical work ahead.

³⁹ Heinz, Kate, *The True Costs of Employee Turnover*, <https://builtin.com/recruiting/cost-of-turnover> (as of May 6, 2023).

⁴⁰ An error was identified subsequent to the finalization of financial data. The Post-Retirement Benefits Other than Pension (PBOP) related actuarial fees that are not chargeable to the PBOP trust of \$0.59 were incorrectly omitted from the forecast. 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.

⁴¹ For more information on the competitive job market and the effect of inflation on wages, see Section III.A.5 of this volume.

1 Also included in the test year forecast is \$0.293 million of savings
2 related to the reduction of scope of the Total Compensation Study accompanying this testimony.

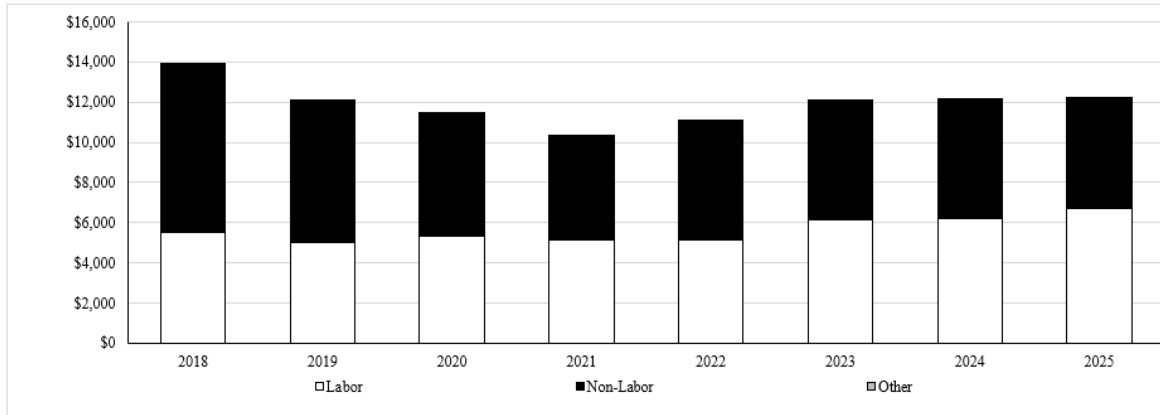
3 **2. Talent Solutions**

4 The Talent Solutions department provides governance, consultation, guidance, and
5 assistance with attracting, assessing, and managing organizational talent. These activities support SCE's
6 constant demand for a skilled and diverse workforce at all levels of the organization. Talent Solutions
7 provides expertise in Talent Acquisition and Diversity, Equity and Inclusion.

8 For the Test Year 2025, SCE forecasts \$12.260 million of O&M expenses.⁴² Figure II-6
9 shows recorded costs for Talent Solutions for the years 2018 through 2022, and SCE's forecast for 2025.

⁴² Refer to WP SCE-06, Vol. 04, Book A, pp. 47-53, O&M Detail for Talent Solutions.

Figure II-6
Talent Solutions
Recorded 2018-2022/Forecast 2023-2025
(2022 Constant \$000)



| | Recorded | | | | | Forecast | | |
|----------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$5,533 | \$5,034 | \$5,336 | \$5,121 | \$5,160 | \$6,163 | \$6,185 | \$6,737 |
| Non-Labor | \$8,370 | \$7,095 | \$6,132 | \$5,235 | \$5,948 | \$5,978 | \$5,979 | \$5,522 |
| Other | | | | | | | | |
| Total Expenses | \$13,903 | \$12,129 | \$11,468 | \$10,356 | \$11,108 | \$12,141 | \$12,164 | \$12,260 |

1 **a) Work Description**

2 **(1) Talent Acquisition**

3 Talent Acquisition (TA) partners and consults with hiring managers on
4 recruitment marketing strategies, attracting diverse candidates, administering pre-employment
5 assessments, interviewing and selecting the finalists, working to remove implicit bias from the process
6 through various measures (including diverse interview panels and dedicated diversity and inclusion
7 training), creating and extending competitive offers, finalizing the start date after background screening
8 (e.g., employment and education verification, drug screen, verification of authorization to work, driver
9 safety check), onboarding, and assisting with the relocation process for eligible candidates.

10 **(2) Diversity, Equity and Inclusion**

11 Diversity, Equity and Inclusion (DEI) strategy and structure is aligned
12 with company values, corporate goals and equal opportunity regulations, to build and sustain a diverse
13 team and an equitable workplace that enables all employees to thrive and benefit our customers. The
14 Company has embraced and fosters DEI as a foundational element of success. In 2020, the company

1 adopted 10 DEI Commitments, initially focused on our Black employees and community, with
2 implementation in 2021 and expansion of many of the commitments to broader underrepresented
3 groups, in 2022. Also, in 2022, the company increased DEI accountability corporate-wide through the
4 development and implementation of OU-specific DEI Plans. Each plan was developed by OU Leaders,
5 integrating DEI into specific business goals. The plans contain metrics and milestones to gauge
6 outcomes and impact. For a more detailed overview of the work of DEI, please see the Compliance
7 Section of this Volume for Employee Support above titled *2012 GRC Decision – Workforce and*
8 *Leadership Diversity Update*.⁴³ Also see the 2022 DEI Report, released in May 2023.⁴⁴

9 **b) Need for Activity**

10 SCE must acquire, develop, and retain talent that increases its overall
11 organizational competency, especially in complex problem solving, technological and operational
12 agility, risk management, and digital acumen. This accelerates its ability to continue to give customers
13 adequate and affordable service while applying new technologies, implementing process improvements
14 and fostering innovative ways to communicate with and receive feedback from customers. Modernizing
15 the grid to provide the most reliable protections to customer data and critical infrastructure requires
16 highly technically-skilled employees, such as control systems engineers and cybersecurity experts;
17 monitoring and preventing wildfires for the safest and most rapid response in customers' communities
18 requires fire scientists and incident managers; and achieving operational and customer service
19 excellence to save customers time and money requires data scientists and continuous improvement
20 specialists.

21 Because individuals with the needed skills are in high demand, they are not as
22 responsive to traditional methods of recruiting. In 2021, 67 percent of job applications were completed
23 on mobile devices, up from less than 10 percent in 2010.⁴⁵ With the increased use of technology,
24 candidates are expecting faster turnaround.⁴⁶ Thus, SCE requires a more strategic and up-to-date

⁴³ See Section II A.2.

⁴⁴ Edison International Website, The Power Of Our People 2022 Diversity, Equity & Inclusion Report, <https://www.edison.com/sustainability/diversity-equity-inclusion>, (as of May 6, 2023).

⁴⁵ Almost 70% of 2021 Job Applications Were Made from Mobile Devices, <https://recruitingdaily.com/news/almost-70-of-2021-job-applications-were-made-from-mobile-devices> (as of March 29, 2023).

⁴⁶ Nine Big Changes That Have Shaped The Modern Recruiting Process, <https://www.forbes.com/sites/forbeshumanresourcescouncil/2019/02/22/nine-big-changes-that-have-shaped-the-modern-recruiting-process/#20af31c96bae> (as of March 29, 2023).

1 approach to attract and retain talent, which includes recruitment marketing and mobile texting outreach
2 and communication. Since SCE launched its new online site in September 2018, it has seen
3 approximately 50 percent of its job applications originating from mobile devices.⁴⁷

4 Another important goal is to increase diversity (women and people of color)
5 across the organization and in senior leader roles so that customers see a reflection of their own
6 communities in the employees that serve them and feel a sense of trust that their perspectives are
7 represented in the work that these employees do. At the same time, talent demand is converging on the
8 same roles across industries.⁴⁸ For example, banks, manufacturers, retailers, healthcare companies, and
9 utilities are all recruiting and hiring data scientists, cybersecurity experts, and diverse leaders. SCE is
10 just one voice among many vying for the same in-demand talent in an already tight labor market

11 Job openings surged from 7.5 million pre-pandemic to over 11 million job
12 openings in the United States right now, half again as many as there were pre-pandemic and quit rates
13 have hit an all-time high.⁴⁹ At the same time, there has been a substantial slowdown in population
14 growth among U.S. workers in their prime working years. The sudden decline in the labor force and the
15 sharp increase in the demand for labor, driven by stimulus deployed during the pandemic, has created
16 the massive shortages we are experiencing in the economy today. Today, there are two openings for
17 every worker looking for a job in the United States, and earnings growth has spiked to a 30-year high in
18 the frenzied competition for workers.⁵⁰ Job opening rates have nearly doubled in every sector of the U.S.
19 economy over the last five years. As bad as the labor shortage is nationally, it is worse in California. The
20 situation has become critical over the last two years as the state's population peaked and started to
21 decline slightly to just below 40 million—a far cry from the 50 million residents that were predicted at
22 the turn of the century by numerous demographers. SCE anticipates worker shortages for years to
23 come.⁵¹

⁴⁷ 18 Mobile Stats for the Recruiter, <https://www.recruiter.com/recruiting/18-mobile-stats-for-the-recruiter/> (as of March 29, 2023).

⁴⁸ Gartner Talent Neuron Report Most Competitive Roles for 2019 Whitepaper, <https://www.gartner.com/en/human-resources/research/talentneuron/labor-market-trends?> (as of March 29, 2023).

⁴⁹ UCR WP Big Shortage Worker Scarcity, <https://forecastingconference.ucr.edu/> (as of March 29, 2023).

⁵⁰ Record High: U.S. Now Has 2 Job Openings for Every Person Who Is Unemployed, <https://www.entrepreneur.com/business-news/record-high-us-now-has-2-job-openings-for-every-person/426775> (as of May 6, 2023)

⁵¹ Refer to WP SCE-06, Vol. 04, Book A, pp. 45-46, Staffing Level Report.

1 Increased labor market opportunities may be bringing Californians (back) into the
2 labor force, though these trends are not yet clear. After falling to 60 percent—a 40-year low—in early
3 2020, labor force participation is up notably, reaching 61.8 percent in March 2022.⁵² This is still below
4 pre-pandemic participation levels and reflects a shortfall of about 400,000 Californians participating in
5 the workforce (not accounting for population growth). Though labor force participation has increased
6 quickly, the continued lower levels are likely still contributing to tightness in the labor market: this puts
7 upward pressure on wages but makes it more difficult for companies to attract and retain workers.
8 California’s labor force participation is typically a bit lower than in the U.S. overall, which remains true
9 today, though recent increases have been a bit more rapid here.⁵³

10 In addition, the COVID-19 pandemic has wreaked havoc on the U.S. labor
11 market. Multiple waves of COVID-19, along with efforts to limit disease spread and offset its economic
12 impacts, have led to dramatic ups and downs in the economy. After reaching 10.0 percent in October
13 2009, shortly after the end of the 2007–09 Great Recession, the unemployment rate fell steadily,
14 reaching 3.5 percent just before the onset of the pandemic. The unemployment rate then more than
15 quadrupled, reaching 14.7 percent in April 2020. Since then, however, the unemployment rate has fallen
16 steadily, standing at 3.8 percent in February 2022.⁵⁴

17 Furthermore, candidates’ expectations of their relationship with potential
18 employers are dramatically changing due to their on-demand consumer experiences with companies
19 such as Uber, Amazon and Google. They are using the same perspective when searching for
20 employment opportunities. They want streamlined and rapid job opportunity communications and
21 offers.⁵⁵ In addition, they desire remote or hybrid work modes and alternate work schedules.⁵⁶
22 Therefore, SCE has to be an attractive employer for these limited resources. Candidates are influenced

⁵² California’s Labor Force: A Swift Recovery, but What’s Next?, <https://www.ppic.org/blog/californias-labor-force-a-swift-recovery-but-whats-next/> (as of May 6, 2023).

⁵³ Difficulty hiring and keeping workers will last into 2022, Willis Towers Watson survey finds, available at <https://www.wtwco.com/en-US/News/2021/08/difficulty-hiring-and-keeping-workers-will-last-into-2022-willis-towers-watson-survey-finds> (as of May 6, 2023).

⁵⁴ The “Great Resignation” in perspective, <https://www.bls.gov/opub/mlr/2022/article/the-great-resignation-in-perspective.htm> (as of May 6, 2023).

⁵⁵ Why Do Candidates Turn Down Job Offers? And What You Can Do About It, <https://www.careerplug.com/blog/reasons-candidates-turn-down-job-offers/> (as if May 6, 2023).

⁵⁶ How the Rise of Remote Work is Affecting the Job Market, <https://www.theequalgroup.com/post/how-the-rise-of-remote-work-is-affecting-the-job-market> (as of May 6, 2023).

1 many different times, from many different sources, along the path to considering SCE as an employer.
2 Being exposed to one or more digital marketing campaigns on one or more platforms positively impacts
3 a person's decision on whether to respond to recruiter outreach, the decision to apply, interview and
4 accept an offer, and ultimately to whether an employee chooses to consider an offer outside of their
5 current employer. LinkedIn, along with other social media sites like Glassdoor, FairyGodBoss,
6 Facebook, and Instagram are becoming the top influencers of current employees and prospective talent.

7 In addition to attracting and retaining talent via increased investment in targeted
8 marketing campaigns, SCE is also investing in automated and validated tests and leadership assessments
9 to help remove human bias from the decision-making process and to help ensure it is objectively
10 selecting the highest performing talent. Investing in recruitment platforms such as Hirevue and Textio
11 also drives better hiring outcomes by creating inclusive job postings, reducing bias, and automating parts
12 of the candidate selection process.

13 Likewise, SCE recognizes and embraces the power of diversity and the
14 importance of inclusion to create a psychologically safe environment where all persons are comfortable
15 bringing their authentic selves to work and can openly speak up to express new ideas and respectfully
16 challenge each other to get better. Companies that are diverse in age, gender identity, race, sexual
17 orientation, religion, physical or mental ability, ethnicity, and, in general, have employees with different
18 life experiences like veterans and immigrants, have a proven advantage to assess complex problems
19 from different perspectives and find innovative solutions.⁵⁷ DEI is not only the right thing to do; it is the
20 only way SCE can create an open culture to harness the power of diverse ideas.

21 Additional elements of SCE's DEI roadmap include increasing executive
22 leadership accountability, strengthening conscious inclusion, and identifying and investing in women
23 and people of color. SCE also utilizes its Business Resource Groups to support, promote, and drive a
24 diverse and inclusive work environment while offering unique perspectives and insights.

25 Talent Solutions work activities benefit customers by attracting high- performing
26 talent to fill critical positions. Building higher skills and competencies will enable employees to work
27 with intelligent technologies to make them more productive. Along with diversity and inclusion,
28 employees can be creative and collaborative to develop unique choices for customers. Talent
29 Acquisition diversity efforts are advancing, for example, by offering the lineworker scholarships beyond

⁵⁷ Boston Consulting Group, <https://www.bcg.com/en-us/publications/2018/how-diverse-leadership-teams-boost-innovation.aspx> (as of May 6, 2023).

1 simply to applicants who identify as African American/Blacks. Talent Acquisition continues to look at
2 creative ways to build the talent pipeline for competitive positions through targeted recruitment
3 marketing, social media recruitment campaigns, All-Hands Recruiting, and continuous review of
4 improvement for better hiring experience for candidates and hiring leaders.

5 **c) Alternatives Considered**

6 SCE periodically reviews its options for Talent Acquisition opportunities.
7 Different services or programs are reviewed for the best return on investment. For example, Talent
8 Acquisition is looking into offering different methods of testing (e.g., testing sites closer to candidates or
9 testing done online). As the talent pool shrinks, SCE must adapt to the changing marketplace caused by
10 technology and the Gig economy or fail to entice candidates needed to fill critical positions.

11 SCE and the Commission recognize the importance of Diversity and Inclusion
12 in the workplace. The Commission ordered SCE to “continue reporting on workforce composition in its
13 general rate case . . . to ensure top management leadership development for underrepresented groups.”⁵⁸
14 SCE has been working towards this and has even made this a Corporate Goal (discussed further below).

15 **d) RAMP Integration**

16 Asset Protection control, a function of Talent Solutions, is included in SCE’s
17 2022 RAMP filing. Asset Protection mitigates physical security risks. This activity helps SCE protect its
18 employees by properly vetting and checking the backgrounds of workers before it hires them, training
19 employees on preventing and avoiding workplace violence, responding safely to active shooter
20 incidents, and deploying the Threat Management Team (TMT) to assess threats to SCE workers. This
21 control mitigates the Security System Bypass/Breach and Human/Process Failure drivers by employing
22 security officers at its facilities who deter violence and property damage. This control enables SCE to
23 investigate security incidents and concerns, and to implement security training to its workers. The
24 implementation of this program allows SCE to respond to risks and incidents more rapidly and
25 effectively, while identifying insider threats before they materialize.

26 **(1) Reconciliation Between RAMP and GRC**

27 As shown in Table II-3, there are no significant changes in costs or scope
28 for the Talent Solutions Asset Protection Risk as estimated in SCE’s 2022 RAMP report and the forecast
29 requested in this GRC.

⁵⁸ D.12-11-051, OP 28, p. 445. SCE’s compliance with this directive is discussed above in Section II.A.2.

Table II-3
Talent Solutions
RAMP to GRC O&M Forecast Reconciliation- (Nominal \$000)
Risk Spend Efficiencies^{59, 60}

| RAMP Risk | RAMP ID | RAMP Control / Mitigation Name | Filing | 2022 | 2023 | 2024 | 2025 | 2025 - 2028 RSE |
|-------------------|---------|--------------------------------|----------|--------|-------|--------|-------|-----------------|
| Physical Security | C4 | Asset Protection | RAMP | \$232 | \$232 | \$332 | \$232 | 6 |
| | | | GRC | \$133 | \$272 | \$272 | \$272 | 6 |
| | | | Variance | (\$99) | \$39 | (\$61) | \$39 | 0 |

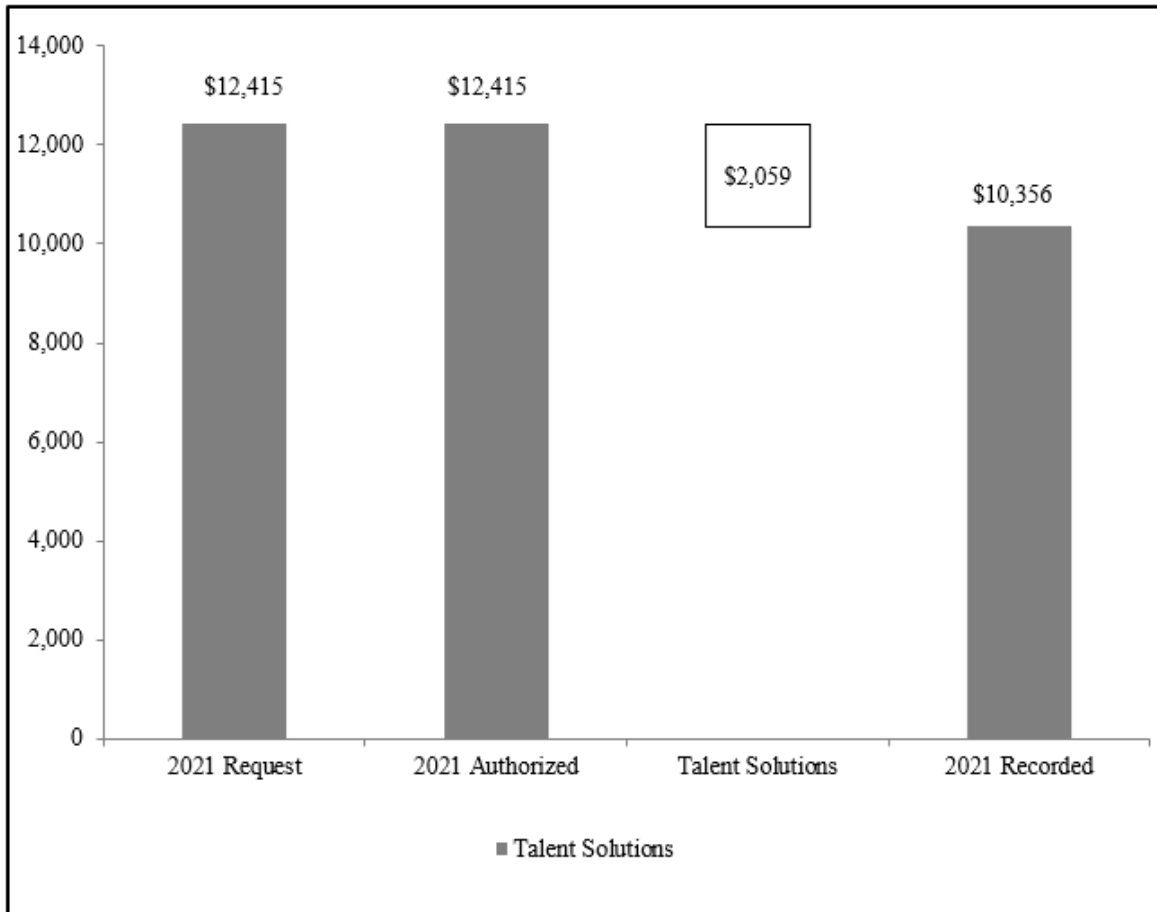
e) **Comparison of Authorized 2021 to Recorded**

This section compares the amounts authorized by the Commission in the 2021 GRC to 2021 recorded O&M in this activity, along with an explanation for the variance. SCE’s 2021 authorized amount for Talent Solutions was \$12.415 million, but it recorded \$10.356 million. The under spend of \$2.059 million is mostly associated with the effects driven by COVID, such as less relocation expenses and restricted hiring.

⁵⁹ The RSE value for Asset Protection is inconclusive of the total O&M across all applicable GRC activities. SCE cannot readily parse out the RSE by the individual GRC activity.

⁶⁰ More detail on the Physical Security Risk can be found in Exhibit SCE-04, Vol. 04.

Figure II-7
Talent Solutions⁶¹
O&M Expenses for 2021 – Authorized versus Recorded
(2022 Constant \$000)



f) **Scope and Forecast Analysis**

(1) **Historical Variance Analysis**

(a) **Labor**

The recorded labor costs were relatively flat from 2018 to 2022.

(b) **Non-Labor**

Non-labor costs in 2019 to 2021 slightly dropped from the 2018 spend. The primary driver which reduced non-labor costs in 2019 was due to less utilization of some

⁶¹ Refer to WP SCE-07, Vol. 01, Authorized vs. Recorded.

1 consulting services for terminated projects, such as the Employee Value Proposition⁶² and due to less
2 recruiting. The 2021-2022 drop was an additional decrease due to COVID. However, the use of a
3 supplemental workforce steadily increased the non-labor costs in 2022 to support the large hiring
4 volume. Recruitment-related activities such as relocation expenses and background checks increased in
5 2022 as well, as employees began returning to the office in person.

6 **(2) Forecast**

7 **(a) Labor**

8 The Test Year forecast for labor for Talent Solutions is \$6.737
9 million. The Talent Solutions forecast methodology is based on utilizing the last recorded year with
10 adjustments due to an increase in labor costs necessary for additional recruitment positions. The
11 majority of the increase in 2025 of \$1.5 million is primarily attributable to the hiring of additional
12 recruiters to support the need to fill positions primarily in Transmission and Distribution, along with an
13 increase of \$287,086 to reflect certain changes made to SCE's employee compensation program, as
14 discussed in Section III.A.5 within this Volume.

15 **(b) Non-Labor**

16 For Test Year 2025, SCE forecast non-labor expenses of \$5.522
17 million for Talent Solutions. As shown in Figure II-6, in 2022, non-labor costs increased, and the
18 expectation is for this to continue as we move out of the pandemic. Thus, SCE utilized the Last
19 Recorded Year methodology to forecast non-labor. As the Company returns to post-pandemic
20 operations, associated costs located in Talent Acquisition non-labor budget, such as costs to pay a
21 vendor to complete background investigations, contingent workers, career fairs and marketing
22 campaigns, will continue at levels similar to 2022 recorded costs. Also included in the test year forecast
23 is \$0.047 million in savings related to the optimization of job applicant assessments.

⁶² A program that was developed and socialized to attract prospective employees and retain and motivate current employees with clarified expectations that are aligned with Company vision.

1 **III.**

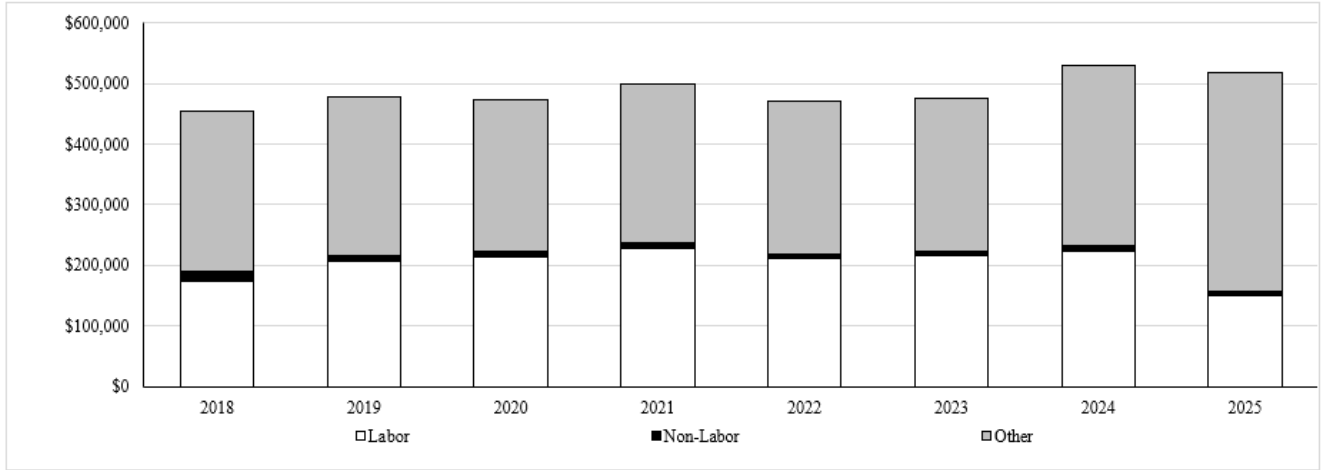
2 **EMPLOYEE BENEFITS & PROGRAMS**

3 This section presents the Test Year 2025 forecast of SCE’s Employee Benefits and Programs.
4 For Test Year 2025, SCE is forecasting \$517.346 million for Employee Benefits and Programs.

5 To attract, motivate and retain the workforce essential to the Company’s operations, SCE offers a
6 market-competitive compensation package. Exhibit SCE-06, Vol. 05 summarizes the 2025 GRC Total
7 Compensation Study (TCS). SCE’s total compensation programs encompass base pay, short-term
8 incentives,⁶³ long-term incentives, recognition awards, and benefits. SCE’s compensation programs
9 target the market median and reward employees for individual and Company performance as SCE serves
10 its customers.

⁶³ See Section III.A.5 below for a discussion of SCE’s transition of certain target short-term incentive compensation into base pay.

Figure III-8
Employee Benefits & Programs
Recorded 2018-2022/Forecast 2023-2025⁶⁴
(2022 Constant \$000)⁶⁵



| | Recorded | | | | | Forecast | | |
|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| <i>Labor</i> | \$173,780 | \$207,927 | \$215,054 | \$229,270 | \$212,355 | \$215,460 | \$223,974 | \$150,855 |
| <i>Non-Labor</i> | \$16,558 | \$9,486 | \$8,995 | \$7,961 | \$7,447 | \$8,603 | \$8,597 | \$7,443 |
| <i>Other</i> | \$262,846 | \$261,417 | \$247,869 | \$260,799 | \$249,719 | \$250,473 | \$297,170 | \$359,048 |
| Total Expenses | \$453,184 | \$478,830 | \$471,918 | \$498,030 | \$469,522 | \$474,536 | \$529,741 | \$517,346 |

A. Overview

SCE’s total rewards programs are critical to attracting, motivating, and retaining the high-performing and diverse workforce that is foundational to safely delivering reliable, affordable, and clean energy to SCE’s customers. SCE offers a competitive, market-driven total compensation package that includes base pay (base pay is included within the labor forecast of other projects and programs and is not included in this Section III, with the exception of base pay for executives, which is included in Executive Compensation below), variable pay such as incentive plans and recognition programs, and a competitive benefits package including healthcare, retirement, and other benefits, as described herein.

For purposes of this GRC, Willis Towers Watson conducted a Total Compensation Study (TCS) to assess SCE’s total compensation package in relation to the competitive market (including both utilities and non-utilities). The TCS concluded that the total compensation provided by SCE –taking into

⁶⁴ Adjustments related to Section PUC 706 officers were not made for years 2023 and 2024.

⁶⁵ 401(k), Medical, Dental, and Vision activities are forecast in nominal dollars.

1 account base pay, incentive pay and benefits – is within the market average. The results of the TCS are
2 discussed in Section 4 below.

3 **1. Risk Factors, Safety, Reliability and Connection with RAMP**

4 There were no risks associated with Employee Benefits & Programs within SCE’s RAMP
5 filing.

6 **2. Compliance Requirements**

7 **a) Senate Bill (SB) 901**

8 On December 13, 2018, the Commission issued Resolution E-4963, which
9 directed California gas and electrical corporations “to open memorandum accounts to track
10 compensation paid to IOU officers pursuant to Public Utilities Code Section 706.”⁶⁶ On December 21,
11 2018, SCE filed Advice Letter 3927-E (Advice Letter), titled “Establishment of the Officer
12 Compensation Memorandum Account Pursuant to Resolution E-4963.” In the proposed tariff changes
13 contained in the Advice Letter, SCE expressly stated the following:

14 The term “officer” shall be defined as those employees of SCE in positions
15 with titles of Vice President or above who are Rule 3b-7 officers of SCE
16 under the Securities Exchange Act. As of the date of this filing, SCE’s
17 officers for purposes of this OCMA are its: (1) Chief Executive Officer, (2)
18 President, (3) Senior Vice President (SVP) & Chief Financial Officer, (4)
19 SVP & General Counsel, (5) SVP Customer and Operational Services, (6)
20 SVP Transmission and Distribution, and (7) SVP Regulatory Affairs.⁶⁷

21 SCE’s Advice Letter set forth a definition of “officer” and listed each specific
22 officer that the definition applied to at that time. On January 29, 2019, the Advice Letter was approved.

23 In D.21-08-036,⁶⁸ the Commission found it “reasonable to continue to apply the
24 definition of ‘officer’ adopted in Resolution E-4963.” Specifically, Conclusions of Law 192 and 193
25 together provided that “All compensation, as defined by Section 706, for SCE executives who are Rule

⁶⁶ CPUC Resolution E-4963, p. 1.

⁶⁷ AL 3927-E.

⁶⁸ D.21-08-036, p. 419.

1 3b-7 officers of SCE... [and] for shared officers who are Rule 3b-7 officers of SCE should be excluded
2 from rates.”⁶⁹

3 Unfortunately, D.21-08-036 made a factual mistake when it incorrectly suggested
4 that SCE’s SVP of Human Resources was a Rule 3b-7 officer of SCE according to SCE’s 2019 Annual
5 Report.⁷⁰ Page 139 of SCE’s 2019 Annual Report⁷¹ in Ex. SCE-42 lists SCE’s seven Rule 3b-7 officers
6 as of February 20, 2020. SCE’s SVP of Human Resources is **not** included in that list. For at least the last
7 decade, SCE’s Board of Directors has not included SCE’s SVP of Human Resources in the list of Rule
8 3b-7 officers of SCE because human resources is not a principal business unit of SCE and SCE’s SVP of
9 Human Resources has not been a policymaker for SCE.

10 D.21-08-036 directed that SCE submit a Tier 1 advice letter updating its Officer
11 Compensation Memorandum Account (OCMA) to align with the Commission’s guidance. On
12 September 10, 2021, SCE updated its OCMA as follows:

13 The term ‘Officer’ shall be defined as those employees of SCE or shared
14 officers in positions with SCE titles of Vice President or above who are Rule
15 3b-7 officers of SCE under the Securities Exchange Act. The following is
16 the full list of SCE’s Rule 3b-7 officers as of January 1, 2021: (1) President
17 and Chief Executive Officer, (2) Executive Vice President, Operations, (3)
18 Senior Vice President (SVP) & Chief Financial Officer, (4) SVP & General
19 Counsel, (5) SVP Customer Service, and (6) SVP Transmission &
20 Distribution.

21 One of the shared officers of SCE and EIX is the SVP Human Resources,
22 who is not, and has never been, a Rule 3b-7 officer of SCE. Accordingly,
23 this position does not need to be treated as an Officer for purposes of PUC
24 Section 706. However, SCE is voluntarily excluding this position’s
25 compensation from customer rates and tracking it in the OCMA as if an
26 Officer.⁷²

⁶⁹ D.21-08-036, p. 669.

⁷⁰ D.21-08-036, p. 420 and fn. 1361.

⁷¹ EIX 2019 Annual Report, <https://s3.amazonaws.com/cms.ipressroom.com/405/files/202210/eix-sce-2019-annual-report.pdf> at pp. 138-139 (as of May 6, 2023).

⁷² AL 4586-E.

1 In this GRC, SCE proposes revising its OCMA to remove its SVP of Human
2 Resources from this memorandum account, on the grounds that SCE’s SVP of Human Resources is not
3 an “officer” of SCE under the definition found in Rule 3b-7 and as such should not be included in the
4 OCMA. SCE would like to correct this error in this filing. SCE has removed the compensation and
5 benefits of the SCE Rule 3b-7 officers from its 2025 request.⁷³

6 **b) Previous GRC Decisions**

7 In its 2012 GRC decision, the Commission stated that, with regard to the outside
8 vendor who is chosen to carry out the Total Compensation Study for SCE’s GRC,⁷⁴ “SCE shall ensure
9 that applicants are required to disclose if they receive more than 10 percent of their annual revenues
10 from other SCE contracts.”⁷⁵ SCE continues to comply with this Commission directive. The vendor
11 selected for the Total Compensation Study in the current GRC does not receive over 10 percent of the
12 vendor’s annual revenues from other SCE contracts.

13 **3. Comparison of Authorized 2021 to Recorded**

14 In the 2021 GRC, SCE was authorized \$445.375 million for Employee Benefits &
15 Programs. It recorded \$498.030 million in 2021. Please refer to Table III-4 for the authorized versus
16 recorded costs for Employee Benefits and Programs.

17 Disallowances by the Commission, particularly with regard to incentive compensation,
18 were the primary drivers of recorded spending in 2021 significantly exceeding authorized. The
19 Commission disallowed approximately 60 percent of SCE’s Short-Term Incentive Plan (STIP), 50
20 percent of Executive Benefits, 50 percent of the Executive Incentive Compensation Plan (EICP), and
21 100 percent of Long-Term Incentives (LTI) and the Key Contributor Incentive Plan (KCIP).⁷⁶ As Table
22 III-6 in Subsection (5) shows, these disallowed costs were part of a total compensation package that was
23 at market and reasonable, so if SCE had limited its actual spend to the authorized amount, SCE’s total
24 compensation for employees would have been below-market.

⁷³ Refer to WP SCE-06, Vol. 04, Book B, pp. 1-3, PUC Section 706 Excluded Officers’ Cost Adjustments.

⁷⁴ The Total Compensation Study is discussed later in this Volume.

⁷⁵ D.12-11-051, Conclusion of Law (COL) 382.

⁷⁶ In 2020, the Company launched a Long-Term Incentive Program (LTIP) for non-executive principal-level employees, attorneys, and some project managers after the Key Contributor Incentive Plan (KCIP) was discontinued.

The large majority of the variances where authorized exceeded recorded spending for 2021 were subject to two-way balancing accounts, so any overcollections are returned to customers: the Pension Costs Balancing Account, the PBOP Cost Balancing Account for post-employment benefits other than pensions (PBOPs) related to retiree health and life insurance, and the Medical Programs Balancing Account (MPBA) for medical, dental and vision costs.

Table III-4
Employee Benefits and Programs
O&M Expenses for 2021 – Authorized versus Recorded¹⁷
(2022 Constant \$)

| GRC Activity | 2021 Request | 2021 Authorized | 2021 Recorded | Variance |
|--|--------------------|--------------------|--------------------|-------------------|
| 401K Savings Plan | \$ 93,576,595 | \$ 90,823,596 | \$ 95,912,885 | 5,089,290 |
| Dental Plans | \$ 13,102,694 | \$ 12,734,540 | \$ 11,562,961 | (1,171,580) |
| Disability Management - Administration | \$ 605,789 | \$ 605,789 | \$ 1,042,517 | 436,728 |
| Disability Management - Programs | \$ 17,623,218 | \$ 17,120,534 | \$ 11,902,419 | (5,218,115) |
| Executive Benefits | \$ 15,960,227 | \$ 7,756,192 | \$ 10,523,678 | 2,767,486 |
| Executive Compensation | \$ 20,259,220 | \$ 18,358,202 | \$ 16,771,257 | (1,586,945) |
| Group Life Insurance | \$ 1,349,040 | \$ 1,311,085 | \$ 1,243,684 | (67,401) |
| Long-term Incentives | \$ 13,200,448 | \$ - | \$ 14,552,716 | 14,552,716 |
| Medical Programs | \$ 98,954,142 | \$ 96,164,592 | \$ 92,677,172 | (3,487,420) |
| Miscellaneous Benefit Programs | \$ 6,222,694 | \$ 6,047,905 | \$ 2,267,362 | (3,780,542) |
| PBOP Costs | \$ 21,283,865 | \$ 21,283,865 | \$ - | (21,283,865) |
| Pension Costs | \$ 84,348,991 | \$ 84,348,991 | \$ 31,788,346 | (52,560,645) |
| Recognition | \$ 77,928 | \$ 77,928 | \$ 418,154 | 340,226 |
| Severance | \$ 3,235,633 | \$ 3,235,633 | \$ 1,672,001 | (1,563,632) |
| Short-Term Incentive Program | \$ 202,857,062 | \$ 82,818,299 | \$ 203,192,335 | 120,374,037 |
| Vision Service Plan | \$ 2,766,369 | \$ 2,688,512 | \$ 2,502,753 | (185,759) |
| Total | 595,423,915 | 445,375,663 | 498,030,241 | 52,654,578 |

4. Summary of the TCS

a) Background on TCS

Total compensation studies have been an element of energy utilities' GRC proceedings for over 20 years.

¹⁷ Refer to WP SCE-07, Vol. 01, Authorized vs. Recorded.

1 SCE selected an independent expert, Willis Towers Watson (WTW), to perform
2 the 2025 GRC Total Compensation Study.⁷⁸ Consistent with the Commission’s direction, the selected
3 independent expert performed the study and conducted detailed analyses regarding benchmarking, job
4 matching, and selection of comparator companies.

5 **(1) 2025 GRC TCS**⁷⁹

6 WTW was selected to perform SCE’s 2025 TCS. WTW is an independent
7 compensation consulting firm familiar with TCS, as it has performed studies for Pacific Gas & Electric
8 and So Cal Gas and San Diego Gas & Electric (filed together). SCE issued a Request for Proposal and
9 WTW was awarded the work.

10 The following methodology was employed for analyzing the
11 competitiveness of SCE’s total compensation levels in the 2025 GRC TCS:

12 To determine competitive standing, total compensation levels for SCE
13 benchmark jobs were compared to total compensation levels for similar positions at comparable
14 employers. A group of utility industry and general industry companies was selected as comparable
15 employers (“peer companies”) for benefits analyses.

16 For purposes of this study, SCE placed benchmark jobs into one of five
17 employee categories. These categories are specific and comparable to categorizations in other California
18 rate cases as well as prior SCE rate cases. The categories described below may differ from the way jobs
19 are categorized internally at SCE. The TCS employee categories are as follows:

20 1. *Executive* — This category includes the limited group of officers who
21 are responsible for the overall direction of the company. Officers of EIX who have some responsibility
22 for utility matters were included. (SCE is not seeking recovery for SCE 3b-7 Executive Officers).

⁷⁸ Historically, SCE and the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) jointly sponsored a total compensation study and worked together with the selected independent expert to oversee the methodology for the study. However, Cal Advocates chose not to participate in the TCS for SCE’s last two GRCs, so SCE did not ask if it wanted to participate in the TCS for the 2025 GRC.

⁷⁹ The Total Compensation Study is referred to as the TCS or the Study. The documented results of the Total Compensation Study are referred to as *the Total Compensation Study Report* and can be found in Exhibit SCE-06, Vol. 05, Total Compensation Study Report.

1 2. *Manager/Supervisor* — Benchmark jobs in this category are classified
2 as exempt under the Fair Labor Standards Act⁸⁰ (FLSA). This category contains different levels of
3 leadership jobs with primary responsibility for directing the work of others and for the final work
4 product in a unit of the company.

5 3. *Professional/Technical* — These benchmark jobs generally are
6 individual contributors that are typically classified as exempt under the FLSA. These benchmark jobs
7 usually require a college degree and the nature of the work involves extensive analysis and independent
8 judgment. The benchmark jobs in this category are not covered by a collective bargaining agreement.

9 4. *Physical/Technical* — Benchmark jobs in this category are nonexempt
10 under the FLSA. This category contains both field jobs requiring physical activities that are repetitive in
11 nature and individual contributor technical jobs, such as a Troublemaker. Physical (field) jobs are found
12 more frequently in utility companies and are usually covered by a collective bargaining agreement. They
13 often have formal apprenticeship programs and typically do not require college study. Technical jobs
14 may require some college study, but a college degree is not required. Many have formal training
15 programs in the company.

16 5. *Clerical* — These benchmark jobs are nonexempt under the FLSA. Jobs
17 in this group usually are located in an office environment (although there are exceptions, such as meter
18 readers) and require activities that are generally administrative or clerical in nature. These jobs may
19 require some college study, but a college degree is not required. Some clerical jobs at SCE are covered
20 by a collective bargaining agreement, unlike most clerical jobs in the competitive market.

21 This study includes 393 unique benchmark jobs at SCE representing 8,165
22 employees as of December 2022.

23 Benchmark jobs were selected from the five employee categories
24 described above: 1) Executive, 2) Manager/Supervisor, 3) Professional/Technical,
25 4) Physical/Technical, and 5) Clerical.

26 SCE provided WTW with an initial job list that included the following:

⁸⁰ The Fair Labor Standards Act (“FLSA”) of 1938 is a federal law that governs minimum wage, overtime pay, child labor and record-keeping requirements. The law also determines the type of positions that are exempt from minimum wage and overtime provisions. Under FLSA, “nonexempt” employees must be paid one-and-a-half times their normal wage rates for all hours worked in excess of 40 hours in any work week. Some states, including California, require overtime pay for nonexempt positions for hours exceeding 8 hours worked in one day.

- All job classifications with one or more incumbents as of September 2022; and
- All jobs initially identified for the 2021 GRC Study, including jobs excluded from that study for reasons such as lack of sufficient market information at that time.⁸¹

Jobs chosen to be benchmark jobs met all or most of the following criteria:

- Jobs that were usually found in existing surveys that provide reliable competitive market data;
- Jobs that, in aggregate, represented the largest number of incumbents to provide a representative cross-section of the employee population;
 - Across the entire company
 - Across organization levels within the company
- Jobs that were representative of a job category or job family for cross-coverage; and
- Jobs that had a clearly definable scope of position, required education/experience, skills, and abilities.

The TCS Report describes the data-gathering process and analysis underlying the Study. At a high level, the Study encompassed the following steps:

First, the Project Team worked together and conducted the benchmark job matching for this study over several weeks. The 2021 GRC Study benchmark positions were used as an initial starting point for consistency and to maximize efficiency and help manage overall study costs. From there, SCE provided preliminary job matches which WTW reviewed and adjusted as necessary. SCE and WTW began the job matching process by reviewing benchmark jobs that met the criteria established. The Project Team also identified new survey positions that were comparable to benchmark jobs at SCE (this is referred to as the “matching process”).

Survey positions were selected for benchmark jobs based on:

- Matches of benchmark jobs to survey positions that were validated and used in the prior SCE GRC Study;

⁸¹ On an ongoing basis, SCE focuses on right-aligning jobs in the organizations to market and corresponding survey jobs. This is part of SCE’s effort to ensure the relevance of market matches.

- Knowledge of the benchmark job scope and function by SCE Human Resources and line operations;
- WTW’s experience and knowledge of the survey positions and the survey job leveling guides; and
- Comparable survey position matches selected by the Project Team from compensation surveys conducted by reputable consulting firms.

A survey position was deemed to be an effective match to a benchmark job if the composition (e.g., scope, duties or function) of a survey job reflected 80 percent of the SCE benchmark composition. The 80 percent guideline is a standard guideline for compensation professionals. For executive benchmark jobs, survey positions also reflected the reporting level of the benchmark jobs in the organization.

Appendices A - I of the Study contain a list of SCE benchmark jobs and corresponding employee counts, by employee category that were included in the study.

The resulting coverage of SCE employees in the final results ranged from 67.1 percent for the Professional/Technical employee category to 41.5 percent for the Executive employee category. Overall, there was 63.1 percent coverage of the total SCE population by benchmark jobs (see Table 2A on page 5 of the TCS Report, SCE-06, Vol. 05).

All of the foregoing items, including the methodology, data gathering, analyses, and results of the 2025 GRC TCS, are detailed in the TCS Report.⁸²

b) Reasonableness of Compensation Paid by SCE

Table III-5 summarizes the results of the 2025 GRC TCS performed by WTW. The percentages in the table represent the amounts by which SCE’s base pay, incentive compensation, and benefits differ from the market, both in the aggregate and for each of the five job categories that SCE’s workforce was divided into for purposes of the Study.

In this context, total compensation consists of base pay, short-term incentives, and benefits for all employees, plus long-term incentives for Executives and certain jobs in the Manager/Supervisor category. The Study shows SCE’s target total compensation to be 0.5 percent below market and actual total compensation to be 0.6 percent below market. Given the sampling error

⁸² See Exhibit SCE-06, Vol. 05, Total Compensation Study Report.

inherent in such studies, this result shows that SCE’s total compensation is statistically equivalent to the market average.

**Table III-5
Summary Results of the 2025 GRC Total Compensation Study**

| Job Category | SCE Population in Study | Benchmark Jobs | SCE Payroll Dollars | Payroll Weighting | Base Pay | SCE vs. Market | | | | | | |
|------------------------|-------------------------|----------------|---------------------|-------------------|----------|------------------------|-------------------------------------|--------|-----------------------|-------------------|--------------------------------|--|
| | | | | | | Target Total Cash Comp | Actual Total Cash Comp ¹ | LTI | Benefits ² | Target Total Comp | Actual Total Comp ³ | |
| Executive | 17 | 17 | \$ 7,645,110 | 0.7% | 0.7% | 0.2% | -5.2% | -7.2% | 54.0% | 1.3% | -2.5% | |
| Manager/Supervisor | 1,241 | 119 | \$ 250,953,524 | 21.6% | -6.9% | -5.9% | -5.6% | -35.4% | 20.1% | -3.1% | -2.9% | |
| Professional/Technical | 3,662 | 224 | \$ 502,344,140 | 43.2% | -10.0% | -8.4% | -9.3% | - | 20.6% | -4.2% | -4.9% | |
| Physical/Technical | 2,296 | 19 | \$ 302,068,399 | 26.0% | 7.8% | 6.5% | 7.3% | - | 21.1% | 9.0% | 9.6% | |
| Clerical | 949 | 14 | \$ 98,576,003 | 8.5% | -8.1% | -8.4% | -9.0% | - | 15.9% | -3.8% | -4.4% | |
| Overall ⁴ | 8,165 | 393 | \$ 1,161,587,176 | 100.0% | -4.5% | -3.9% | -4.1% | -34.6% | 20.4% | -0.5% | -0.6% | |

¹ Actual total cash reflects base pay plus short-term (annual) incentives, target total cash reflects base pay plus target short-term incentive opportunity

² See "Interpretation of Results by WTW" for an explanation of the difference in benefit valuation when compared to the 2021 TCS Study and see the 2025 TCS Report for a detailed description of the Benefits Methodology

³ Actual total comp reflects base pay plus short-term (annual) incentives plus long-term incentives plus benefit values

⁴ Results weighted by SCE target total cash compensation

Based on the results of the Study, the Commission should find that the total compensation paid by SCE to its workforce is at market and reasonable. As discussed further below, adherence to cost-of-service principles requires that these reasonable total compensation expenses be included in the authorized revenue requirement. If the Commission denies cost recovery through rates for expenses that the evidence demonstrates is at market and is reasonable, then such a GRC decision is both an impediment to SCE earning its Commission-authorized return and is functionally an approval of below-market compensation.

5. Movement of STIP Target to Base Pay

a) Increasing Importance of Base Pay

Due to high inflation and new base pay transparency laws, it has become increasingly critical that SCE offer competitive base pay. Consumer prices increased 9.1 percent over the 12-months ending June 2022, which is the largest increase in forty years.⁸³ These price increases have a significant impact on the cost of living for employees. A study by the consulting firm Mercer found that covering monthly expenses became the top unmet need of employees in 2022, up from ninth

⁸³ Consumer prices up 9.1 percent over the year ending June 2022, largest increase in 40 years, available at <https://www.bls.gov/opub/ted/2022/consumer-prices-up-9-1-percent-over-the-year-ended-june-2022-largest-increase-in-40-years.htm> (as of May 6, 2023).

1 place in Mercer’s 2021 study; 75 percent of employees say that the high inflation and market volatility
2 in 2022 significantly increased their financial stress.⁸⁴

3 Relatedly, Mercer also found that “pay was the top reason employees said they
4 would consider leaving their employer.”⁸⁵ Not only are more employees experiencing financial stress,
5 they also see significant wage increases in their communities and throughout the country. There are now
6 numerous jurisdictions with pay transparency laws, including California, which, as of January 1, 2023,
7 requires job postings by employers with at least 15 employees to disclose the position’s base pay range,
8 and requires all employers to provide the base pay range for an employee’s current position upon
9 request.⁸⁶ This increased base pay transparency puts a spotlight on the fact that wage growth is at a 30-
10 year high as employers compete for qualified candidates.⁸⁷

11 Due to tight labor markets and expectations for inflation to continue, SCE is
12 preparing for continued high wage growth. The Bureau of Labor Statistics reports that as of the end of
13 2022 there are more than 11 million unfilled jobs; this is 57 percent higher than pre-pandemic levels
14 (February 2020).⁸⁸ Layoffs have remained at a historic low of around one percent, even with the tech
15 industry layoffs announced in recent headlines.⁸⁹ As discussed above in Section II.B.2, Talent Solutions,
16 there are two openings for every worker looking for a job in the United States. In its September 6, 2022
17 Economic Letter, the Federal Reserve Bank of San Francisco states that “inflation has been highly
18 elevated and labor markets have been very tight...inflation expectations have been playing a more
19 prominent role in wage-setting dynamics...the influence of inflation expectations is being felt over a

⁸⁴ Mercer’s 2022 Inside Employees’ Minds, p. 9,
<https://www.mercer.us/content/dam/mercer/attachments/private/us-2022-inside-employees-minds-report.pdf>
(as of May 6, 2023).

⁸⁵ Mercer’s 2022 Inside Employees’ Minds, p. 8,
<https://www.mercer.us/content/dam/mercer/attachments/private/us-2022-inside-employees-minds-report.pdf>
(as of May 6, 2023).

⁸⁶ California Labor Code Section 432.3.

⁸⁷ Record High: U.S. Now Has 2 Job Openings for Every Person Who Is Unemployed,
<https://www.entrepreneur.com/business-news/record-high-us-now-has-2-job-openings-for-every-person/426775> (as of May 6, 2023).

⁸⁸ Job Openings and Labor Turnover, https://www.bls.gov/news.release/archives/jolts_04062021.pdf and
<https://www.bls.gov/news.release/pdf/jolts.pdf> (as of May 6, 2023).

⁸⁹ Despite Layoffs, It’s Still a Workers’ Labor Market, <https://hbr.org/2023/01/despite-layoffs-its-still-a-workers-labor-market> (as of May 6, 2023).

1 longer period of time. The longer inflation and inflation expectations remain elevated, the higher and
2 longer-lasting the pressures on wage growth are likely to be.”⁹⁰

3 **b) Compensation Changes to Better Align Base Pay to Market**

4 While the TCS found that SCE’s total target compensation is extremely close to
5 the market average (0.5 percent below to be exact), it also found that SCE’s base pay is 4.5 percent
6 below the market average. That is a competitive disadvantage in this labor market, since base pay has
7 taken on increased importance due to high inflation and new base pay transparency laws. As discussed
8 above in Section II.B.2, Talent Solutions, SCE is experiencing employee turnover that is 45 percent
9 above its pre-pandemic rate. In 2022, SCE paid \$5.4 million in off-cycle base pay increases that were
10 deemed necessary due to the high level of turnover SCE was experiencing for critical roles.⁹¹ However,
11 SCE’s base pay was still 4.5 percent below the market average overall after these off-cycle increases.
12 (The off-cycle base pay increases helped bring SCE approximately to market average on a total
13 compensation basis). In order to remain competitive and put cash into employees’ hands more quickly,
14 SCE has decided to transfer all incentive compensation to base pay for hourly employees, and a portion
15 of the Short-Term Incentive Plan target to base pay for exempt employees.

16 In recent years, including 2022, SCE’s hourly employees (including represented
17 and non-represented/non-exempt employees) have had a STIP target equal to four percent of their
18 eligible earnings. In September 2022, SCE entered into collective bargaining negotiations with IBEW,
19 Local 47. As part of these negotiations, SCE and IBEW, Local 47 reached an agreement to eliminate
20 STIP and provide a one-time increase to base wages equivalent to the eliminated STIP target (i.e., four
21 percent), effective January 1, 2023. The union’s members ratified the agreement on February 3, 2023.

22 Since covering monthly expenses has become a particularly pressing concern for
23 many hourly employees,⁹² SCE will eliminate the four percent STIP target for non-represented/non-
24 exempt employees and increase their base pay by that amount effective the first pay period of 2024.⁹³

⁹⁰ Wage Growth When Inflation is High, <https://www.frbsf.org/wp-content/uploads/sites/4/el2022-25.pdf> (as of May 6, 2023).

⁹¹ Refer to WP SCE-06, Vol. 04, Book B, pp. 4-5, 2022 Off-Cycle Merit Increases.

⁹² Mercer’s 2022 Inside Employees’ Minds, p. 13, <https://www.mercer.us/content/dam/mercer/attachments/private/us-2022-inside-employees-minds-report.pdf> (as of May 6, 2023).

⁹³ The represented and non-represented/non-exempt employee conversion is reflected as labor for 2023 and 2024 respectively for trending purposes only for consistency with 2025 GRC request. However, these costs will be recovered through the STIP program in line with the 2021 GRC.

1 As noted above, the TCS found that SCE’s overall base pay is 4.5 percent below
2 the market average. Slightly less than half of SCE’s employees are either represented or non-
3 represented/non-exempt and have had or will have a shift of 4 percent from STIP to base pay. In order to
4 increase base pay for SCE’s overall employee population by approximately 4.5 percent without
5 changing target total cash compensation, SCE will reduce the STIP target for nearly all exempt
6 participants in the STIP (except for the approximately 200 exempt employees discussed in the next
7 paragraph) by 5 percentage points⁹⁴ and will increase their base pay by 5 percent. This change will go
8 into effect the first pay period of 2025 (i.e., for exempt employees, SCE will maintain for 2023 and 2024
9 the short-term incentive compensation framework adopted in the 2021 GRC decision).

10 There is a small group of exempt STIP participants who will have a reduction of
11 less than 5 percentage points to their STIP target. Approximately 50 exempt employees are in positions
12 that have a STIP target of 6 percent and approximately 150 employees are in positions that have a STIP
13 target of 8 percent. Effective the first pay period of 2025, the STIP targets for those positions will be
14 reduced to 5 percent and their base pay will be increased in proportion to the respective STIP target
15 reductions. This will simplify SCE’s STIP targets, so that all participants will have a target that is a
16 multiple of 5 percent, and the targets will range from 5 percent to 20 percent.

17 The TCS found that SCE’s Executives receive base pay and total compensation at
18 approximately the market average. As such, SCE is not transitioning compensation from the EICP to
19 base pay.

20 c) **Modeling of STIP to Base Pay Conversion**

21 To model the revised labor forecast, SCE took its steady-state labor forecast in
22 2023-2028 and reallocated certain projected STIP compensation to base labor. Because different
23 workforce types had different implementation timeframes and average STIP targets, the steady-state
24 labor forecast had to be parsed into represented and non-represented/non-exempt employees, and non-
25 represented/exempt employees by utilizing recorded labor ratios from January – December 2022. For
26 instance, if represented non-exempt labor accounted for 22 percent of the recorded labor costs in January
27 – September 2022, it was assumed that this workforce type accounted for 22 percent of forecast labor
28 costs.

⁹⁴ STIP targets that are 10, 15, 20, or 25 percent will decrease by 5 percentage points for 2025 and become 5, 10, 15, or 20 percent, respectively.

1 For 2023 and 2024, the four percent STIP target for represented and non-
2 represented/non-exempt employees, respectively, was moved into base labor for the model. For 2025,
3 the approximately five percent STIP target conversion for exempt participants in the STIP was moved
4 into base labor.⁹⁵

5 After the labor forecast changes were quantified for each workforce category,
6 they were allocated to work activities in the forecast based on the recorded ratio of each activity from
7 January – December 2022. For example, if a particular work activity accounted for 1 percent of the
8 represented labor in that period, it was allocated 1 percent of the total incremental labor costs for that
9 workforce type. Activities recording zero labor during the January – September 2022 period were
10 allocated zero incremental labor in the forecast.

Table III-6^{96,97}
STIP to Base Labor Conversion by O&M and Capital
(\$000)

| Description | 2023 | 2024 | 2025 |
|---------------------|-------------|-------------|-------------|
| O&M (2022 Constant) | 10,332 | 13,597 | 44,286 |
| Capital (Nominal) | 13,011 | 17,436 | 43,058 |

11 **6. SCE’s Corporate Performance Goals Determination**

12 At the beginning of each calendar year, the Compensation and Executive Personnel
13 Committee of the Board of Directors approves the performance goals for the Company that are used for
14 both STIP and the EICP. Goals are established after a thorough review of internal and external
15 developments such as regulatory commitments (e.g., Wildfire Mitigation Plan) and guidance (e.g.,
16 Office of Energy Infrastructure Safety’s (OEIS) guidance for SCE’s 2023 executive compensation
17 structure), progress on current goals, performance gaps, budgetary issues, external factors impacting the
18 Company, and evolving best practices. Goals are emphasized at all levels of the Company during the

⁹⁵ Specifically, for exempt employees in pay grades 8-12, the existing weighted average STIP target of 9.7 percent was capped at 5 percent and the remaining 4.7 percent was moved into base labor. For exempt employees in pay grades 13-18, the existing weighted average STIP target of 17.2 percent was capped at 12.2 percent and the remaining 5 percent was moved to base labor.

⁹⁶ For a more detailed breakdown of conversion dollars, refer to WP SCE-06, Vol. 04, Book B, pp. 6-8, STIP to Base Labor.

⁹⁷ The employee compensation program changes result in an approximate offsetting reduction to the STIP program forecast.

1 year. The Safety and Operations Committee of the Board applies its relevant safety experience and
2 participates in establishing safety and operational goals and success measures. Goals focus on safety as a
3 priority and emphasize improvements in our operations and the services we provide to our customers.

4 As discussed in greater detail below, SCE's 2023 goals are the basis for STIP and EICP
5 payouts, and are honed to customer benefits, including performance metrics for operating in a safe and
6 reliable manner, mitigating wildfire risk, improving customer satisfaction, and operating in a fiscally
7 prudent manner. Consistent with prior years, SCE's goals framework continues to include foundational
8 goals. In 2022, SCE modified its other goals to streamline them into two goal categories: (1) Safety and
9 Resiliency, and (2) Performance Management and Operational Excellence. These changes were made to
10 further emphasize SCE's commitment to the safety of our employees, of our customers, and of the
11 communities we serve. These are also the goal categories for the 2023 goals.

12 **Foundational Goals** – A critical component of SCE's Foundational Goals is ensuring no
13 employee fatalities and no serious injuries to the public from a system failure. Safety is SCE's top
14 priority and benefits everyone. SCE's other Foundational Goals are to not have a significant non-
15 compliance event and to maintain effective controls and cybersecurity measures to prevent and mitigate
16 significant disruption, data breach or system failure. If one or more foundational goals are not met,
17 annual incentive awards may be reduced for all or some plan participants, depending upon severity.

18 **Safety and Resiliency** – The Safety and Resiliency goals category includes goals focused
19 on employee safety outcomes, reducing risk of public safety and goals that provide for the resiliency of
20 company operations to deploy work activities that provide for a safer environment for our employees
21 and the public. Since 2019, SCE has increased the weighting of its Safety and Resiliency goals from 30
22 percent in 2019 to 55 percent in 2022, to further emphasize the importance SCE places on the safety of
23 its employees and the communities SCE is privileged to serve.

24 **Performance Management and Operational Excellence** – The Performance
25 Management and Operational Excellence goal category provides for SCE's financial health, promotes
26 workforce diversity, equity, and inclusion, and improves efficiency and effectiveness of the operations
27 and services that we provide to our customers. SCE has modified these goals to be more quantitative (as
28 emphasized in AB 1054) and to more explicitly advance customer interests, consistent with prior
29 Commission precedent. These changes include removing goals focused on policy objectives. In addition,
30 the increased weighting of the Safety and Resiliency goal category required decreasing the weighting of
31 some of the goals in the Performance Management and Operational Excellence category. Beginning

with the 2020 goals, SCE decreased the weighting of its financial performance goal, as measured by core earnings, to 25 percent. SCE has not further decreased the weighting of the financial performance goal because SCE continues to view incentive compensation around financial performance as critical to its financial health and to its ability to retain and attract capital for the benefit of customers (a reality the State of California recognized and emphasized in AB 1054 concerning the criticality of financial stability for investor-owned utilities).

Table III-7⁹⁸
Company Goals Used to Determine STIP and EICP Payouts
2023 Plan Year

| Goal Category | Goals | Score | | |
|---|--|-------------------|--------------|--------------------|
| | | Threshold (Unmet) | Target (Met) | Stretch (Exceeded) |
| Foundational | <ul style="list-style-type: none"> • No employee fatalities. • No serious injury to the public from system failures. • No significant non-compliance events. • Maintain effective controls and cybersecurity measures to prevent and mitigate significant disruption, data breach or system failure. | Deduct Only | 0 | 0 |
| Safety and Resiliency | • Make significant progress toward eliminating serious injuries and fatalities (SIF). | 0-9 | 10 | 11-20 |
| | • Reduce risk of public injuries and catastrophic wildfires related to our electric infrastructure by executing our Wildfire Mitigation Plan (WMP) and programs. | 0-29 | 30 | 31-60 |
| | • Maintain effective controls to prevent and mitigate significant disruptions, data breach, or system failure. | 0-4 | 5 | 6-10 |
| | • Sustain execution quality in operations. | 0-4 | 5 | 6-10 |
| | • Execute grid, technology, electrification, and other improvements to deliver safe, reliable, clean, and affordable energy for customers. | 0-4 | 5 | 6-10 |
| Performance Management and Operational Excellence | • Achieve SCE core earnings target. | 0-24 | 25 | 26-50 |
| | • Improve reliability performance for repair outages. | 0-3 | 4 | 5-8 |
| | • Improve OU accountability for employee diversity, equity and inclusion and sustain a diverse supplier base. | 0-3 | 4 | 5-8 |
| | • Advance electric technology adoption to enable emissions reductions across economic sectors. | 0-3 | 4 | 5-8 |
| | • Improve customer experience with targeted interactions | 0-3 | 4 | 5-8 |
| | • Execute continuous improvement efforts for Catalyst Program | 0-3 | 4 | 5-8 |
| Total Multiplier Range | | 0-99 | 100 | 101-200 |

a) Our Goals Explicitly Benefit Customers

The 2015, 2018 and 2021 decisions addressing incentive compensation have a discussion regarding who benefits – customers or shareholders – from the presence of certain goals as

⁹⁸ Refer to WP SCE-06, Vol. 04, Book B, pp. 9-11, 2023 SCE Goals.

1 targets for employee incentive compensation. The Commission’s 2015 decision directed SCE to “target
2 incentive compensation to achieve ratepayer benefits.” The Decision added that “This does not mean
3 that shareholders cannot benefit from the incentives created, but simply that the metrics used to award
4 incentive compensation should be designed explicitly to advance ratepayer interests.”⁹⁹ SCE has made
5 modifications to the weighting and substance of the goals to more explicitly benefit customers, as
6 described above. Based upon a review of current employee goals, SCE has met the Commission’s intent.

7 Moreover, there are no goals which, if met, would be detrimental to customers’
8 interests or would diminish SCE’s ability to provide safe and reliable service. In fact, the situation is
9 quite the opposite. The financial performance goals align customer and investor interests in having a
10 healthy company that provides reliable service to customers and manages its business well enough to
11 pay the returns investors expect when they advanced their funds to SCE. The presence of a (relatively
12 discrete) company goal to meet an earnings target (particularly where the emphasis on that goal has been
13 reduced) directly aligns with Commission policy and is essential in managing the allocation of “net
14 operating revenues” authorized by this Commission in general rate cases.

15 Managing the company as the Commission intended (*i.e.*, having sufficient net
16 operating income available to pay investor returns) is necessary for sustaining safe and reliable service
17 to customers and is in SCE customers’ best interest. Having a predictable and stable earnings pattern is
18 essential to keeping the cost of borrowing funds to finance the business at acceptable levels. It helps
19 assure consistent access to capital funds to make system infrastructure investments, to ensure the
20 continued delivery of safe, reliable and increasingly clean electricity to our customers. The presence of
21 some discrete financial goals, and their attainment, has not created a misalignment between the needs of
22 customers and investors.

23 The work of SCE’s employees represents a legitimate cost-of-service. Their *total*
24 compensation—which has been shown to be at market—should be recovered through customer rates.

25 7. **Incentive Compensation Determination**

26 Performance on Corporate Goals is one of the two factors that determines whether the
27 STIP or EICP payout for an exempt employee is at, above, or below target. After the end of the year, the
28 Compensation Committee assesses the Company’s performance on the Corporate Goals to determine the
29 corporate modifier. The other factor is the individual performance modifier, which is determined after

⁹⁹ D.15-11-021, p. 257.

1 the end of the year by the respective organizational units for exempt non-executives (for the STIP) and
2 by senior management or the Compensation Committee for executives (for the EICP), based on an
3 evaluation of the individual’s performance for the year. The STIP or EICP payout equals the target
4 payout for the employee times the corporate multiplier and the employee’s individual performance
5 multiplier. Since the individual performance multiplier has the same impact on the STIP or EICP payout
6 as the corporate multiplier, any disallowance for a particular Corporate Goal should be cut in half to
7 reflect that the weighting of the Corporate Goal only applies to the corporate multiplier and not to the
8 individual performance multiplier (of course, as discussed in this Section, there should be no
9 disallowance for any Corporate Goals since they all benefit customers). Any further reduction on the
10 incorrect assumption that SCE employees’ daily work can somehow be balkanized into customer-
11 versus-shareholder benefit devalues and distorts the work that SCE’s hard-working employees
12 accomplish.

13 a) **Incentive Compensation is a Routine Method of Compensating Employees in**
14 **Today’s Workforce**

15 In 2019, the State of California passed AB 1054 which mandates that electrical
16 corporations establish executive incentive plans to “promote safety as a priority and to ensure public
17 safety and utility financial stability with performance metrics”¹⁰⁰ in order to qualify for a safety
18 certification. The State of California recognizes the importance of incentive plans for electrical
19 corporations and the need to include financial performance metrics within those incentive plans. Large
20 companies also recognize the importance of incentive compensation: ninety-nine percent of publicly
21 traded companies in the WorldatWork Incentive Pay Practices survey provide incentive
22 compensation.¹⁰¹

23 b) **Benefits of Incentive Compensation to Customers**

24 The TCS provides evidence that SCE’s overall total compensation (which
25 includes incentive compensation) is at market. If the Commission has no evidence that the level of
26 overall total compensation is unreasonable, then adherence to the cost-of-service principles requires that
27 this expense be included in the authorized revenue requirement. If the Commission expressly denies cost

¹⁰⁰ Assembly Bill No. 1054,
https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1054 (as of May 6, 2023).

¹⁰¹ Incentive Pay Practices: Publicly Traded Companies,
https://worldatwork.org/media/CDN/dist/CDN2/documents/pdf/resources/research/2021_Incentive%20Pay%20Practices-Publicly%20Traded.pdf (as of May 6, 2023).

1 recovery through rates for an expense that the evidence demonstrates is at market and is reasonable, then
2 such a GRC decision is an impediment to SCE earning its Commission-authorized return.

3 Incentive compensation benefits customers by placing a portion of exempt
4 employees' compensation at risk unless customer-focused goals – including safety, grid reliability,
5 effective customer service, cost control, and efficiency – are met or exceeded. By tying the goals to
6 customer benefits, the STIP and EICP reflect the importance SCE places on customers and the role they
7 have in its sustained success.

8 Variable pay allows the Company to provide greater rewards to high-performing
9 employees and creates a direct line-of-sight between (a) employee performance aligned with customer-
10 focused goals and (b) tangible rewards for a high level of that performance. Incentive/variable pay
11 programs are an essential component of the compensation package at SCE, as they are at nearly all other
12 comparable companies.

13 Additionally, STIP awards are placed in a one-way memorandum account
14 (STIPMA) and any authorized amounts that exceed actual payout amounts (i.e., over-collections) are
15 refunded to customers;¹⁰² this could occur for example when goals are not met. On the other hand, when
16 SCE exceeds its corporate goals and its STIP awards are higher than authorized levels, customers get the
17 benefit of higher performance, without incurring the costs of the higher awards being paid above the
18 authorized amount.

19 **B. O&M Forecast**

20 Subsection (1) includes SCE's entire executive compensation request, including base salary,
21 annual short-term incentive compensation, associated expenses and outside service expenses for
22 executives who are officers. Subsection (2) includes SCE's short-term incentive compensation request
23 for its non-officer executives and other employees and justifies these as an important cost that benefits
24 SCE's customers. The STIP and EICP are part of the market-competitive total compensation package
25 for SCE's workforce. Incentive payments are included in the labor costs in the Sections below.

26 Subsection (3) discusses SCE's long-term incentive compensation, including discussion of the
27 discontinuation of one program (KCIP) and the implementation of a new long-term incentive program
28 (LTIP). Subsection (4) includes the costs to administer SCE's recognition program. Finally, Subsection

¹⁰² See Exhibit SCE-07, Vol. 01, Chapter B, GRC-Related Balancing and Memorandum Account Proposals.

1 (5) encompasses the entirety of SCE’s benefits for its employees, including its pension plan, 401(k)
2 savings plan, other retiree benefits, and healthcare programs (medical, dental, and vision), among others.

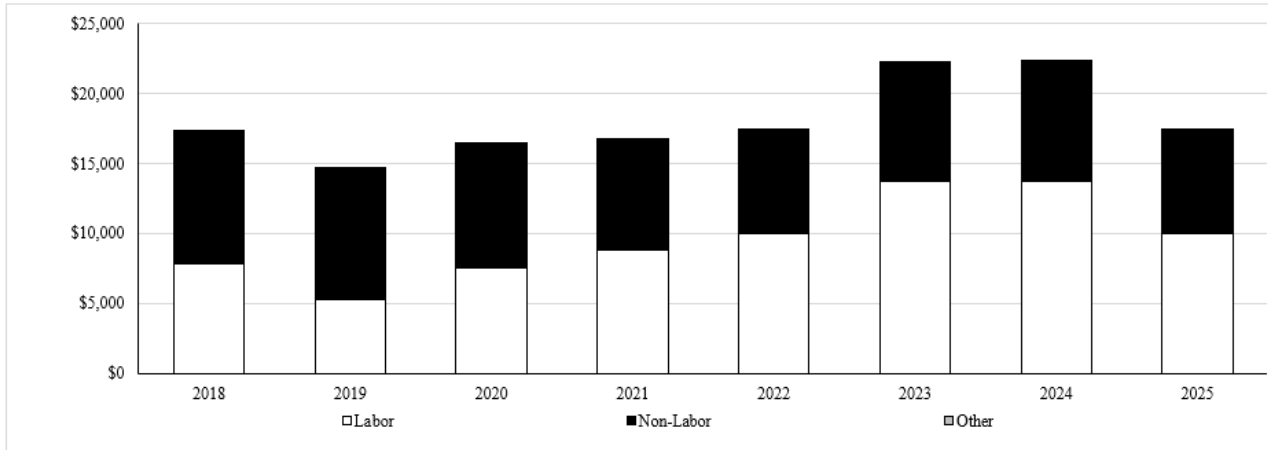
3 **1. Executive Compensation**

4 For Test Year 2025, SCE forecasts \$17.438 million of expenses for Executive
5 Compensation (salaries and incentive pay), non-labor expenses, and outside services.¹⁰³ Figure III-9
6 shows recorded costs for the years 2018 through 2022, plus SCE’s forecast for 2023 through Test Year
7 2025. For recorded and forecast years 2018 through 2022, Executive Compensation that is subject to
8 PUC Section 706 has been removed.¹⁰⁴ See Section III, Compliance Requirements, above, for more
9 information on PUC Section 706.

¹⁰³ Refer to WP SCE-06, Vol. 04, Book B, pp. 12-18, O&M Detail for Executive Compensation.

¹⁰⁴ Refer to WP SCE-07, Vol. 01, Results of Operations, Ratemaking Adjustments; and WP SCE-06, Vol. 04, Book B, pp. 1-3, PUC Section 706 Excluded Officers’ Cost Adjustments.

Figure III-9
Executive Compensation
Recorded 2018-2022/Forecast 2023-2025
(2022 Constant \$000)



| | Recorded | | | | | Forecast | | |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$7,795 | \$5,302 | \$7,499 | \$8,830 | \$10,003 | \$13,689 | \$13,769 | \$10,003 |
| Non-Labor | \$9,432 | \$9,446 | \$8,948 | \$7,941 | \$7,435 | \$8,573 | \$8,567 | \$7,435 |
| Other | \$4 | \$4 | \$4 | \$4 | \$4 | \$4 | \$4 | \$4 |
| Total Expenses | \$17,230 | \$14,748 | \$16,447 | \$16,771 | \$17,438 | \$22,262 | \$22,337 | \$17,438 |

1 **a) Work Description**

2 Executive Compensation includes base salary, annual short-term incentives,
3 associated expenses and outside service expenses for Executives.¹⁰⁵

4 **(1) SCE Executives**

5 This section discusses costs for SCE’s Executives including base salary,
6 annual short-term incentives, and associated expenses.

7 Annually, SCE benchmarks Executive compensation on a position-by-
8 position basis against comparable employers using data from surveys and disclosure filings, such as
9 proxy statements. SCE then conducts a review and recommendation process for adjustments to salaries
10 and incentive targets. The recommendations for most Executives’ compensation are presented in
11 February to the Compensation Committee for review and approval. The Compensation Committee
12 consists solely of independent directors. As part of its assessment, the Compensation Committee retains

¹⁰⁵ Refer to WP, SCE-06, Vol. 04, Book B, pp. 19-21, Directors and Officers. For the Executive Compensation activity, SCE Executives are officers with a title of Vice President or above.

1 an independent compensation consultant to evaluate executive compensation by identifying industry
2 trends and norms for executive compensation, reviewing and identifying the peer group companies and
3 pay surveys, and evaluating executive compensation data for such companies.

4 **(2) “Shared Officers”**

5 Certain Executives are dual officers of both SCE and its parent company,
6 Edison International (EIX). The salaries, expenses, and incentive costs of these “Shared Officers” are
7 allocated between SCE and EIX.

8 In D.21-08-036,¹⁰⁶ Conclusions of Law 192 and 193 together provided
9 that “All compensation, as defined by Section 706, for SCE executives who are Rule 3b-7 officers of
10 SCE... [and] for shared officers who are Rule 3b-7 officers of SCE should be excluded from rates.”¹⁰⁷

11 In Test Year 2025, SCE forecasts costs for seven Shared Officers, who are
12 not Rule 3b-7 officers of SCE and therefore are included in the 2025 forecast: (1) Vice President, Chief
13 Ethics and Compliance Officer (CECO); (2) Vice President, Corporate Secretary;¹⁰⁸ (3) Vice President,
14 Tax; (4) Senior Vice President, Human Resources; (5) Senior Vice President, Corporate Affairs;
15 (6) Vice President, Corporate Communication & Philanthropy; and (7) Vice President & Controller.

16 **(3) EIX Executives**

17 Besides the costs associated with SCE’s Executives and SCE/EIX Shared
18 Officers, the Executive Compensation work activity reflects a portion of costs associated with certain
19 EIX executives and their support staff whose roles directly benefit SCE.¹⁰⁹ These EIX executives are
20 uniquely positioned to efficiently provide services benefiting SCE while avoiding duplication of
21 functions or tasks performed by existing SCE executives. As SCE is the primary operating subsidiary of
22 EIX, each of these EIX executive positions is largely focused on SCE’s operations and services.¹¹⁰ In

¹⁰⁶ D.21-08-036, p. 419.

¹⁰⁷ D.21-08-036, p. 669.

¹⁰⁸ This position charges the Executive Compensation account directly and did not need to be adjusted.

¹⁰⁹ In D.04-05-055, the Commission observed: “It is appropriate for the utility to pay for those services provided by the Holding Company that are both needed, and that are provided efficiently, without duplication of effort.”

¹¹⁰ Public Utilities Code (PUC) Section 706 prohibits IOUs from recovering from customers “any annual salary, bonus, benefits, or other consideration of any value, paid to an officer of an electrical corporation,” and requires that compensation be funded solely by shareholders of the utility for those “officers” (emphasis added). The Commission implicitly confirmed this view by approving Resolution E-4963, which defines the

(Continued)

1 the 2021 GRC, the Commission confirmed that PUC Section 706 does not apply to officers of EIX, and
2 that EIX executive compensation did not need to be excluded from rates.¹¹¹

3 In Test Year 2025, SCE forecasts costs for eight EIX Executives:

4 (1) President and Chief Executive Officer (CEO), EIX; (2) Executive Vice President & Chief Financial
5 Officer (CFO), EIX; (3) Executive Vice President & General Counsel, EIX; (4) Vice President,
6 Enterprise Risk Management & Insurance and General Auditor, EIX; (5), Vice President, Investor
7 Relations, EIX; (6) Vice President and Treasurer, EIX; (7) Director, Corporate Risk Management,
8 EIX¹¹² and (8) Director, Helpline and Investigations, EIX.¹¹³

9 **(4) Allocation of EIX Executive Costs to SCE**

10 The compensation and expenses of the Shared Officers and EIX
11 Executives are allocated between EIX and SCE according to methods delineated in D.88-01-063,
12 Appendix C.I.C.2, and related affiliate policies and rules. The costs for 2018 through 2022 for Shared
13 Officers were adjusted out of their applicable Operating Units and into the Executive Compensation
14 activity.¹¹⁴ EIX executive costs are split based on an allocation rate and are directly charged to the
15 Executive Compensation activity.¹¹⁵

16 **b) Need for Activity**

17 The cash compensation for SCE's Executives is part of the competitive total
18 compensation package (which also includes long-term incentives and benefits) designed to attract and
19 retain well-qualified executives. SCE competes for executive talent with both utilities and companies in
20 other industries, so SCE's salary and incentive programs must be market competitive. As shown in the

executive officer compensation and benefits that cannot be recovered from ratepayers. Resolution E-4963 defines an officer, as stated in PUC Section 706, to mean "those employees of the investor-owned utilities," thereby indicating that appropriate holding company executive officers' compensation can be recovered in rates.

¹¹¹ D.21-08-036, CoL 194, 195, 196.

¹¹² The allocated labor dollars of Directors are charged directly to the OU labor O&M which they support.

¹¹³ The allocated labor dollars of Directors are charged directly to the OU labor O&M which they support.

¹¹⁴ A portion of the Vice President, Corporate Secretary (EIX) costs are charged directly to the Executive Compensation account and not included in the adjustment.

¹¹⁵ Refer to WP SCE-06, Vol. 04, Book B, pp. 22-23, Executive Compensation Adjustments.

1 2025 Total Compensation Study, while SCE’s total cash compensation is approximately at the market
2 average, SCE Executives’ *actual* total cash compensation is 5.2 percent below market average.¹¹⁶

3 **c) Alternatives Considered**

4 The Total Compensation Study shows that SCE is controlling the costs paid for its
5 Executives by providing a compensation package that is appropriately dictated by the market. Although
6 the Commission has not authorized full funding of SCE’s compensation package over the last several
7 rate cases, SCE does not believe there is a reasonable alternative, since these components of
8 compensation are vital in attracting and retaining high-performing executives. The Governor of
9 California approved AB 1054,¹¹⁷ which outlines steps an electrical corporation must follow in order to
10 obtain a safety certification. Under AB 1054, SCE must have in place executive incentive plans with
11 metrics that prioritize safety and the financial health of the company.¹¹⁸ These two topics are weighted at
12 a total of eighty percent by SCE’s corporate goals for incentive compensation awards.

13 SCE has reviewed other options for providing its executives with additional
14 compensation and benefits that are still in line with the Total Compensation Study, including eliminating
15 the EICP, SCE’s short-term incentive compensation program for its executives. However, SCE does not
16 believe this is in the customers’ best interests, and respectfully continues to request full recovery of its
17 executives’ compensation (less the compensation of executives for whom recovery is prohibited by PUC
18 Section 706), including incentive compensation.¹¹⁹

19 Further, with respect to Shared Officers, SCE considered, but decided against,
20 maintaining its own officer positions, separate from those that may be required by EIX, to fulfill the
21 roles described below because having shared officers is a cost-effective way to run the Company. Our
22 customers benefit through reduced costs, as the salaries and benefits for these shared positions are
23 shared between the companies, rather than charged 100 percent directly to our customers.

24 Shared officers between SCE and EIX are limited to those categories that are
25 within the scope of permitted shared activities described in Rule V.E. of the Affiliate Transaction Rules.
26 This Rule does not prohibit shared officers or directors from having access to any information necessary

¹¹⁶ More information is available in Exhibit SCE-06, Vol. 05, Total Compensation Study Report.

¹¹⁷ AB 1054 enacted PUC Section 8389 in 2019.

¹¹⁸ Assembly Bill No. 1054, available at
https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1054 (as of May 6, 2023).

¹¹⁹ Refer to WP SCE-06, Vol. 04, Book B, pp. 24-30, Executive Incentive Compensation Plan.

1 to fulfill their oversight and governance responsibilities, as long as they do not serve as conduits for
2 impermissible information transfer. SCE follows its “Notification of Shared Directors or Shared
3 Officers” procedure when notifying the CPUC Energy Division of any change to its shared directors or
4 officers in accordance with Rule V.G.1.

5 **d) Comparison of Authorized 2021 to Recorded**

6 As shown in Table III-4, Executive Compensation recorded \$16.771 million for
7 2021, which was \$1.587 million less than the authorized \$18.358 million. The variance was driven by
8 greatly reduced employee expenses (i.e., non-labor costs) for 2021, as SCE cut back on travel and other
9 activities due to COVID-19.

10 **e) Scope and Forecast Analysis**

11 **(1) Historical Variance Analysis**

12 SCE records costs associated with salaries and expenses for Executives
13 and their administrative assistants and outside services in the Executive Compensation work activity.
14 Labor costs include annual salaries for Executives, certain executive support staff, and related
15 administrative expenses. Non-labor costs for Executives include employee expenses such as meals and
16 travel, and office expenses such as supplies, printing equipment, cell phones, and computer access costs.
17 Non-labor costs also encompass outside services for actuarial valuation of executive benefit plans,
18 calculations of executive retirement plan benefits, and other services that are needed to administer
19 compensation and benefit plans. In addition, non-labor costs include Shared Officers and EIX executives
20 who allocate a percentage of their salaries and expenses to operate the utility.

21 As detailed above, Executive Compensation costs related to PUC Section
22 706 officers have been removed from recorded and forecast costs.¹²⁰ Please refer to Section III.A.2,
23 Compliance Requirements, for more information.

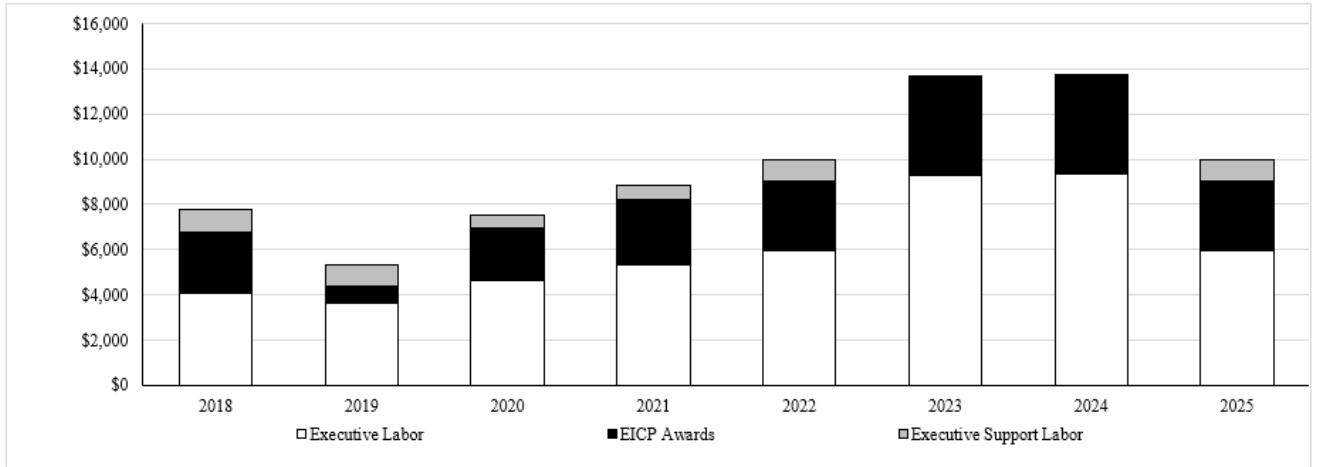
24 **(a) Labor**

25 As shown in Figure III-9, labor costs fluctuated across the recorded
26 period as the executive mix changed due to new hires and separations, including retirements. In 2019,
27 costs decreased due to lower labor costs, but have been increasing steadily through 2022. Figure III-10
28 depicts the recorded labor costs for SCE Executives, Shared Officers, and EIX Executives included in

¹²⁰ Refer to WP SCE-07, Vol. 01, Results of Operations, Ratemaking Adjustments; and WP SCE-06, Vol. 04, Book B, pp. 1-3, PUC Section 706 Excluded Officers’ Cost Adjustments.

1 this activity (Executive Labor), EICP Award costs for those Executives included in this activity, and
 2 Executive Support Labor from 2018-2022, and SCE’s forecast for 2023 through Test Year 2025.

Figure III-10
Executive Compensation Labor
Recorded 2018-2022/Forecast 2023-2025¹²¹
(2022 Constant \$000)



| | Recorded | | | | | Forecast | | |
|--------------------------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| <i>Executive Labor</i> | \$4,089 | \$3,625 | \$4,642 | \$5,356 | \$5,986 | \$9,264 | \$9,318 | \$5,986 |
| <i>EICP Awards</i> | \$2,668 | \$769 | \$2,291 | \$2,845 | \$3,044 | \$4,425 | \$4,451 | \$3,044 |
| <i>Executive Support Labor</i> | \$1,037 | \$908 | \$565 | \$630 | \$974 | | | \$974 |
| Total Expenses | \$7,795 | \$5,302 | \$7,499 | \$8,830 | \$10,003 | \$13,689 | \$13,769 | \$10,003 |

3 **(b) Non-Labor**

4 Non-Labor costs remained relatively stable from 2018 through
 5 2022, with decreases in 2020 to 2022 largely due to reduced activity from COVID.

6 **(2) Forecast**

7 This activity includes costs for a relatively discrete population of
 8 employees, namely the SCE Executives, Shared Officers, and EIX Executives described above. As such,
 9 minor attrition or turnover in this population will have a disproportionately significant impact on total
 10 costs. Also, variability in Executive Incentive Compensation from year to year in accordance with
 11 achieving (or not achieving) Company goals causes further fluctuations in recorded costs.

¹²¹ The 2018-2022 recorded and 2025 Test Year forecast remove costs for Rule 3b-7 officers in accordance with PUC Section 706. These adjustments were not made to the forecasts for 2023 or 2024, but they will be made when costs are recorded for those two attrition years.

1 (a) **Labor**

2 Over the historical period 2018 through 2022, SCE has
3 encountered fluctuations in recorded costs. For the 2025 forecast, salaries and EICP bonuses are
4 expected to stay relatively stable. SCE therefore believes that a Last Recorded Year is an appropriate
5 method to forecast. This results in a 2025 Test Year forecast of \$10.003 million.

6 (b) **Non-Labor**

7 Non-Labor costs in this activity remained relatively stable over the
8 recorded years, with decreases in 2020 to 2022 largely due to reduced activity from COVID. SCE
9 anticipates that costs will stay relatively stable. SCE therefore believes that a Last Recorded Year is an
10 appropriate method to forecast. This methodology results in a 2025 Test Year forecast of \$7.435 million.

11 **2. Short-Term Incentive Program (STIP)**

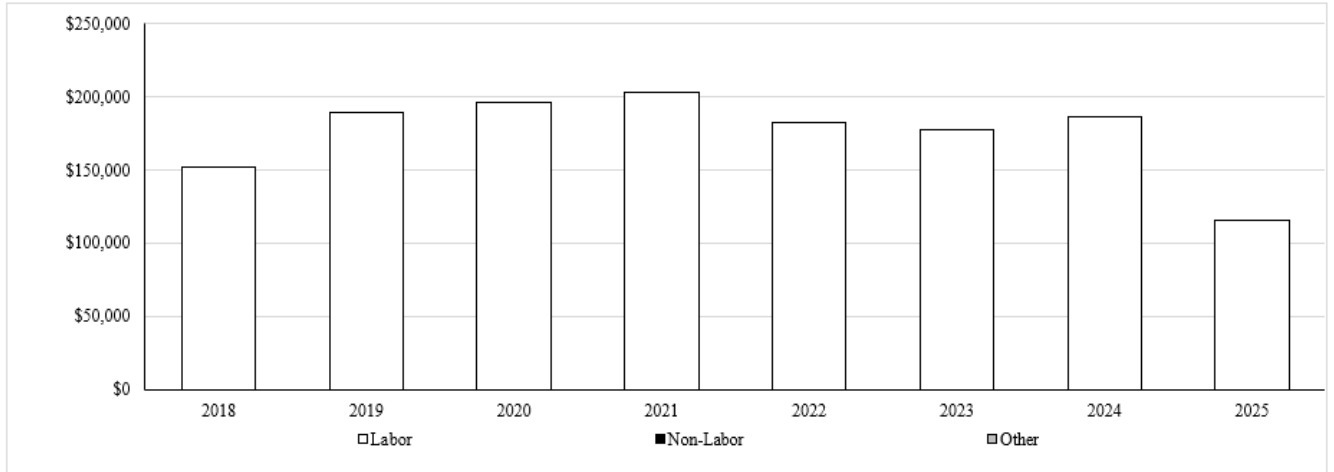
12 This section collectively discusses two short-term incentive programs: (1) the Short-Term
13 Incentive Plan (STIP) for non-executives and (2) the Executive Incentive Compensation Plan (EICP) for
14 those executives who are not officers (less than one percent of the employee population).¹²² Throughout
15 this section, the two programs are sometimes addressed together, and referred to collectively as STIP.

16 For Test Year 2025, SCE forecasts \$115.186 million of expenses for STIP.¹²³ Figure III-
17 11 shows recorded costs for the Short-Term Incentive Program for the years 2018 through 2022, and
18 SCE's forecast for 2023 through Test Year 2025.

¹²² EICP for executive officers is discussed in the prior part of this Section.

¹²³ Refer to WP SCE-06, Vol. 04, Book B, pp. 31-56, O&M Detail for STIP.

Figure III-11
Short-Term Incentive Program
Recorded 2018-2022/Forecast 2023-2025
(2022 Constant \$000)



| | Recorded | | | | | Forecast | | |
|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$151,913 | \$189,066 | \$196,519 | \$203,192 | \$181,998 | \$177,491 | \$185,889 | \$115,186 |
| Non-Labor | | | | | | | | |
| Other | | | | | | | | |
| Total Expenses | \$151,913 | \$189,066 | \$196,519 | \$203,192 | \$181,998 | \$177,491 | \$185,889 | \$115,186 |

a) Work Description

STIP is the annual variable pay program that gives employees an opportunity to earn a cash award based on achieving Company goals and individual performance.¹²⁴

Similar to EICP, the design of STIP is established each calendar year. STIP fosters employee focus on activities that have an impact – both direct and indirect – on the Company’s success in delivering services to its customers. STIP provides a variable pay opportunity subject to the achievement of company goals related to public and employee safety, customer service, system reliability, cost control, and productivity, as well as each employee’s individual performance. These programs highlight what employees can do to contribute to the Company’s successful operations and provide a financial stake for them to achieve Company goals aligned with customer interests.

STIP and the EICP are aligned with the same set of measurable and challenging Company performance goals approved by the Compensation Committee. For detailed information on

¹²⁴ Refer to WP SCE-06, Vol. 04, Book B, pp. 57-67, STIP Brochure.

1 establishing Company Goals and determining STIP payout results, please refer to the Section entitled
2 *Corporate Performance Goals Determination and Incentive Compensation Determination* in the
3 Overview above.

4 **b) Need for Activity**

5 **(1) Ratemaking Policy**

6 The Test Year forecast for STIP (for all non-executive exempt employees)
7 and EICP (for non-officer executives) includes the full costs of the programs. These programs are
8 included in the 2025 TCS, which shows that SCE’s total compensation for STIP and EICP participants,
9 including these projected incentive compensation amounts, is at market. These programs remain a
10 critical component of total compensation for current and prospective exempt employees and attract,
11 engage, and retain quality talent to meet operational needs. Without STIP and EICP, SCE’s non-
12 executive exempt employees and non-officer executives would be compensated well below market.

13 **(2) STIP Benefits Customers**

14 There are several reasons customers should continue funding SCE’s STIP.
15 Short-term, variable pay represents an important element of an overall total compensation package,
16 provided to exempt employees for services rendered, similar to all companies in the TCS. It is a
17 legitimate business expense that should be recovered in cost-of-service-based rates. Since this type of
18 variable pay is offered by the overwhelming majority of companies that SCE competes with for talent, it
19 is a crucial element for attracting and retaining the talent needed to run the utility.

20 Variable pay is also an “at-risk” component of total compensation that
21 orients exempt employees’ efforts toward the customer-focused operational priorities of the Company,
22 such as performing work with a focus on public and employee safety and providing quality customer
23 service. If these customer-facing operational priorities are not met or exceeded, an employee’s incentive
24 opportunities will be reduced or eliminated, and those dollars allocated for that purpose may flow back
25 to customers through the STIPMA, or be used to reward high-performing employees who meet or
26 exceed those goals which benefit customers.

27 STIP gives exempt employees a financial stake in achieving SCE’s
28 objectives by focusing their efforts on achieving operational goals, which provide value to customers.
29 The Company’s goals are tied to matters benefiting customers, heavily focusing on public and
30 workplace safety and compliance, customer satisfaction, system reliability, electric technology, and
31 workforce DEI and supplier diversity. The goals related to financial performance directly benefit

1 customers since achieving these goals enhances the value obtained by customers through rates and
2 allows for greater investment in system reliability and safety.

3 The Commission has not authorized full funding of SCE’s short-term
4 incentive compensation package over the last several rate cases, because it determined that certain goals
5 benefit shareholders. SCE still believes that goals that improve the financial health of the Company
6 continue to benefit customers. However, starting in 2020, we modified our goals to place more emphasis
7 on safety and less emphasis on SCE’s financial health, as explained in Section III.A.6 above. In
8 accordance with AB 1054, we have also placed more emphasis on quantitative goals in recent years.
9 These changes resulted in the removal of policy goals. We believe these modified goals better align
10 employee incentives with goals the Commission views as primarily benefiting customers.

11 The STIP payout for exempt employees equals the target payout for the
12 employee times the corporate multiplier for performance on corporate goals and the employee’s
13 individual performance multiplier. Since the individual performance multiplier has the same impact on
14 the STIP payout as the corporate multiplier, any disallowance for a particular corporate goal should be
15 cut in half to reflect that the weighting of the corporate goal only applies to the corporate multiplier and
16 not to the individual performance multiplier (of course, as discussed above, there should be no
17 disallowance for any corporate goals since they all benefit customers). Any further reduction on the
18 incorrect assumption that SCE employees’ daily work can somehow be balkanized into customer-
19 versus-shareholder benefit devalues and distorts the work that SCE’s hard-working employees
20 accomplish.

21 **c) Alternatives Considered**

22 SCE has reviewed other options for providing its employees with additional
23 compensation and benefits that are still in line with the Total Compensation Study, including eliminating
24 the STIP and making it all part of base pay. But as discussed, the TCS shows that such variable pay is
25 standard for exempt employees, and that at proposed levels, it leaves SCE’s total compensation “at
26 market.” Moreover, as discussed, variable compensation provides considerable benefits to customers.
27 SCE does not believe that STIP elimination is in the customers’ best interests, and respectfully continues
28 to request full recovery of its STIP and EICP. Further, SCE does not believe that entirely removing all
29 financial goals from its Corporate Performance Goals is feasible; some emphasis on the financial health
30 of the Company is imperative to ensure SCE is able to attract investors and have access to capital, for
31 the direct benefit of its customers.

1 Another alternative SCE considered, but rejected, was to continue with the same
2 STIP adopted by the 2021 GRC. SCE rejected this “status quo” alternative in order to better reflect the
3 CPUC’s guidance on SCE’s Corporate Goals, and in order to address current high inflationary pressures
4 on wages and get compensation into its employees’ hands quicker. Both of these considerations are
5 discussed in further detail in the Overview above, at Subsections (5) and (6).

6 **d) Comparison of Authorized 2021 to Recorded**

7 As shown in Table III-4, SCE’s recorded STIP expense of \$203.192 million in
8 2021 exceeded the 2021 authorized amount of \$82.818 million by \$120.374 million. This variance is
9 driven by the Commission’s disallowance of almost 60 percent of SCE’s forecast of 2021 STIP
10 expenses.

11 **e) Scope and Forecast Analysis**

12 **(1) Historical Variance Analysis**

13 **(a) Labor**

14 STIP costs from 2018 through 2022 varied throughout the period
15 as STIP awards were paid out at different amounts based on the achievement of corporate goals each
16 year.¹²⁵ STIP costs are recorded in the Short-Term Incentive Plan Memorandum Account (STIPMA),
17 which is a one-way balancing account so that any over collection would be returned to customers.¹²⁶

18 **(2) Forecast¹²⁷**

19 For Test Year 2025, SCE forecasts \$115.186 million for STIP costs. The
20 Itemized Forecast methodology described below is appropriate because it considers changes to the labor
21 forecast over time.

22 Costs were derived by multiplying the labor forecast in each year by the
23 ratio of 2022 recorded program costs to 2022 recorded labor.¹²⁸ Costs for this program were assumed to
24 increase at the standard labor escalation rate.

¹²⁵ See MDR-10, Question 13.

¹²⁶ See Exhibit SCE-07, Vol. 01, Results of Operations, GRC-Related Balancing and Memorandum Account Proposals.

¹²⁷ Refer to WP SCE-06, Vol. 04, Book B, pp. 68-70, STIP Forecast Method.

¹²⁸ Beginning in the test year, an adjustment was made to the 2022 recorded program costs and the 2022 recorded labor to align with certain changes made to SCE’s employee compensation program, as discussed in Section III.A.5 of this volume of testimony.

1 **3. Long-Term Incentive Program**

2 Long-Term Incentive (LTI) compensation is offered to executives in the form of stock
3 options, restricted stock units (RSUs), and performance shares. In 2021, the Company launched a Long-
4 Term Incentive Program (LTIP)¹²⁹ for non-executive principal-level employees, attorneys, and some
5 project managers after the Key Contributor Incentive Plan (KCIP) was discontinued.¹³⁰ The LTIP
6 provides these eligible employees awards made in RSUs. LTI and LTIP both have long vesting periods,
7 encouraging retention and a focus on meeting long-term Company performance objectives. Throughout
8 this section, LTI and LTIP are sometimes addressed together and referred to collectively as LTI or LTI
9 programs.

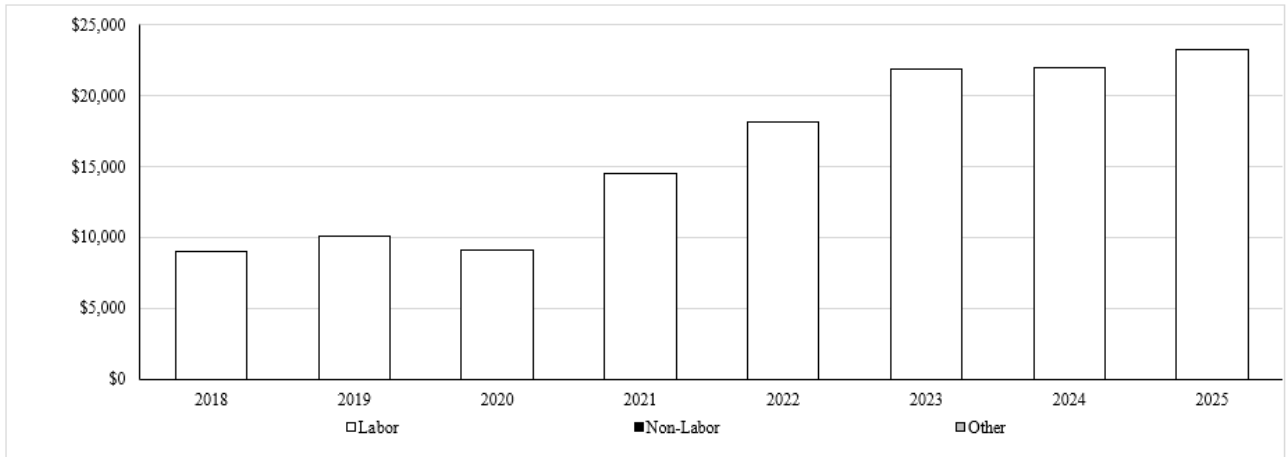
10 SCE forecasts expenses of \$23.274 million for costs related to long-term incentives in
11 Test Year 2025. Figure III-12 shows recorded costs for LTI and LTIP for the 2018-2022 plan years, plus
12 the forecast for years 2023 through 2025.¹³¹

¹²⁹ LTIP is discussed in the Work Description of this Section below.

¹³⁰ The Key Contributor Incentive Plan was an incentive plan for which all principal level employees and senior attorneys were eligible. The award was targeted to the top 40 – 50 percent of eligible and/or high potential employees with a strong impact on the company’s mid to long-term results. The award value was between \$10,000 to \$40,000 and paid out over 2 years.

¹³¹ Refer to WP SCE-06, Vol. 04, Book B, pp. 71-77, O&M Detail for Long Term Incentive Plan.

Figure III-12
Long Term Incentive Program
Recorded 2018-2022/Forecast 2023-2025
(2022 Constant \$000)



| | Recorded | | | | | Forecast | | |
|-------------------------|----------|----------|---------|----------|----------|----------|----------|----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$9,013 | \$10,082 | \$9,103 | \$14,553 | \$18,117 | \$21,854 | \$21,927 | \$23,274 |
| Non-Labor | | | | | | | | |
| Other | | | | | | | | |
| Total Expenses | \$9,013 | \$10,082 | \$9,103 | \$14,553 | \$18,117 | \$21,854 | \$21,927 | \$23,274 |
| Ratio of Labor to Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

a) Work Description

(1) Program Description and Scope

SCE’s executive LTI is an integral part of the total compensation package and is provided in the form of non-qualified stock options, RSUs, and performance shares.¹³² Each year, SCE performs a detailed market assessment, position-by-position, of its executive workforce to assess each executive’s total direct compensation package, which consists of base pay and short-term and long-term incentives. The LTI target for each executive is determined based upon the market data applicable for the Executive’s position. While executive LTI is targeted at the market median, the actual grant value may vary based on factors including that individual’s performance. The actual value of the award at payout after the vesting period is tied to company performance. The variable feature of LTI is intended to reinforce a performance culture rather than an entitlement culture.

¹³² Non-executives only receive RSUs.

1 Executive LTI has a vesting feature that requires continuous employment
2 with SCE for a multi-year period ranging from three to four years. Performance shares and restricted
3 stock units “cliff” vest by requiring three years of continuous employment with SCE prior to paying out
4 in shares. Stock options granted since 2022 vest one-third per year over a 3-year period; grants made
5 prior to 2022 vest one-fourth per year over a 4-year period. In cases of retirement or severance without
6 cause (e.g., position elimination), some acceleration of LTI vesting occurs.

7 As shown in the 2025 Total Compensation Study, while the Company’s
8 total cash compensation is approximately at the market average, SCE Executives’ long-term incentive
9 compensation is 7.2 percent below market average.¹³³

10 Non-Executive LTIP is designed to increase employee retention and to
11 provide meaningful differentiated compensation to employees who have consistently demonstrated
12 success, and/or have demonstrated potential to contribute to long-term results for the Company.¹³⁴ It
13 may also be used to enhance SCE’s total compensation package for hiring.

14 Employees who are newly hired or promoted into a Non-Executive LTIP-
15 eligible position may receive a prorated grant based on the quarter in which their hire or promotion takes
16 place. Awards are made in RSUs that become vested after a three-year period. The number of RSUs an
17 employee will receive is calculated by dividing their LTIP award value by the closing price of EIX
18 common stock value on the date of the grant. Eligible employees who leave the Company before the
19 vesting date and who are not retirement eligible will forfeit the RSUs. As LTIP is a discretionary
20 program, eligible employees may not receive awards each year.

21 **(2) Historical Rejection of Rate Recovery for LTI Program**

22 SCE acknowledges that the Commission has not viewed with favor past
23 requests for rate recovery of its LTI program. It has never been disputed by the Commission or any
24 intervenor that nearly every investor-owned utility and comparable business enterprise includes LTI in
25 the total compensation package for executives. Ninety-four percent of publicly traded companies offer a

¹³³ More information is available in Exhibit SCE-06, Vol. 05, Total Compensation Study Report.

¹³⁴ Refer to WP SCE-06, Vol. 04, Book B, pp. 78-83, LTIP Overview.

1 long-term incentive plan.¹³⁵ As stipulated in PUC Section 8389,¹³⁶ electrical corporations are to
2 establish executive incentive plans with a compensation structure based on “a long-term structure that
3 provides a significant portion of compensation, which may take the form of grants of the electrical
4 corporation’s stock.”¹³⁷ As Section 8389 demonstrates, the State of California recognizes the importance
5 of long-term incentives.

6 Meeting the changing needs for the power grid infrastructure requires a
7 long-term commitment from employees. It is not a short-term effort to obtain value for SCE’s customers
8 by critically evaluating areas of improvement, implementing changes, and transforming SCE to meet the
9 goals and policies set forth by the legislature and the Commission. It requires sustained, dedicated,
10 knowledgeable executives and employees to lead and steer the organization. SCE must offer competitive
11 compensation to attract the right talent from across the country and retain them to help serve California’s
12 energy future.

13 The Commission’s refusal to allow rate recovery notwithstanding, SCE
14 has continued to fund the LTI program for executives, and has implemented LTIP for non-executives
15 starting in 2021, for a wide range of reasons that benefit customers directly, including better retention of
16 high-performing leaders and lower costs as compared to base pay. As stated previously, the cost to
17 replace a high-performing leader or C-Suite executive can cost 150-200 percent of the executive’s or
18 leader’s salary.¹³⁸

19 Under the regulatory compact, the total compensation SCE provides to its
20 executives and other employees should be recoverable as a basic cost of service since it is at market
21 overall (as shown in the 2025 TCS) and provides significant benefits to customers (as explained in this
22 volume). That is especially true for long-term incentives, which (i) provide a cost-saving retention
23 benefit that is particularly important during tight labor markets with high turnover (as is the case now)
24 and (ii) have been recognized by the State of California as serving a critical role in promoting utility

¹³⁵ Incentive Pay Practices: Publicly Traded Companies, July 2021, https://worldatwork.org/media/CDN/dist/CDN2/documents/pdf/resources/research/2021_Incentive%20Pay%20Practices-Publicly%20Traded.pdf (as of May 6, 2023).

¹³⁶ PUC Section 8389 was enacted in 2019 through AB 1054 to reflect this change.

¹³⁷ Assembly Bill No. 1054, https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1054 (as of May 6, 2023).

¹³⁸ Heinz, Kate, *The True Costs of Employee Turnover*, <https://builtin.com/recruiting/cost-of-turnover> (as of May 6, 2023).

1 financial stability, as reflected in AB 1054. California did enact a limited exception to the regulatory
2 compact through PUC Section 706 by prohibiting recovery of compensation paid to SCE’s executive
3 officers, much of which is in the form of long-term incentives. Any disallowance of market-based long-
4 term incentive compensation beyond the narrow prohibition in PUC Section 706 would be inconsistent
5 with the regulatory compact and the legislative intent reflected by AB 1054 and PUC Section 706.

6 **b) Need for Activity**

7 These incentives are essential to SCE’s efforts to attract and retain highly valued
8 leaders. Nearly all other employers against whom SCE competes for leadership talent also offer long-
9 term incentive compensation. Long-term incentives align the interests of employees with the long-term
10 interests of customers. Besides being offered by comparable companies, the vesting schedules for stock
11 awards require recipients to remain employed for multiple years to receive the full value of their grants.
12 In addition, these long-term incentives do not add to other employee costs, such as pensions and
13 benefits.

14 **(1) SCE Must Provide Long-Term Incentive Compensation to Remain**
15 **Competitive in the Market**

16 According to a recent WorldAtWork survey of incentive pay practices of
17 publicly traded companies, 94 percent of respondents indicated they pay LTI to their executives.¹³⁹
18 While stock options and performance shares are typically only awarded to executives, RSUs are granted
19 more broadly, including to managers and supervisors at 60 percent of respondents.¹⁴⁰ The top two
20 objectives of the respondents’ LTI programs is to align employee rewards with long-term organization
21 goals, and to create a more competitive compensation package.

22 **(2) SCE’s LTI Programs Benefits Customers**

23 Similar to STIP and EICP discussed above, SCE’s LTI programs (both
24 executive and non-executive) benefit its customers in the following ways:

- 25 • SCE’s use of LTI helps conserve cash resources, which are needed for
26 its operations, maintenance and capital improvements. Unlike the fixed

¹³⁹ Incentive Pay Practices: Publicly Traded Companies, July 2021,
https://worldatwork.org/media/CDN/dist/CDN2/documents/pdf/resources/research/2021_Incentive%20Pay%20Practices-Publicly%20Traded.pdf, at p. 15 (as of May 8, 2023).

¹⁴⁰ Incentive Pay Practices: Publicly Traded Companies, July 2021,
https://worldatwork.org/media/CDN/dist/CDN2/documents/pdf/resources/research/2021_Incentive%20Pay%20Practices-Publicly%20Traded.pdf, at p. 18 (as of May 8, 2023).

1 cost of base pay, there is no immediate cash payment for an LTI award
2 due to the multi-year vesting schedule applicable to each form of LTI.
3 Employees who voluntarily leave prior to the full vesting of the LTI
4 award will forfeit all or a substantial portion of the unvested award.
5 Moreover, conserving cash via the LTI component also helps avoid
6 interest on short-term borrowing (which represents a cost of service).

- 7 • As a variable pay component of total compensation, LTI awards do not
8 cause increases in an employee's annual/fixed pension and benefits
9 costs that are a function of base pay. In this fashion, SCE's use of LTI
10 benefits customers helping avoid increases in benefits costs for its
11 workforce, while still allowing SCE to provide a market-competitive
12 compensation package.
- 13 • LTI promotes stability of a strong leadership team at SCE as LTI
14 awards and payouts depend on multiple years of continuous
15 employment, strong performance, and thriving SCE financial health.
16 LTI supports a performance culture, as LTI awards may be adjusted
17 based on SCE's review of the individual's performance. Employees
18 who have performance issues risk having future LTI awards reduced.
19 Once awarded, employees must remain with SCE for three to four
20 years after each LTI grant date before the grant becomes fully
21 vested.¹⁴¹ This feature of LTI incentivizes employees to make a long-
22 term commitment to SCE to more fully realize the LTI payout. If SCE
23 were to give such employees an equivalent cash award, they would
24 receive the cash in the present and there would be no retention benefit.
25 Customers benefit from SCE's retention of high-performing
26 executives and employees with a strong and long-term knowledge of
27 its operations and a vested interest in SCE's delivery of safe and
28 reliable service to sustain long-term operational viability.

¹⁴¹ SCE stock ownership guidelines for officers require them to hold stock while employed with a value equal to their base salary or a multiple of their base salary for senior management.

1 c) **Comparison of Authorized 2021 to Recorded**

2 This section compares the amounts authorized by the Commission in the 2021
3 GRC to 2021 recorded O&M in this activity, along with an explanation for the variance. As shown in
4 Table III-4, the LTI recorded amount of \$14.553 million for 2021 is higher than authorized because the
5 Commission denied any cost recovery for the LTI program.

6 Regardless of the Commission’s continued refusal to allow rate recovery of
7 SCE’s LTI program, SCE has continued to fund LTI to assist in the retention of high-performing
8 leaders.

9 d) **Scope and Forecast Analysis**

10 The recorded and forecast amounts pertain to LTI granted to executives and to
11 LTIP granted to non-executive principal-level employees, attorneys, and some project managers. LTI
12 costs for PUC Section 706 executive officers have been removed from recorded and forecast costs for
13 2018 through 2022.¹⁴² See Section III.A.2(a), Compliance Requirements regarding Senate Bill (SB) 901.

14 (1) **Historical Variance Analysis**

15 (a) **Labor**

16 From 2018 to 2022, labor costs fluctuated as stock prices were
17 volatile, first with the effects of COVID on the stock market, and later as costs increased due to the
18 implementation of the new LTIP.

19 (2) **Forecast**

20 (a) **Labor**

21 Figure III-12 shows the forecast for LTI and LTIP, including labor
22 expenses of \$23.274 million in Test Year 2025.

23 The forecast for the LTI programs was derived using the Itemized
24 Forecast methodology. This methodology was chosen because LTI costs are calculated based on two
25 costs: 1) for existing awards, the cost for LTI is calculated using a per day expense which applies an
26 estimated forfeiture rate and trues-up when shares vest like the actual expense; and 2) for new awards,
27 costs are calculated based on the last recorded year.

¹⁴² Refer to WP SCE-07, Vol. 01, Results of Operations, Ratemaking Adjustments; and WP SCE-06, Vol. 04, Book B, pp. 1-3, PUC Section 706 Excluded Officers’ Cost Adjustments.

1 **4. Recognition**

2 SCE’s Recognition programs are low-cost tools that reward individual and team
3 achievements. They comprise cash awards, called Spot Awards, and non-cash awards in the form of
4 points through the Encore program (formerly known as the Awards to Celebrate Excellence, or ACE,
5 program). In the 2021 GRC Decision, the Commission found that SCE’s Recognition programs reward
6 safe and reliable service and are in line with a majority of other organizations, and authorized full
7 recovery for SCE’s forecasted Recognition costs.¹⁴³

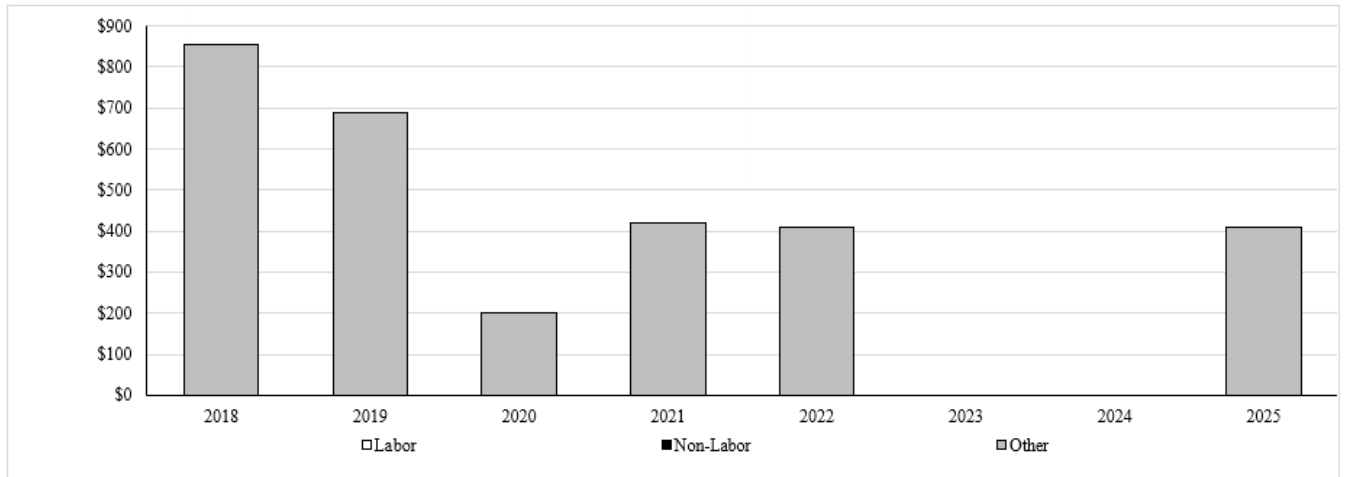
8 For the Test Year 2025, SCE forecasts Recognition costs for Encore Awards and
9 administrative costs totaling \$0.411 million, which is equal to the recorded 2022 cost for this
10 account.^{144,145} Table III-8 shows recorded Recognition costs for the years 2018 through 2022, plus the
11 forecast cost for Test Year 2025. Effective January 1, 2019, each OU was limited to a budget of 0.15
12 percent of the labor budget that can be spent on Spot and Encore Awards. (Prior to 2019, the budget was
13 0.2 percent). There was relatively low usage of both programs from 2020 through 2022, largely due to
14 issues associated with COVID and the need for the Company to reprioritize spending on emergent
15 public safety risks associated with wildfire-related activities and programs. SCE is using the limited
16 budget of 0.15 percent of its total labor budget to forecast its 2025 Test Year expense.

¹⁴³ D.21-08-036, p. 435.

¹⁴⁴ Refer to WP SCE-06, Vol. 04, Book B, pp. 84-90, O&M Detail for Recognition.

¹⁴⁵ The Spot Awards costs record to the labor dollars of the OU granting the award and would be included in the overall labor forecast of the specific OU. The forecast cost of the total Recognition Program (both Spot and Encore) are included in Table III-9 for transparency of the total cost of the program.

Table III-8¹⁴⁶
SCE Recognition Programs
Recorded 2018-2022/Forecast 2023-2025
(2022 Constant \$000)



| | Recorded | | | | | Forecast | | |
|-----------------------|--------------|--------------|--------------|--------------|--------------|----------|------|--------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| <i>Labor</i> | | | | | | | | |
| <i>Non-Labor</i> | | \$ | | | | | | |
| <i>Other</i> | \$856 | \$687 | \$199 | \$418 | \$411 | | | \$411 |
| Total Expenses | \$856 | \$687 | \$199 | \$418 | \$411 | | | \$411 |

a) Work Description

(1) Spot Awards

Cash awards (known as Spot Awards) represent an important tool for recognizing and rewarding employees for exceptional performance and outstanding achievement. Spot Awards are an integral part of a market-competitive, comprehensive compensation package. This low-cost recognition program recognizes an individual or a team for delivering exceptional, measurable results such as: (1) making significant contributions to public or employee safety; (2) developing a new or innovative program or process that significantly improves efficiency across one or more OUs; and (3) leading a Company-wide team or major project that notably exceeds expectations, and does so within scheduled time frames and under budget.

¹⁴⁶ A forecast was conducted for the Recognition Programs for Test Year 2025, but not for attrition years 2023 or 2024.

1 Spot Awards are also used to provide real-time rewards for those
2 employees who accept and perform additional responsibilities in an exceptional manner or accept
3 responsibilities or assignments that require extraordinary time commitments.

4 **(2) Encore**

5 Encore (formerly known as Awards to Celebrate Excellence or ACE) is a
6 non-cash safety recognition program that uses points to award employees for their commitment to
7 ongoing, regular efforts to work safely and for their safety achievements. Every employee is eligible to
8 give Encore awards to recognize their co-workers for helping transform the company’s safety culture,
9 subject to manager approval. All employees below director level are eligible to receive the awards.

10 **b) Need for Activity**

11 Spot and Encore Awards comprise SCE’s low-cost recognition programs that
12 reward individual and team achievements. According to Workhuman, recognition isn’t just a nice to
13 have; it is a necessity for retaining employees. When strong recognition plans are in place, employees
14 are:

- 15 • Five times less likely to leave;
- 16 • 44 percent are more satisfied with their job;
- 17 • 73 percent less likely to “always” or “very often” feel burnt out;
- 18 • Four times more engaged; and
- 19 • Five times more likely to feel connected to their workplace culture.

20 Workhuman also found that monetary rewards are 20 percent more effective than
21 e-thanks alone when looking at reducing turnover.¹⁴⁷

22 The Spot Award program is effective and tightly managed. Managers or
23 executives submit Spot Award requests, utilizing standards that guide award determination and approval
24 requirements. Spot Awards of \$500 or greater value require a Vice President or higher level of approval.

¹⁴⁷ 18 Employee Recognition Statistics You Need to Know in 2023,
<https://www.workhuman.com/blog/employee-recognition-statistics/> (as of May 7, 2023).

1 The Spot Award costs are forecast across the Company within each OU’s labor costs.¹⁴⁸ The Encore
2 Awards and vendor costs for administering the programs are included in the workpapers.¹⁴⁹

3 SCE’s recognition programs remain effective tools to motivate employees, in
4 real-time, with rewards for making individual achievements and for promoting a safe work environment.
5 They represent a relatively modest expense in light of the benefits they facilitate. The Commission has
6 acknowledged that these programs provide benefits to SCE customers by furthering the provision of safe
7 and reliable service.

8 According to WorldatWork’s most recent survey of Trends in Employee
9 Recognition, 87 percent of employers use recognition programs.¹⁵⁰ The amount SCE budgets for them is
10 on the lower end of employers who budget recognition programs: 46 percent budget recognition
11 programs at 0.4 percent or more of payroll, while 48 percent set them between 0.1 percent and 0.3
12 percent of payroll.¹⁵¹ SCE budgets them at 0.15 percent. As the Commission recognized in its 2021
13 GRC Decision, “companies commonly use recognition programs” and “SCE’s budget is line with those
14 used by the majority of organizations for such programs.”¹⁵²

15 **c) Comparison of Authorized 2021 to Recorded**

16 This section compares the amounts authorized by the Commission in the 2021
17 GRC to 2021 recorded O&M in this account, along with an explanation for the variance. The entire
18 requested amount of \$0.078 million for Recognition was approved in the 2021 GRC. The recorded
19 amount of \$0.418 million was higher than the authorized cost because Encore Awards recorded to this
20 account, but their costs were not included in the 2021 forecast for this account.

¹⁴⁸ As in the prior Total Compensation Studies, Spot Awards are not being factored into the 2025 Total Compensation Study. Data regarding Spot Awards is generally not available in surveys on a position-by-position basis, and wide variances appear to exist in the marketplace.

¹⁴⁹ Refer to WP SCE-06, Vol. 04, Book B, pp. 84-90, O&M Detail for Recognition.

¹⁵⁰ WorldatWork 2019 Trends in Employee Recognition, <https://worldatwork.org/media/CDN/dist/CDN2/documents/pdf/resources/research/Employee-Recognition-2019.pdf>, at p. 3 (as of May 7, 2023).

¹⁵¹ WorldatWork 2019 Trends in Employee Recognition, <https://worldatwork.org/media/CDN/dist/CDN2/documents/pdf/resources/research/Employee-Recognition-2019.pdf>, at p. 18 (as of May 7, 2023).

¹⁵² D.21-08-036, p. 435.

1 **d) Scope and Forecast Analysis**

2 **(1) Historical Variance Analysis**

3 SCE records costs for Encore Awards in this account. Spot Awards record
4 to labor in the OU in which they are awarded. In an effort to provide transparency to these costs, they
5 are listed here in aggregate. See Table III-9 for the 2018-2022 recorded costs for both programs.

6 Recognition costs have fluctuated over the past five years. In 2018,
7 recorded expenses were higher than in 2019 because more employees were recognized for their efforts
8 in positively impacting the Company’s safety culture, there was greater visibility and awareness with
9 respect to the program due to increased employee communications as the Company switched to a new
10 vendor and website, and the budget was set at 0.2% of labor.

11 Starting in 2020, participation in the programs was reduced due to COVID
12 and the need for the Company to reprioritize spending on emergent public safety risks associated with
13 wildfire-related activities and programs.

Table III-9
SCE Recognition Programs
2018-2022 Recorded and 2025 Forecast¹⁵³
(Nominal \$)

| Recorded Spot & Encore Award Costs | | | | | | |
|---|--------------|--------------|--------------|-------------|-------------|------------------|
| Award | 2018 (A) | 2019 (B) | 2020 (C) | 2021 (D) | 2022 (E) | 5 Yr Avg (F) |
| (Column Calculation) | | | | | | (A+B+C+D+E)/5 |
| Spot | \$ 1,047,980 | \$ 2,007,502 | \$ 1,145,222 | \$ 111,250 | \$ 262,250 | \$ 914,840.80 |
| Encore | \$ 5,385,301 | \$ 309,855 | \$ 368,957 | \$ 329,033 | \$ 269,651 | \$ 1,332,559.40 |
| Spot and Encore | \$ 6,433,281 | \$ 2,317,357 | \$ 1,514,179 | \$ 440,283 | \$ 531,901 | \$ 2,247,400 |
| Total Labor Budget | | | | | | \$ 1,775,813,000 |
| Percent of Total Labor for Recognition Budget | | | | | | 0.15% |
| Total Recognition Budget Limit | | | | | | \$ 2,663,720 |

* indicates labor escalation rate for the given year

14 **(2) Forecast**

15 In 2018, each OU had a limited budget of 0.2 percent of the labor budget
16 that could be spent on Spot and Encore Awards; this was reduced to 0.15 percent starting in 2019. This

¹⁵³ Refer to WP SCE-06, Vol. 04, Book B, pp. 91-92, Spot and Encore Awards Recorded and Forecast.

1 budget is on the lower end of those in use by the majority of organizations that have recognition
2 programs in place.¹⁵⁴

3 For Test Year 2025, SCE is using the limited Recognition budget of 0.15
4 percent of total labor dollars derived in the Results of Operations Model¹⁵⁵ to forecast the Test Year
5 forecast of \$2.664 million for both the Spot and Encore Awards programs. Table III-9 includes a 5-year
6 average forecast for comparative purposes. As stated previously, this Recognition GRC activity includes
7 non-labor costs and costs for the Encore Program. For Test Year 2025, the forecast cost and forecast
8 administrative costs for this activity is \$0.411 million.

9 **5. Benefits**

10 This section describes SCE's employee pension and benefits plans and programs, and
11 includes expenses related to pension, 401(k), health care, group life insurance, and executive benefit
12 plans. Other employee benefits and programs discussed in this section include the electric service
13 discount, commuter programs, educational reimbursement, and other ancillary support activities.
14 For Test Year 2025, SCE forecasts \$361.037 million of expenses for the employee pension and benefits
15 plans and programs described in this section.

16 **a) Need for Activity**

17 The pension and benefits plans and programs are one component of the total
18 compensation provided to employees. These programs support the Company's goal of attracting and
19 retaining a qualified workforce. Benefit activities focus on providing the Company, the employees, and
20 the customers with the highest return on dollars expended for benefits, while being mindful of the
21 changing requirements of the workforce, collective bargaining obligations, compliance with regulatory
22 and legislative requirements, and the need to manage escalating costs, particularly in the medical
23 program.

24 **b) Alternatives Considered**

25 In designing the overall benefits package, the Company evaluates:

- 26 • Benefits delivered by each plan;
- 27 • Costs to provide the benefits;

¹⁵⁴ WorldatWork 2019 Trends in Employee Recognition, <https://worldatwork.org/media/CDN/dist/CDN2/documents/pdf/resources/research/Employee-Recognition-2019.pdf>, at p. 18 (as of May 7, 2023).

¹⁵⁵ Refer to SCE-07, Vol. 01, Results of Operations.

- Administrative efficiency
- Value to employees and the Company; and
- How the benefits package compares with those offered by companies with whom SCE competes for employees (Total Compensation Study).

SCE is continuously looking for better alternatives to provide an affordable benefits package to its employees. SCE regularly reviews its vendors that provide these benefits and looks for the lowest-cost options without losing the quality of service. For example, in 2023, SCE changed its pharmacy benefit from CVS to Express Scripts, which led to an overall decrease in costs of approximately \$11.7 million.

Employees' share of costs at SCE is higher than at comparable employers in California.¹⁵⁶ In order for SCE to attract and retain talent and as part of the union negotiated benefit agreement with IBEW, company subsidies for health plans needed to increase, as discussed below.

The total compensation study conducted for SCE's 2021 General Rate Case (2021 TCS) found that SCE's benefits were 8 percent below market average.¹⁵⁷ The 2021 TCS was conducted by Aon, which is a top compensation and benefits consulting company, as is Willis Towers Watson, the consulting company that conducted the 2025 TCS. For the 2021 TCS, Aon followed the approved methodology Aon developed with Cal Advocates and SCE for the total compensation study for SCE's 2015 GRC and that Aon also used for SCE's 2018 GRC.¹⁵⁸ As WTW states in its 2025 TCS, "SCE did not make significant changes to the benefit programs between the 2021 TCS Study and this [2025] TCS Study, therefore the movement in competitive positioning is attributable to the change in methodology."¹⁵⁹

The 2025 TCS shows SCE's benefits as being 20.4 percent above the market average, but it also states that "this [2025] TCS Study uses a methodology that results in a higher SCE benefit value relative to other reasonable methodologies, including that used in prior SCE GRC filings."¹⁶⁰ For example, WTW's benefits valuation methodology does not take into account a plan's

¹⁵⁶ Refer to WP, SCE-06, Vol. 04, Book C, pp. 8-15, WTW 2022 Financial Benchmarking Survey – Annual Medical Contributions by Tier (4 Tiers) California Data Cut.

¹⁵⁷ 2021 GRC Testimony, *See* Exhibit SCE-06, Vol. 3, Part 2, p. 4.

¹⁵⁸ 2021 GRC Testimony, *See* Exhibit SCE-06, Vol. 3, Part 2, pp. 1, 4.

¹⁵⁹ 2025 GRC Testimony, *See* Exhibit SCE-06, Vol. 5, p. 4.

¹⁶⁰ 2025 GRC Testimony, *See* Exhibit SCE-06, Vol. 5, p. 4.

1 vesting provisions, while Aon’s methodology did take vesting provisions into account.¹⁶¹ SCE’s plans
2 generally require more years of service for vesting than plans at comparable employers (e.g.,
3 participants in the Executive Retirement Plan are completely unvested in their benefits until they have
4 five years of service), so taking vesting into account results in a lower SCE benefit value because
5 benefits are forfeited (i.e., no value is provided to the participant) to the extent they are unvested upon
6 termination of employment.

7 Benefits are a relatively small portion of total compensation: between 4 and 17
8 percent, depending on the employee category.¹⁶² Regardless of whether SCE’s current benefits are
9 below the market average (which would probably be the result if Aon’s valuation methodology was used
10 for the 2025 TCS) or above the market average, SCE’s total compensation package for employees
11 (including benefits) is and has been slightly below the market average overall (0.5% below according to
12 the 2025 TCS and 3% below according to the 2021 TCS). SCE’s benefits are part of a competitive,
13 market-driven total compensation package that should be funded as a reasonable cost of service.

14 **c) Pension**

15 For Test Year 2025, SCE forecasts \$44.9 million for the SCE Retirement Plan
16 (Pension Plan) costs¹⁶³ and forecasts the same level for the post-test years as well.¹⁶⁴ This forecast is
17 based on a new proposed funding policy that would fix structural issues with the legacy funding policy
18 arising from the Pension Plan having closed to new employees after December 31, 2017. The new
19 funding policy is the annual Service Cost plus an eight-year amortization of the Projected Benefit
20 Obligation (PBO) shortfall under US generally accepted accounting principles (GAAP), if any, less the
21 amount by which asset returns are expected to exceed the discount rate. The amount will remain fixed
22 throughout the General Rate Case (GRC) period, unless a higher amount is required to (i) meet legal
23 annual required minimum contribution, or (ii) maintain an 85 percent Adjusted Funding Attainment
24 Percentage (AFTAP). Funding contributions will be limited so that a contribution does not result in
25 pension assets exceeding the present value of all benefits. Adjustments for certain book reserves will

¹⁶¹ 2025 GRC Testimony, *See* Exhibit SCE-06, Vol. 5, p. 4; 2021 GRC Testimony, *See* Exhibit SCE-06, Vol. 3, Part 2, pp. 19, 73, 76.

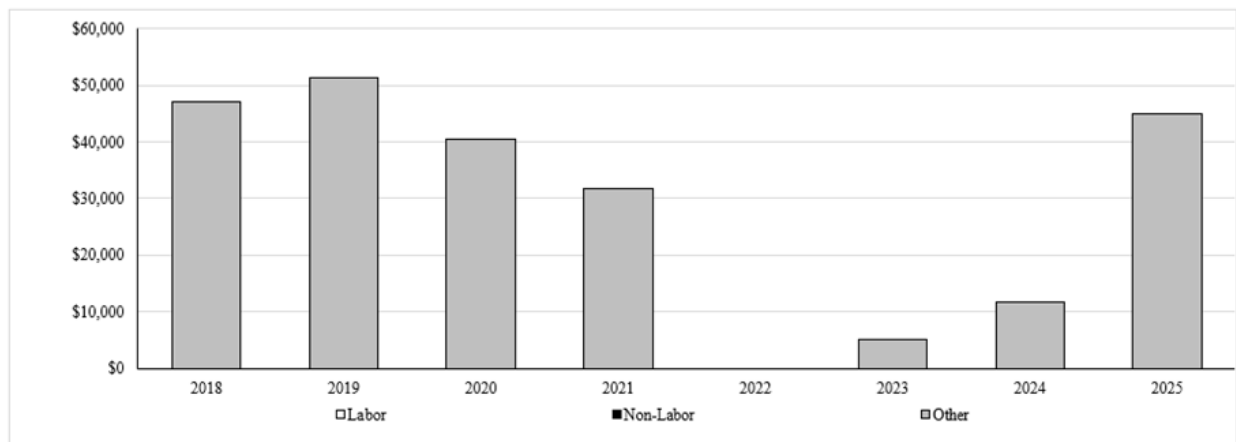
¹⁶² 2025 GRC Testimony, *See* Exhibit SCE-06, Vol. 5, p. 4.

¹⁶³ Refer to WP SCE-06, Vol. 04, Book B, pp. 93-106, O&M Detail for Pension (Service) and O&M Detail for Pension (Non-Service).

¹⁶⁴ Refer to WP SCE-06, Vol. 04, Book B, pp. 107-115, Pension Service & Non-Service Cost Allocation.

1 continue unchanged. This methodology will be explained in greater detail below. Figure III-13 shows
 2 recorded Pension Plan costs for the years 2018 through 2022, plus SCE’s forecast costs for 2023, 2024
 3 and Test Year 2025.¹⁶⁵ In accordance with PUC Section 706, recorded costs for Executive Officers were
 4 removed for years 2018-2022 and all forecast costs (an average of \$0.35 million) have been removed
 5 from 2025-2028 Pension costs for the six Executive Officers (only three of whom are eligible for the
 6 Pension Plan).¹⁶⁶

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



| | Recorded | | | | | Forecast | | |
|----------------|----------|----------|----------|----------|------|----------|----------|----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | | | | | | | | |
| Non-Labor | | | | | | | | |
| Other | \$46,952 | \$51,406 | \$40,556 | \$31,788 | | \$5,251 | \$11,701 | \$44,934 |
| Total Expenses | \$46,952 | \$51,406 | \$40,556 | \$31,788 | | \$5,251 | \$11,701 | \$44,934 |

7 **(1) Plan Description**

8 The Pension Plan contributes to employees’ smooth transition from the
 9 workforce by providing them with income after employment has ended. Since the Pension Plan is
 10 qualified by the IRS, participants avoid current taxable income as benefits accrue during their

¹⁶⁵ Post-June 7, 2013 service-related San Onofre Nuclear Generating Station (SONGS) costs have been removed from all recorded (2018–2022) and forecast costs.

¹⁶⁶ Refer to WP SCE-07, Vol. 01, Results of Operations, Ratemaking Adjustments; and WP SCE-06, Vol. 04, Book B, pp. 1-3, PUC Section 706 Excluded Officers’ Cost Adjustments.

1 employment. Cash balance plan features were added in 1999 to reduce the long-term cost structure, to
2 help participants better understand plan benefits, and to increase portability of the benefit.

3 The Cash Balance Account formula was added to the Pension Plan in
4 1999, to establish a more even accrual pattern over employees' working years and simplified
5 communications regarding the current value of their accrued benefits. In short, the formula determines
6 how much in benefits a participant accrues each year in his/her Cash Balance Account.

7 The Company recognized that employees later in their working careers may be negatively affected by
8 the pension formula change. Therefore, employees who were at least age 50, and employees who had at
9 least 60 "points" ("points" are equal to age plus service) as of the effective date of the change, received
10 legacy treatment. Legacy employees have their retirement benefits calculated under both the historical,
11 pre-1999 formula and the Cash Balance Account formula. The final benefit is the larger of the two
12 benefit formulas. This approach helps ensure that employees are provided with the benefit most
13 advantageous to them, as SCE did not want to negatively impact long-term employees by the transition
14 to an account-based plan. The number of legacy employees is a relatively small and continually
15 decreasing group, representing only about one percent of eligible employees as of December 31, 2022.
16 All other employees hired prior to December 31, 2017 are eligible only for the Cash Balance Account.

17 Cash balance accounts grow through three types of credits:

18 1. Pay Credits: These range from three to nine percent of the employee's
19 base pay, depending on age and service. SCE provides pay credits for each month that the employee is
20 credited with service.

21 2. Interest Credits: These are monthly interest credits equivalent to the
22 third segment of the IRS published corporate bond yield curve for the month of August in the prior
23 calendar year (as specified under Internal Revenue Code Section 417(e)). The interest rate for 2023 is
24 4.69 percent. These procedures conform to the 2006 Pension Protection Act requirements.

25 3. Retiree Health Care Credits: These are monthly credits of \$150 for
26 each month that the employee is credited with service. This nominal monthly credit was established in
27 conjunction with changes made in 2009 to the retiree health care program; this resulted in a significant
28 overall reduction in the Company's retiree health care financial obligations.

29 Regardless of age, Pension Plan participants may elect to receive a
30 distribution of their benefit as either a lump sum or as an annuity when they terminate employment.
31 Eligible employees vest (*i.e.*, earn non-forfeitable rights) in their Pension Plan benefit at a rate of 20

1 percent per year for the first two years, and are fully vested (*i.e.*, 100 percent) after three years.
2 Additionally, for beneficiary protection, employee accounts are automatically 100 percent vested at
3 death. The resulting benefit is then available to their survivors.

4 Beginning December 31, 2017, SCE amended the Pension Plan to further
5 reduce long-term costs by closing the Pension Plan to new participants (both represented and non-
6 represented). In lieu of the Cash Balance Account pension features (*i.e.*, the pay credits, interest credits
7 and retiree health care credits discussed above), employees hired on or after December 31, 2017 receive
8 a non-elective Company contribution to their 401(k) accounts. The non-elective contribution is provided
9 regardless of whether the participant elects to participate in the 401(k). Contribution amounts vary
10 depending on whether an employee is represented or non-represented, as discussed later in this exhibit
11 under the Edison 401(k) Savings Plan section.

12 (2) **Historical Perspective on Financial Market Returns and SCE Pension**
13 **Fund Returns**

14 Financial market performance and the Southern California Edison
15 Company Retirement Plan (Pension Plan trust), SCE's pension fund, net investment returns over the last
16 15 years are summarized in Table III-10:¹⁶⁷

¹⁶⁷ Sources for Table III-10: Russell Investments and BNY Mellon. SCE pension fund returns are shown net of investment management fees.

Table III-10
US Stocks, US Bonds, and SCE Pension Fund Rates of Return
2008-2022

| Year | S&P 500 Stock Index - Total Return | Bloomberg Barclays US Aggregate Bond Index Return | SCE Pension Fund Return - net of fees |
|--|------------------------------------|---|---------------------------------------|
| 2008 | (37.0%) | 5.2% | (31.0%) |
| 2009 | 26.5% | 5.9% | 24.4% |
| 2010 | 15.1% | 6.5% | 15.5% |
| 2011 | 2.1% | 7.8% | 2.1% |
| 2012 | 16.0% | 4.2% | 14.9% |
| 2013 | 32.4% | (2.0%) | 16.6% |
| 2014 | 13.7% | 6.0% | 8.1% |
| 2015 | 1.4% | 0.5% | 1.1% |
| 2016 | 12.0% | 2.6% | 8.5% |
| 2017 | 21.8% | 3.5% | 15.1% |
| 2018 | (4.4%) | 0.0% | (2.4%) |
| 2019 | 31.5% | 8.7% | 19.1% |
| 2020 | 18.4% | 7.5% | 16.3% |
| 2021 | 28.7% | (1.5%) | 9.3% |
| 2022 | (18.1%) | (13.0%) | (13.4%) |
| 5-Year (2018-2022) Annualized Return | 9.4% | 0.0% | 5.1% |
| 5-Year (2018-2022) Standard Deviation of Returns | 18.5% | 5.0% | 8.6% |
| 10-Year (2013-2022) Annualized Return | 12.6% | 1.1% | 7.4% |
| 10-Year (2013-2022) Standard Deviation of Returns | 14.7% | 4.1% | 7.3% |
| 15-Year (2008-2022) Annualized Return | 8.8% | 2.7% | 5.9% |
| 15-Year (2008-2022) Standard Deviation of Returns | 16.3% | 4.0% | 9.7% |

1 Table III-10 shows that financial market performance, particularly the
2 U.S. stock market, was volatile over the 2008-2022 period. Performance in 2008 was the worst single

1 year since the 1930s, but this was followed by strong returns over most of the next nine years.
2 Investment performance was negative in 2018, before three very strong years of gains in 2019, 2020 and
3 2021. Stock and bond markets both experienced significant, double-digit declines in 2022. The 15-year
4 return for U.S. stocks from 2008-2022 was 8.8 percent, and the 10-year return for U.S. stocks from
5 2013-2022 was 12.6 percent.

6 Investment returns and ongoing SCE contributions are the Pension Plan's
7 only funding sources. When investment returns are lower than expected, additional contributions must
8 be made to maintain a financially sound plan. SCE's pension fund performance over the last 15 years
9 compared favorably to market benchmarks. Despite this, weak capital markets, such as those in 2008,
10 2015, 2018, and 2022, have had negative impacts on funded status. However, stronger longer-term
11 market performance has resulted in actual contributions below forecast for the 2021-2024 GRC period.

12 (3) Pension Cost Ratemaking Background and Recent History

13 SCE's Pension costs are based on the results of actuarial valuations,
14 performed by the plan actuary WTW. The actuary determines the present value of expected future
15 pension benefit payments and, for statutory minimum funding purposes, the value of pension benefits
16 accrued to date and expected to be accrued during the upcoming year. Pension Plan liabilities grow with
17 interest and ongoing benefit accruals, but also fluctuate over time with changes in prevailing interest
18 rates and the impact of statutory requirements. All actuarial assumptions not mandated by law represent
19 the best estimate of future plan experience.

20 Pension funding policy was uncontested in the 2021 GRC but was
21 contested in the previous five GRCs. When contested, SCE has advocated for continuation of its
22 historical funding policy while Cal Advocates has pressed for lower funding. In response, SCE has
23 provided evidence that lower contributions in the short-term could require larger PBGC (Pension
24 Benefit Guarantee Corporation) premiums,¹⁶⁸ thereby increasing costs for customers in the long-term. In
25 previous GRCs, SCE and Cal Advocates agreed to two-way balancing account treatment of pension
26 costs. SCE believes a two-way balancing account continues to be appropriate.

27 In the contested 2006, 2009, 2012, 2015, and 2018 GRCs, the Commission
28 held that contributions should be sufficient to avoid jeopardizing Pension Plan beneficiaries or future
29 generations of customers. In the 2003, 2009, 2012, 2015, 2018 and 2021 GRCs, the Commission

¹⁶⁸ PBGC is a federal agency created by the Employee Retirement Income Security Act of 1974 (ERISA) to protect pension benefits in private sector pension plans. Premiums are set by Congress.

1 approved rate recovery under SCE’s historical funding policy. In 2006,¹⁶⁹ the statutorily mandated
2 minimum contribution amount was approved, but only because the Commission concluded that the
3 difference between the two amounts was “not substantial” and the “minimum calculation could therefore
4 be considered sufficiently conservative.” In 2009,¹⁷⁰ the Commission found: “In the past, we have
5 adopted SCE’s forecast if a substantial difference exists between the minimum contribution and its
6 forecast. We see no compelling reason to depart from that policy here.”

7 **(4) Statutory Pension Funding Requirements**

8 Minimum pension plan funding requirements have been governed by the
9 Pension Protection Act of 2006 (PPA) since 2008. Unlike prior ERISA funding rules, which stressed
10 stable long-term funding and benefit security, PPA rules focus on short-term funding adequacy with
11 required discount rates tied to a two-year average of corporate bond yields. Asset smoothing (stabilizing
12 asset valuation to reduce reliance on single point in time asset values) is permitted under the PPA, but
13 only over a two-year period. Under the PPA, the Minimum Required Contribution is determined as of
14 the beginning of the Plan Year and is equal to the sum of Target Normal Cost for the Plan Year and the
15 Shortfall Amortization Charge for the Plan Year, less any credit for excess assets.

16 The Target Normal Cost represents the value of additional benefits
17 expected to be accrued and the value of expenses expected to be paid from trust assets during the Plan
18 Year. The shortfall amortization charge generally represents an amount that would be sufficient to
19 amortize the Plan’s funding shortfall over a period no longer than seven years.

20 Congress has legislated several rounds of pension funding relief since
21 2006. The Worker, Retiree and Employee Recovery Act of 2008 (WRERA) and the Preservation of
22 Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (PRA) provided short-term
23 reductions in required pension contributions. The Moving Ahead for Progress in the 21st Century Act
24 (MAP-21), signed into law on July 6, 2012, provided pension funding relief in the form of an interest
25 rate corridor tied to a 25-year rolling average of corporate bond interest rates. In 2014, Congress
26 extended this relief with the Highway and Transportation Funding Act (HATFA). In 2015, Congress
27 extended the relief yet again with the Bipartisan Budget Act of 2015 (BBA), which was signed into law
28 on November 2, 2015. Additional relief was provided in 2020 through the Coronavirus Aid, Relief, and

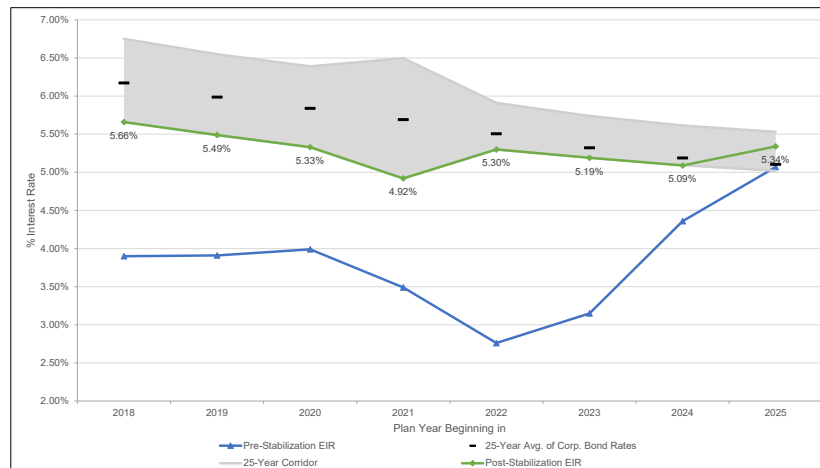
¹⁶⁹ D.06-05-016, pp. 172-173 (citing D.04-07-022, pp. 219-220).

¹⁷⁰ D.09-03-025, p. 142.

1 Economic Security Act (CARES) and in 2021, Congress provided further interest rate relief and
 2 extended the Shortfall Amortization period to 15 years with the American Rescue Plan Act of 2021
 3 (ARPA) and the Infrastructure Investment and Jobs Act of 2021 (IIJA).

4 The following chart, Figure III-14, shows how the effective interest rates
 5 (EIR) used to determine Minimum Required Contributions compares to market interest rates. Under
 6 ARPA, as modified by the IIJA, the discount rate interest rate floor is equal to 95 percent of the 25-year
 7 rolling average of corporate bond interest rates until 2030, after which it widens 5 percent per year until
 8 it reaches 70 percent in 2035.

Figure III-14
Interest Rates for PPA Minimum Required Contribution
2018-2025



9 **(a) Benefit Limitation Threshold**

10 In addition to the minimum funding requirements, the PPA also
 11 established benefit limitation criteria. If the Plan’s Adjusted Funding Attainment Percentage (AFTAP)
 12 falls below 80 percent (i.e., the ratio of Pension Plan assets to the funding target is less than 0.8), the
 13 Pension Plan would be subject to certain benefit restrictions, such as limitation on the plan’s ability to
 14 make lump sum payments.

15 **(5) SCE’s New Funding Policy**

16 **(a) Historical Funding Policy**

17 SCE’s historical funding policy, which has been in effect since at
 18 least 1982, sought to limit short-term fluctuations in contribution amounts and rate recovery. The

1 funding policy has been to contribute the annual Funding Policy Normal Cost (explained below), plus
2 amounts required to amortize certain book reserves, which are maintained for funding policy
3 contribution purposes, and other liabilities due to *ad hoc* cost of living adjustments. The contribution
4 determined on this basis is increased, if necessary, to meet PPA minimum funding requirements or
5 limited so as not to exceed the Maximum Tax-Deductible Amount (the amount beyond which a
6 contribution would not be tax deductible). As discussed in detail below, recent changes in the Pension
7 Plan's circumstances create significant issues with the historical funding policy that need to be
8 addressed. SCE is therefore proposing modifications to the funding policy to create a sustainable
9 pension funding framework aligning the interests of all parties.

10 **(b) Funding Policy Normal Cost**

11 The Funding Policy Normal Cost was determined under the Frozen
12 Initial Liability actuarial cost method. Under this method, the present value of future normal costs is the
13 difference between:

- 14 1. The present value of all benefits, as of the valuation date, for
15 current plan participants, both earned and to be earned under the Pension Plan, based on the plan's long-
16 term expected rate of return on assets, and
- 17 2. The sum of total funding policy assets on hand (including
18 Company book reserves) and any remaining Unfunded Frozen Initial Liability (for *ad hoc* cost of living
19 adjustments).

20 As of January 1, 2022, the Unfunded Frozen Initial Liability was
21 zero.

22 The present value of future funding policy normal costs is then
23 divided by the present value of anticipated future covered payrolls for current plan participants. The
24 result is a Funding Policy Normal Cost percentage, which is then applied to the current covered payroll.
25 The Funding Policy Normal Cost also includes the expected administrative expenses, such as PBGC
26 premiums, that the Pension Plan is anticipated to incur during the year following the valuation date.

27 This policy has always been bounded by the legally required
28 minimum contribution and the maximum tax-deductible amount.

29 **(c) Changes in Circumstances**

30 The plan was closed to new entrants effective December 31, 2017.
31 This prompted a review of the historical funding policy. The review identified several concerns:

- As pension-eligible payroll shrinks, the unfunded liability will be amortized over a continually decreasing time period, which causes volatility and potentially nonsensical results. Eventually, when there are no more working employees participating in the plan and pension-eligible payroll reaches zero, it will become mathematically impossible to continue with the historical funding policy.
- The unfunded liability has decreased substantially, which means that small changes in funded status have a large relative impact on contribution amounts.
- Recent legislative changes have increased the significance of PBGC premiums. The current funding policy tolerates a significant unfunded PBGC liability at times, which will ultimately increase costs to customers.
- While the minimum contribution requirements as modified by the PPA originally provided an adequate level of funded status protection to avoid jeopardizing Pension Plan beneficiaries or future generations of customers, the series of legislative changes described above have significantly reduced its effectiveness such that it can no longer be relied upon as an effective safety net.

For these reasons, the Company believes it is in the best interest of all parties to update the funding policy. Customers and the Company have benefited from the current funding policy since at least 1982. For several decades, the funding policy has helped stabilize the potentially volatile funding requirements associated with sponsoring a pension plan, especially since the introduction of the PPA. However, with the Pension Plan closed to new entrants, the funding policy is no longer able to adequately protect plan beneficiaries and support equity among generations of customers.

(d) New Funding Policy

In setting a new funding policy, SCE defined the following goals:

- 1 1) Fix the mechanical issue with the current policy by funding any
2 pension deficit over a reasonable period, even when there are minimal or no future covered payrolls;
- 3 2) Better align contributions with benefit accruals to address
4 potential inequity among generations of customers;
- 5 3) Limit contribution volatility to the extent feasible;
- 6 4) Maintain a funded status that avoids any legal restrictions on
7 benefit payments provided by the plan, including lump sums; and
- 8 5) Reduce long term costs, especially PBGC variable rate
9 premiums which are assessed as a percentage of the pension deficit (5.2 percent for 2023).

10 Under the new funding policy, contributions are equal to the
11 Service Cost (present value of benefits expected to be accrued during the year) plus the amount that
12 would be sufficient to fund any PBO shortfall over 8 years. Service Cost and PBO shortfall are based on
13 GAAP measures. For added stability, the contribution amount will remain unchanged throughout the
14 period covered by the GRC, unless:

- 15 1) SCE is required by law to contribute a higher amount due to
16 PPA Minimum Required Contributions;
- 17 2) A higher contribution is required to maintain an 85 percent
18 AFTAP, which will avoid restrictions on the plan's ability to pay lump sums provided by the Pension
19 Plan; and
- 20 3) The market value of Pension Plan assets (including Company
21 book reserves) reaches the present value of all benefits, earned and to be earned (Full Funding), at which
22 point contributions will be suspended. This protects customers from overfunding the plan during a GRC
23 cycle in the event the plan experiences favorable conditions such as strong asset returns.

24 Any adjustments which apply will be handled via the two-way
25 Balancing Account, discussed further below. Amounts required to amortize certain book reserves are
26 then added to arrive at the final contribution.

27 Because the Pension Plan has been closed to new entrants since
28 December 31, 2017, the Service Cost is expected to decrease as current participants retire or leave the
29 Company and no new participants are added. As a result, the Service Cost amount used for the funding
30 policy will be the average of the projected Service Costs for the period covered by this GRC to ensure

1 contributions are based on a Service Cost amount that does not exceed the benefit accruals expected to
2 occur over the GRC period. This adjustment reduces the amount that would otherwise be requested.

3 The new funding policy uses the PBO under GAAP and associated
4 Service Costs. PBO shortfalls are calculated as the excess, if any, of the PBO over the market value of
5 assets (including book reserves). Similarly, in order to assess whether Full Funding has been reached,
6 the present value of all benefits will be calculated using the same assumptions used to calculate the
7 PBO. The use of GAAP measures provides several benefits:

8 1) GAAP measures are based on assumptions that reflect current
9 market conditions resulting in the best estimate of the market value of the Pension Plan's obligations.

10 2) GAAP measures receive external vetting. Assumptions are
11 subject to a thorough review from corporate auditors to make sure that assumptions are reasonable.

12 3) GAAP measures are consistent with the measures used for
13 recovery of PBOP costs.

14 4) GAAP measures already exist and represent an objective
15 measure of Pension Plan obligations.

16 In addition, while SCE would prefer a seven-year amortization
17 period to amortize any pension deficits, which would tie to the original PPA amortization period, it
18 selected eight years to better align with the GRC cycles. Eight years coincides with two full GRC cycles
19 and allows for contribution stability throughout the GRC period without the need for mid-cycle
20 adjustments. Using a longer amortization period (eight years instead of seven) results in a lower
21 contribution amount. Note that there is no projected PBO shortfall on January 1, 2025, and therefore the
22 pension deficit amount included in the funding policy contribution is currently \$0.

23 Average annual Service Cost (SCE only) projected for the 2025 –
24 2028 period is \$79.7 million. Because there is no pension deficit, the new funding policy amount before
25 adjustments for interest and book reserves, would simply be the service cost of \$79.7 million.

26 **(6) Additional Adjustment for Expected Asset Returns**

27 The pension fund is prudently invested in a diversified portfolio of stocks,
28 bonds and alternative assets. Investment returns on those assets, as well as contributions, are the plan's
29 only funding sources. While not guaranteed and subject to significant financial market volatility,
30 investment returns are expected to exceed the discount rate that is used to calculate the Pension Plan's
31 PBO over the long run. If actual returns exceed the discount rate, required funding is reduced. To the

1 extent actual returns are less than the discount rate, it will add to any deficit that will have to be covered
2 by future contributions. This uncertainty was highlighted in the extreme financial market volatility
3 experienced in 2022. A conservative approach would be to only reduce contribution requirements with
4 returns that have been earned (“earn it first approach”). However, SCE is concerned that such an
5 approach, while sound, may add to generational inequity, where future customers may receive the
6 benefit of lower contributions from returns generated on funds provided by prior customers. On the
7 other hand, future customers also bear investment risk as future investment losses will result in higher
8 future contributions.

9 That said, to reach an appropriate balance and avoid collecting amounts
10 that might be higher than ultimately necessary, SCE proposes to reduce the funding policy contribution
11 by the amount of excess investment return expected. This reduction is calculated by applying to the
12 market value of plan assets the difference between the expected return and the discount rate (both
13 assumptions used under GAAP). For the 2025 Test Year, this reduction is \$36.0 million, resulting in a
14 funding policy contribution amount, before adjustment for interest and book reserves, of \$43.7 million
15 for SCE.

16 Reducing the amount requested provides a clear benefit to customers,
17 especially if we expect that investment returns will make up the difference. However, it is important to
18 clearly recognize some of the significant risks of this approach:

- 19 1) Taking credit for investment returns that have not yet materialized
20 increases the risk of future deficits;
- 21 2) If such deficits arise, PBGC premiums will be higher, increasing total
22 plan costs; and
- 23 3) Consequently, there is a greater likelihood that future customers will
24 have to bear higher contributions.

25 Ultimately, SCE is comfortable with reducing the amount requested,
26 mainly because the design of the new funding policy does provide some protection against extreme
27 financial experience through application of the floor and ceiling.

28 **(7) Comparison of Authorized 2021 to Recorded**

29 This section compares the amounts authorized by the Commission in the
30 2021 GRC to 2021 recorded O&M, along with an explanation for the variance. SCE’s authorized rate
31 recovery from the 2021 GRC was an annual amount of \$84.3 million. In 2021, the recorded amount of

1 \$32 million was lower than the authorized amount. The Service Cost (the expected present value benefit
2 of the Pension Plan) was higher than forecast, driven in large part by falling discount rates. Positive
3 market performance, offset by an increase in liability due to changes in actuarial assumptions, produced
4 a lower contribution than expected. However, most of the difference for 2021 is because the authorized
5 amount reflected a large projected contribution increase for 2023 and averaged that increase over the
6 GRC cycle.

7 This result from the 2021 GRC period is a clear illustration of potential
8 extreme volatility in the historical funding policy, which underscores the need for an updated approach.
9 Even if the actual contributions were precisely as originally forecasted for 2021-2023, the historical
10 methodology would have caused a large overcollection early and a large under-collection later in the
11 prior GRC cycle.

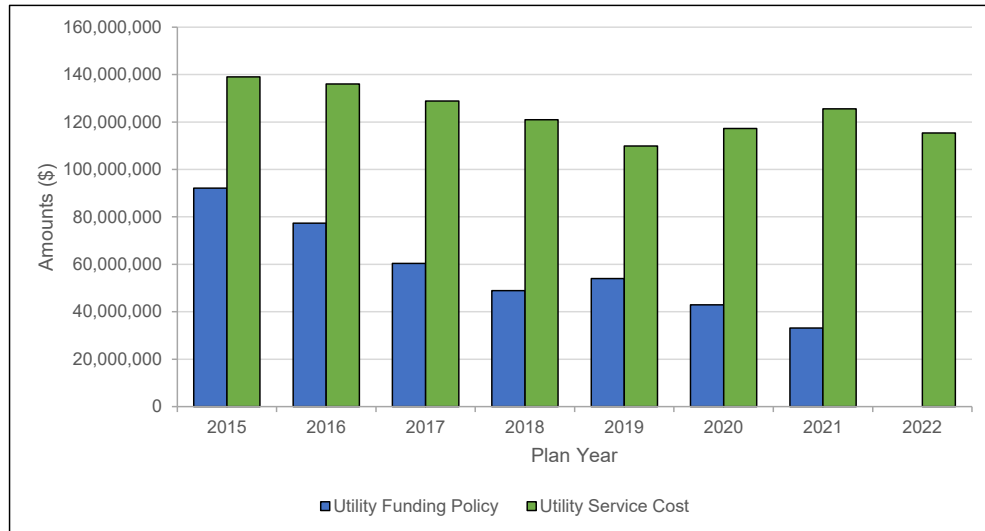
12 **(8) Scope and Forecast Analysis**

13 **(a) Historical Variance Analysis**

14 Figure III-15 compares pension costs under SCE's historical
15 funding policy to the Pension Plan's Service Costs, for the years 2015 through 2022. The graph
16 illustrates how the historical funding policy resulted in contributions that are consistently lower than the
17 new benefits being accrued by participants under the Pension Plan.

18 Strong asset performance contributed to significant improvement
19 in funded status thorough the end of 2021, despite contributions not keeping pace with benefit accruals.
20 While market losses in 2022 were somewhat offset by the decrease in liabilities resulting from higher
21 interest rates, the Pension Plan suffered a meaningful loss in funded status. This illustrates that when
22 asset performance lags expectation, the current funding policy may lack the appropriate mechanisms to
23 protect the significant funded status improvement realized.

Figure III-15
Funding Policy versus Service Costs
2015-2022



(b) Forecast

SCE’s requested rate recovery is based on a forecast of pension costs under the new funding policy, provided by its actuary, WTW. The actuarial forecast of pension costs for years 2025-2028 under the new funding policy of \$44.9 million¹⁷¹ is significantly lower than the \$84.3 million authorized in the 2021 GRC. The forecast pension costs are \$44.9 million each in 2025, 2026, 2027 and 2028. This includes cost adjustments for SONGS and for alignment with PUC Section 706.¹⁷² The new funding policy was deliberately designed to provide stability by fixing contributions at a constant level through the GRC cycle. The Service Cost component of the funding policy utilizes the 4-year average Service Cost for 2025-2028.¹⁷³ Further, the Pension Plan does not have a deficit that needs to be amortized during the current GRC period.

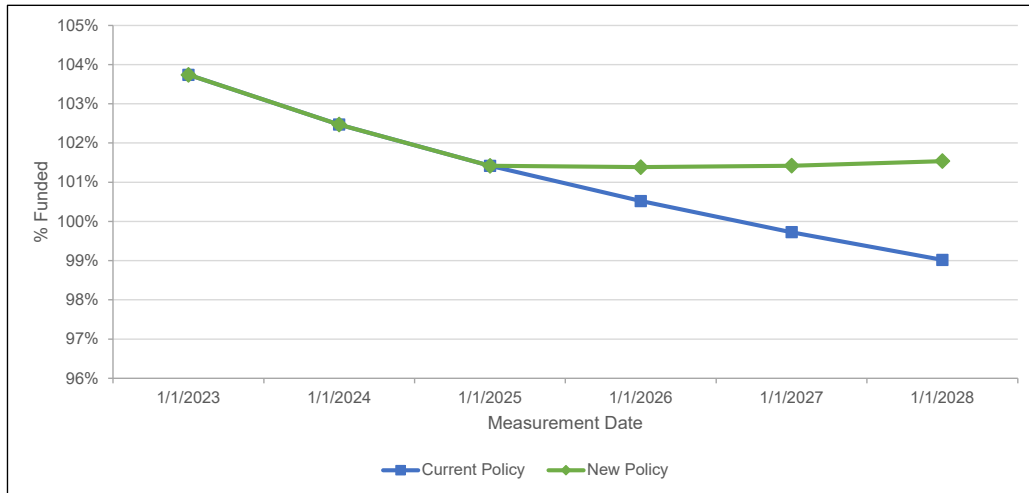
Figure III-16 shows projected pension costs for the 2023 – 2028 period. Costs for 2023 and 2024 are under the historical funding policy, while the new funding policy applies starting in 2025.

¹⁷¹ Refer to WP SCE-06, Vol. 04, Book B, pp. 93-106, O&M Detail for Pension (Service) and O&M Detail for Pension (Non-Service).

¹⁷² Refer to WP SCE-06, Vol. 04, Book B, pp. 1-3, PUC Section 706 Excluded Officers’ Cost Adjustments.

¹⁷³ Refer to WP SCE-06, Vol. 4, Book B, pp. 107-115, Pension Service & Non-Service Cost Allocation.

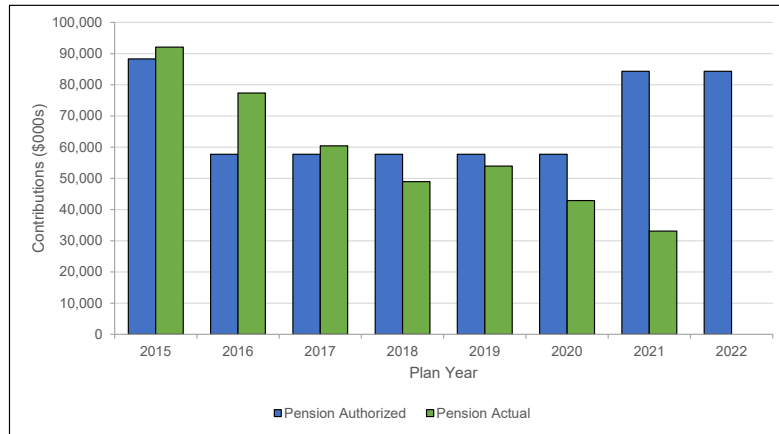
Figure III-17
Projected Pension Funding Status
Impact of New Funding Policy
2023-2028



Recent experience shows that while the historical funded policy performed adequately in positive economic environments (for example 2019 through 2021), the overemphasis on cost stability produces contribution patterns that are not sufficiently responsive to negative market events such as the asset losses of 2022. Funded status projections in Figure III-17 show that the historical funding policy results in funded status deterioration throughout the GRC cycle. The inability to preserve the significant funded status gains and to maintain and fully fund the Pension Plan illustrate the generational equity issue, which will be addressed by the new policy. A funding policy that is expected to return the plan to a deficit position even if expected investment returns are achieved creates concerns about equity. The result would be to simply shift those costs to future customers who have not received the benefit. The proposed funding is expected to maintain full funding if the expected investment returns are achieved, therefore improving equity. This result is achieved while also improving cost stability; simply compare the level costs projected for the 2025-2028 period to the costs that fluctuated between \$0 and \$92 million during the 2015-2022 period for evidence.

The forecast amounts are based on WTW’s 2022 actuarial valuation results, assumptions and plan asset information reflected in SCE’s December 31, 2022 financial statement disclosure information. The underlying data and actuarial assumptions include:

Table III-11
Pension Funding Policy Contribution (\$000)
Actual versus Authorized 2015-2022



1 Actual pension costs for 2015, 2016, and 2017 were much
2 higher than authorized. The result was an undercollection in the Pensions Cost Balancing Account.
3 Actual costs for 2018 through 2022 were less than authorized due to a combination of statutory funding
4 relief and excellent investment performance.

5 While the design of the new funding policy will
6 significantly reduce this volatility, the methodology works because of the floor and ceiling that would
7 apply in the case of significant market volatility (positive or negative), which protects the Pension Plan
8 funded status, beneficiaries, and customers. As a result, SCE continues to strongly believe that the two-
9 way (symmetrical) Pensions Cost Balancing Account benefits its customers.

10 SCE’s Pension Plan’s investment policy contains a
11 meaningful allocation to equities.¹⁷⁶ Equities are expected to provide higher investment returns over the
12 long term but are also subject to significant annual volatility (see Table III-10 of actual returns for the
13 past 15 years). Because of the higher expected returns, meaningful equity exposure will lower the long-
14 term costs of funding the Pension Plan, and this higher-than-expected return is used to reduce costs in
15 the new funding policy. However, the inherent volatility in equities will also result in significant
16 fluctuation in pension asset returns, as experienced in the last several years.

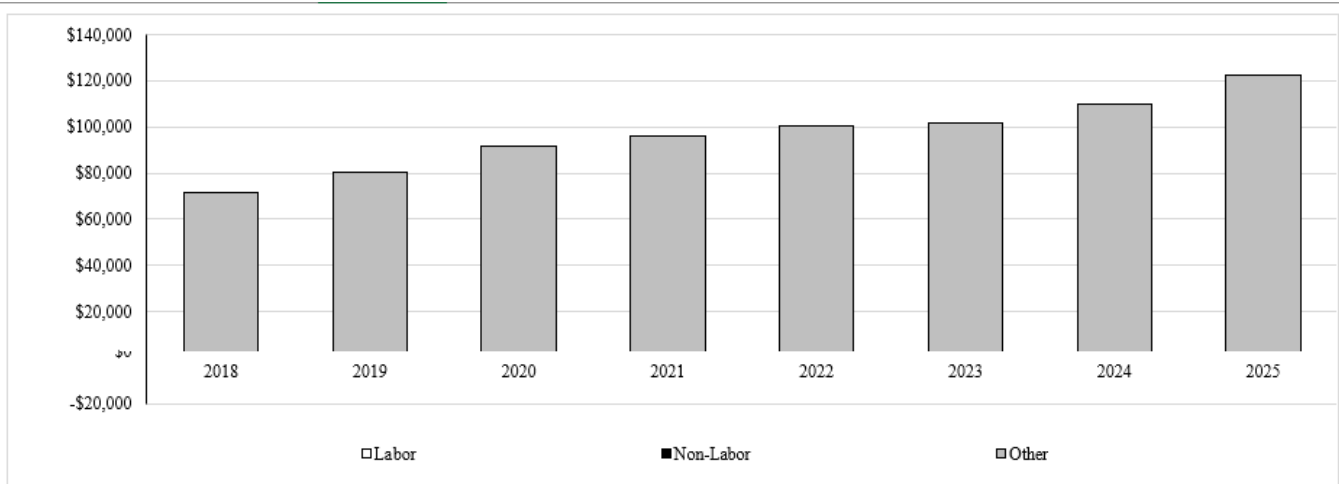
¹⁷⁶ The current overall investment policy targets are approximately 45 percent equities and 55 percent fixed income.

Without the two-way Pensions Cost Balancing Account, which is essential to the application of the floor and ceiling, there would inevitably be windfalls and/or shortfalls to customers and shareholders. The Pensions Cost Balancing Account makes it possible to sustain the pension benefit, a key component of overall compensation. SCE therefore urges, in the strongest possible terms, continuation of the existing two-way balancing account.

d) 401(k) Savings Plan

For Test Year 2025, SCE forecasts \$122.609 million for Edison 401(k) Savings Plan (“401(k)” or “401(k) Savings Plan”) costs. Figure III-18, shows recorded 401(k) Savings Plan costs for the years 2018 through 2022, plus SCE’s forecast costs for 2023 through Test Year 2025.¹⁷⁷

Figure III-18
401(k) Savings Plan
Recorded 2018-2022/Forecast 2023-2025
(2022 Nominal \$000)



| | Recorded | | | | | Forecast | | |
|----------------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$ | | | | | | | |
| Non-Labor | (\$) | (\$) | | (\$) | | | | (\$) |
| Other | \$71,567 | \$80,295 | \$91,507 | \$95,913 | \$100,423 | \$101,461 | \$109,605 | \$122,609 |
| Total Expenses | \$71,567 | \$80,295 | \$91,507 | \$95,913 | \$100,423 | \$101,461 | \$109,605 | \$122,609 |

(1) Work Description

The Edison 401(k) Savings Plan is a defined contribution plan. As an integral part of SCE’s total compensation package, it provides employees an opportunity to defer current

¹⁷⁷ Refer to WP SCE-06, Vol. 04, Book B, pp. 116-122, O&M Detail for 401(k) Savings Plan.

1 income, potentially reducing their current taxable income, and save for their future financial needs.
2 Employees choose how to invest the deferred income, plus receive Company contributions. If
3 employees defer on a pre-tax basis, all the monies avoid current income taxes until distributed.

4 Employees may elect to defer from 1 to 84 percent of their base pay to the
5 401(k) Savings Plan, subject to annual maximum dollar limits determined by the Internal Revenue
6 Service. The Company matches \$1.00 for each \$1.00 deferred, up to 6 percent of the employee's base
7 pay. To provide greater flexibility, the 401(k) Savings Plan also allows participants to defer income on a
8 post-tax basis into a separate Roth account. These deferrals have the advantage of avoiding income tax
9 on investment returns of the participant's deferrals when ultimately distributed, if specific legal
10 requirements are met.

11 The Edison 401(k) Savings Plan offers participants a wide range of
12 investment options including time-based, target-date funds, core funds ranging from conservative to
13 higher-risk investment choices, and a brokerage account intended for more advanced investors. These
14 funds can help facilitate prudent investment diversification. Employees select the investment options for
15 their own deferrals, both pre-tax and Roth, and for the Company's contributions.

16 Other 401(k) Savings Plan features include: immediate eligibility upon
17 hire, daily valuation of participant accounts, access to those accounts through website or phone
18 representatives, and daily processing of loans, withdrawals, and distributions. 401(k) participants also
19 have access to financial planning tools, such as Edelman Financial Engines, to model future investment
20 and savings strategies, or to have that firm directly manage their accounts, with the costs of such
21 management borne entirely by the participant and not charged to customers.

22 For employees hired on or after December 31, 2017, the SCE Retirement
23 Plan¹⁷⁸ is no longer offered. Instead, SCE and IBEW Local 47 jointly agreed through negotiations that
24 eligible employees represented by that union who are hired on or after December 31, 2017 will receive
25 additional Company contributions to the Edison 401(k) Savings Plan instead of participating in the
26 Pension Plan. The additional Company contributions are four to six percent of the employee's base pay,
27 depending on age and service, and they are made to the employee's 401(k) account regardless of
28 whether the employee elects to defer any base pay into the 401(k). Similarly, SCE decided that all non-
29 represented eligible employees hired on or after December 31, 2017 will receive additional Company

¹⁷⁸ The SCE Retirement Plan is the plan name for the Pension Plan listed in Section 5(c) above.

1 contributions to the Edison 401(k) Savings Plan instead of participating in the Pension Plan. These
2 additional contributions are six percent of the employee's base pay, without regard to whether the
3 employee makes elective deferrals. Employees hired prior to December 31, 2017 continue to participate
4 in the Pension Plan and are not eligible for this additional Company non-elective contribution to the
5 401(k) Savings Plan.

6 **(2) Comparison of Authorized 2021 to Recorded**

7 This section compares the amounts authorized by the Commission in the
8 2021 GRC to the 2021 recorded O&M in this activity. Table III-4 shows the variance of \$5.1 million
9 between the 2021 authorized amount of \$90.8 million and the 2021 recorded cost of \$95.91 million for
10 the 401(k) Savings Plan. This variance is due to higher than forecast participation in the 401(k) plan. In
11 addition, with increased turnover, more new employees are being added to the company and are
12 receiving the additional 401(k) contribution instead of participating in the Pension Plan.

13 **(3) Scope and Forecast Analysis**

14 In Test Year 2025, SCE will record 401(k) costs in this work activity. In
15 accordance with PUC Section 706 and the associated Executive Officers covered therein, 401(k) costs
16 for SCE Executive Officers recorded in historical years 2018-2022 were adjusted out so that these costs
17 would not be included in the Results of Operation Model forecast for this work activity.¹⁷⁹

18 **(a) Historical Variance Analysis**

19 As shown in Figure III-18, from 2018 to 2022, there is an
20 increasing trend as costs increase as more new hires to the company receive additional 401(k)
21 contributions instead of participating in the Pension Plan.

22 **(b) Forecast¹⁸⁰**

23 For Test Year 2025, SCE forecasts \$122.609 million for the 401(k)
24 Savings Plan. SCE used the Itemized Forecast methodology to arrive at its forecast. This method,
25 described below, is appropriate because it considers changes to the labor forecast over time.

¹⁷⁹ Refer to WP SCE-07, Vol. 01, Results of Operations, Ratemaking Adjustments; and WP SCE-06, Vol. 04, Book B, pp. 1-3, PUC Section 706 Excluded Officers' Cost Adjustments.

¹⁸⁰ Refer to WP SCE-06, Vol. 04, Book B, pp. 123-124, 401(k) Itemized Forecast Calculations.

1 The forecast was derived by multiplying the labor forecast in each
2 year (2025-2028) by the ratio of 2022 recorded program costs to 2022 recorded labor.¹⁸¹ Costs for this
3 program were assumed to increase at the standard labor escalation rate.¹⁸²

4 e) **Retiree Health Care and Life Insurance**

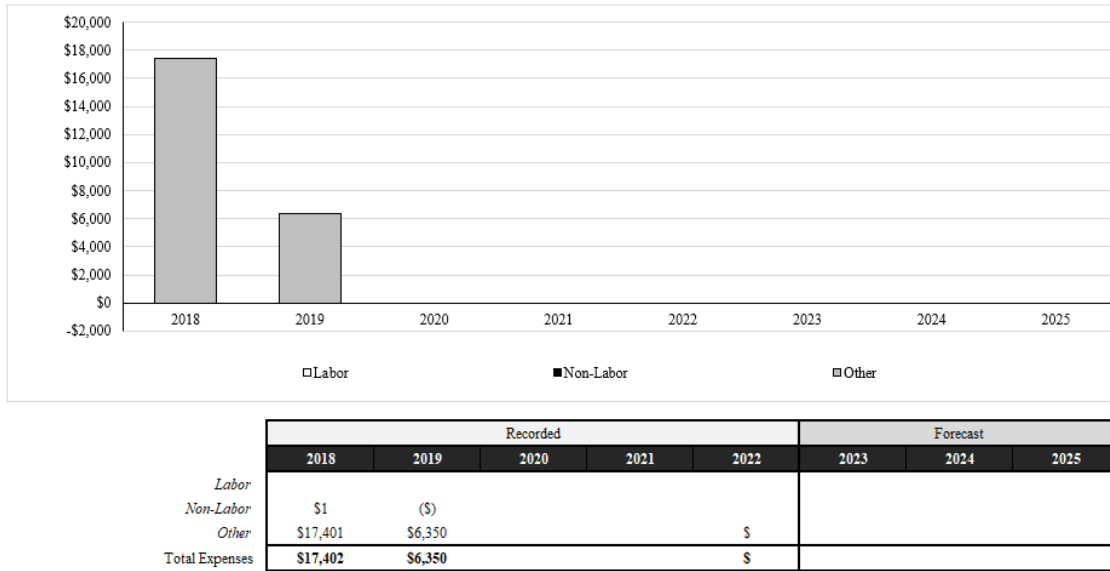
5 For Test Year 2025, SCE forecasts \$0.0 million for its Post-Retirement Benefits
6 Other Than Pensions (PBOP) costs. Figure III-19 shows recorded PBOP costs for the years 2018
7 through 2022, plus SCE's forecast costs for 2023 through Test Year 2025.¹⁸³

¹⁸¹ Beginning in the test year, an adjustment was made to the 2022 recorded labor to align with certain changes made to SCE's employee compensation program, as discussed in Section III.A.5 of this volume of testimony.

¹⁸² This includes an \$0.083 million savings due to SCE's cost savings initiative as participants will be charged a maintenance fee if they maintain a 401(k) balance after they terminate employment. The RO Model has been adjusted for these savings.

¹⁸³ Refer to WP SCE-06, Vol. 04, Book B, pp. 125-138, O&M Detail for PBOP Costs (Service) and O&M Detail for PBOP Costs (Non-Service).

Figure III-19
Retiree Health and and Life Insurance
(Post Retirement Benefits Other Than Pensions (PBOP)) Costs
Recorded and Adjusted 2018-2022/Forecast 2023-2025
(Non-Labor – Constant 2022 \$000; Other - Nominal \$000)



(1) Work Description

SCE offers post-retirement benefits besides pension benefits. These benefits include post-retirement medical, dental, vision, Medicare Part B premium reimbursement, Part D Income Related Monthly Adjustment Amount and term life insurance for certain employees. According to ASC 715-60 (formerly FAS 106) accounting guidance, SCE must accrue a liability for the costs of these retiree benefits.

SCE has offered these benefits as an important part of its employee benefits package to attract and retain a qualified workforce, and to facilitate an orderly transition from that workforce. Retirees and their dependents who are not Medicare-eligible participate in the same medical, dental, vision, and Employee Assistance Program (EAP) as active employees, although some plan features differ. The differences in the benefits provided to retirees are highlighted below. SCE offers two classes of retiree coverage: “Flex” coverage for employees who retired after December 31, 1990, and “PrimeCare” coverage for those who retired before then.

For employees hired on or after December 31, 2017, SCE-subsidized retiree health care (RHC) is no longer available. In lieu of RHC, eligible employees receive a Retiree

1 Health Reimbursement Account (RHRA) credited with an amount equal to \$200 multiplied by the
2 number of months they have been employed by the company. The RHRA can only be accessed if an
3 employee retires at or after age 55 with 10 or more years of service.

4 (a) **Flex Retirees**

5 “Flex” retirees are employees who retired after December 31,
6 1990. If they are not Medicare-eligible, they and their dependents choose from the same general health
7 plans and features as active employees. Employees must retire at age 55 or older with at least ten years
8 of service to be eligible.

9 To address the continuing cost escalation in the health care arena,
10 significant changes to the SCE retiree medical program for Flex Retirees have been made. In 2006,
11 patients’ out-of-pocket medical cost sharing for services increased, including a doubling of patient
12 copayment amounts and new higher deductibles and out-of-pocket stop loss amounts.

13 In 2008, consistent with the major changes made in the medical
14 program for active employees that year, SCE’s contribution toward retiree medical coverage was
15 reduced to reflect the lowest cost medical plan option offered in each retiree’s geographic area. In 2010,
16 to further encourage patient involvement in the choice of prescription medications, the plan benefit for
17 generic prescriptions was increased to 90 percent, with the patient’s share at 10 percent. The Company
18 also implemented new medical options for the active employee population, and these new options also
19 applied to retirees prior to Medicare eligibility.

20 On December 31, 2017, SCE took another step in reducing its
21 retiree medical program cost structure when the Company discontinued offering eligibility for employer-
22 paid retiree healthcare to employees hired on or after that date. Instead, these employees are expected to
23 assume the full cost of any SCE-provided healthcare that they receive, if eligible after retirement. SCE
24 offers these employees an RHRA that can be used to help pay for these benefits or be used to reimburse
25 other incurred healthcare expenses. The cost of these RHRA benefits will be reimbursed to the company
26 from the existing PBOP trusts, the same as all other PBOP benefits. They are reflected in ASC 715-60
27 accounting expenses and in costs for rate recovery, consistent with practice for other health and welfare
28 benefits.

29 Effective 2024, SCE will reduce the retiree medical plan options to
30 Nationwide EPO, 90/70 PPO and Kaiser EPO for the pre-Medicare retirees and 90/70 PPO, HMO
31 Medicare Advantage Plan (MAP), PPO Medicare Advantage Plan (MAP) and Kaiser Medicare

1 Advantage Plan. SCE will also reduce select medical plan copays and out-of-pocket costs and
2 implement a standard/closed prescription drug formulary for the pre-Medicare pharmacy program
3 offered through keyed Express Scripts.

4 (b) **PrimeCare Retirees**

5 PrimeCare is the retiree healthcare coverage available only to
6 employees who retired before January 1, 1991, and their eligible dependents. The number of subscribers
7 (retirees or surviving spouses) as of December 2022 was 1,176, with 38 percent between the ages of 80
8 and 90 and 51 percent over age 90. Medicare coverage is the primary source of benefits for this retiree
9 group. As the secondary coverage, the PrimeCare plan design requires no deductible and pays 100
10 percent of covered expenses when care is received through contracted network providers. When the
11 patient accesses out-of-network providers, the benefit is 90 percent of the fee, subject to a reasonable
12 and customary limitation. The changes for Flex retirees described above have not applied to PrimeCare
13 retirees.

14 (c) **Medicare Part B Premium**

15 Employees who retired before January 1, 1989, receive full
16 Medicare Part B premium reimbursement. Employees who retired between January 1, 1989 and
17 December 31, 1992, receive premium reimbursement frozen at the December 31, 1992 level. Employees
18 who retired on or after January 1, 1993, receive no Medicare Part B premium reimbursement.

19 (d) **Medicare Part D-Income Related Monthly Adjustment**
20 **Amount (IRMAA) Premium**

21 The IRMAA is a surcharge that retirees with income above a
22 certain amount (thresholds established annually) must pay in addition to their Medicare Part B and Part
23 D premiums. Retirees who are enrolled in one of our Medicare Advantage or Medicare-coordinated
24 plans and are required to pay a higher Part D-IRMAA premium can apply to the Company for
25 reimbursement of the amount of the Part D-IRMAA by sending a copy of the Social Security statement
26 to the Company's third-party benefits administrator.

27 (e) **Dental and Vision Coverage**

28 The Company provides dental and vision coverage for retirees
29 using the same plans as for employees. SCE's contribution towards these plans was reduced to 50
30 percent beginning in 2008 for retirees who retired in 1991 or later. Also, to reduce adverse selection,

1 retirees must be continuously enrolled in these programs. Retirees who drop coverage cannot re-enroll in
2 any subsequent year.

3 In 2019, after a regular review of services and vendors, SCE
4 replaced its former dental HMO providers, Safeguard and Blue Cross, with Cigna. In addition to
5 providing a larger network of dentists to employees who work in more rural areas, Cigna offered lower
6 costs in the first year for employees, retirees and the Company.

7 Effective 2024, SCE will impose an in-network deductible of
8 \$25/individual, \$75/family for the Delta Dental plan and increase the annual maximum benefit to \$2,750
9 for all participants except PrimeCare.

10 (f) **Retiree Life Insurance**

11 SCE first provided retiree life insurance in 1978, offering a modest
12 benefit (\$2,500 or \$5,000) to employees who retired under the SCE Retirement Plan. These benefits
13 have been discontinued for represented employees who retired after 2015, and management and
14 administrative employees who retired after 2016, but continue to be offered to employees who retired
15 before those dates.

16 (2) **Ratemaking Background**

17 The existing requirements for PBOP rate recovery date back to the 1990
18 Order Instituting Investigation (I.90-07-037) into the ratemaking treatment of PBOPs and to the
19 subsequent Phase II Decision of the OII (D.92-12-015). The existing two-way balancing account
20 treatment was authorized in the 2006 GRC Decision (D.06-05-016). Balancing account treatment
21 continued in the 2009, 2012, 2015, 2018, and 2021 GRC Decisions (D.09-03-025, D.12-11-051, D.15-
22 11-021, D.19-05-020, and D.21-08-036). Applying the Phase II Decision criteria and the 2006, 2009,
23 2012, 2015, 2018, and 2021 GRC balancing account treatment, PBOP rate recovery for Test Year 2025
24 is based on the following:

- 25 • SCE continues to fund all recovered costs through paid health claims
26 or in independent trusts dedicated solely to PBOP;
- 27 • PBOP costs are reasonable and necessary to meet funding
28 requirements and are based on fair actuarial assumptions,
29 contributions, and investments;

- Rate recovery that exceeds the lesser of tax-deductible paid claims/contributions or PBOP cost under ASC 715-60 methodology (not less than \$0) is subject to refund to customers; and
- PBOP costs are subject to a two-way (symmetrical) balancing account.

Each of these conditions is discussed below.

(a) Tax Deductible Current Funding of PBOP Costs

obligations: SCE has established the following funding vehicles for its PBOP

- A Voluntary Employee Beneficiary Association (VEBA)¹⁸⁴ Trust to fund PBOP benefits except life insurance for all represented employees, retired represented employees, and their spouses and dependents (Represented Employee VEBA Trust).
- A VEBA trust to fund post-retirement life insurance benefits for all active employees and retirees (Life Insurance VEBA Trust).
- Two VEBA trusts to fund a portion of non-life insurance PBOP for Management and Administrative (M&A) employees retiring after December 31, 1992, and their spouses and dependents (1992 and 1999 M&A VEBA Trusts).
- A 401(h)¹⁸⁵ sub-account of the Pension Plan Trust that covers non-life insurance PBOP benefits for post- December 31, 1992 M&A group retirees, spouses, and dependents over the amounts covered by the 1992 and 1999 M&A VEBA Trusts (401(h) Account).

¹⁸⁴ Established pursuant to Section 501(c) (9) of the Internal Revenue Code of 1986, contributions to VEBA trusts are tax-deductible. Investment returns are exempt from tax for the Represented Employee and Life Insurance VEBA trusts. The M&A VEBA investment returns are taxable.

¹⁸⁵ Established pursuant to Section 401(h) of the Internal Revenue Code of 1986. Contributions to the 401(h) account are tax-deductible, and investment returns are exempt from taxes.

1 SCE contributes on a tax-deductible basis to these trusts and
2 invests the trust assets to fund the PBOP obligation. The trusts periodically reimburse SCE for retiree
3 PBOP benefits payable from the trusts, but initially paid by the Company. At the end of 2022, PBOP
4 trust fund assets were \$2.21 billion.

5 SCE's PBOP cost amounts also include tax-deductible costs
6 associated with M&A employees who retired before January 1, 1993 (the adoption date of ASC 715-60
7 (formerly FAS 106)) and their spouses and dependents. This latter group is also called the "pay-as-you-
8 go" group. PBOP costs for this group are tax-deductible but are not funded through PBOP trusts. In its
9 2003 GRC Decision, the Commission stated that "Even though these costs are not paid out of a trust,
10 they are nevertheless valid tax-deductible PBOP costs for which customer funding is appropriate and
11 reasonable."¹⁸⁶

12 (b) **PBOP Costs Are Reasonable and Necessary to Meet Funding**
13 **Requirements Based on Fair Actuarial Assumptions,**
14 **Contributions, and Investments**

15 Since SCE adopted ASC 715-60 (formerly FAS 106), SCE's
16 PBOP actuary has prepared annual valuations of the projected costs of PBOP benefits. SCE's Test Year
17 2025 request for PBOP costs is based on estimates for the years 2025 through 2028 prepared by the
18 current PBOP actuary, WTW, which are attached as workpapers.¹⁸⁷ The actuary must make a number of
19 assumptions in calculating PBOP costs. As discussed in the annual, actuarial valuation reports, these
20 assumptions are reasonable, both individually and collectively.

21 (3) **PBOP Cost Balancing Account**¹⁸⁸

22 PBOP costs are subject to the two-way Post-Employment Benefit Other
23 than Pensions Balancing Account (PBOP BA).¹⁸⁹ Although an authorized amount is established in a
24 GRC decision, through the operation of the PBOP BA, SCE recovers its recorded PBOP costs and
25 returns any overcollection to its customers.

¹⁸⁶ D.04-07-022, p. 227.

¹⁸⁷ Refer to WP, SCE-06, Vol. 04, Book B, pp. 139-142, PBOP Service & Non-Service Cost.

¹⁸⁸ See Exhibit SCE-07, Vol. 01, Results of Operations, GRC-Related Balancing and Memorandum Account Proposals.

¹⁸⁹ See Exhibit SCE-07, Vol. 01, Results of Operations, GRC-Related Balancing and Memorandum Account Proposals.

1 In the 2006 GRC, SCE proposed the PBOP BA to record the difference
2 between authorized and recorded PBOP costs. SCE's proposal was uncontested. Because the 2006 GRC
3 decision was silent on this uncontested proposal, SCE established a two-way (symmetrical) PBOP Cost
4 Balancing Account in 2006. In the 2009 GRC, SCE proposed continuation of the PBOP Balancing
5 Account. This proposal was also uncontested, and balancing account treatment was explicitly authorized
6 in the 2009 GRC decision. The two-way (symmetrical) PBOP BA was authorized in SCE's GRCs in
7 2012, 2015, 2018 and 2021. SCE again requests continuation of the existing two-way PBOP Cost
8 Balancing Account in this GRC.

9 **(4) Comparison of Authorized 2021 to Recorded**

10 This section compares the amounts authorized by the Commission in the
11 2021 GRC to the 2021 recorded O&M activity, along with an explanation for the variance. The
12 Commission authorized \$12.2 million in 2021, and SCE recorded \$0.0 million. The PBOP variance in
13 2021 is primarily due to strong asset performance, resulting in lower costs across both the Represented
14 and M&A groups.

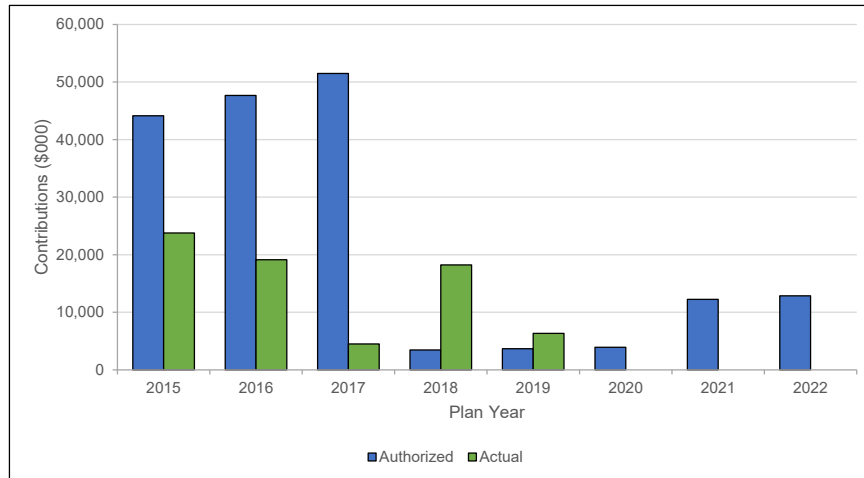
15 **(5) Historical Variance Analysis**

16 Table III-12 shows actual PBOP costs and authorized amounts for the
17 years 2018 through 2022. PBOP costs have declined significantly since 2018. This is a continuation of
18 the declining cost trend since 2012 cost levels. Favorable claims experience, trust fund investment
19 performance as well as cost savings continuing from design changes¹⁹⁰ are the drivers for this decline.

20 The significant savings from the design changes and favorable recent
21 claims experience highlight the effectiveness of the Company's sustained efforts to contain health
22 benefit cost increases in recent years.

¹⁹⁰ Such changes include the 2013 introduction of a new prescription drug benefit delivery arrangement for Medicare-eligible retirees, spouses, and dependents known as an Employer Group Waiver Plan, and the switch to an RHRA benefit after December 31, 2017 (described above).

Table III-12
PBOP Costs
Authorized vs. Actual 2015-2022



(6) Recovered PBOP Costs Beginning in 2018

In the years prior to 2018, the annual amount recovered for PBOP costs were determined by the plan actuary by applying ASC 715-60 on an aggregate, plan-wide basis for all eligible Represented and M&A employees and retirees combined.

The aggregate approach to PBOP cost measurements used by the plan actuary in prior years did not reflect the relative funded status of the two member groups (Represented and M&A). Because the two member groups are funded separately, and each group’s funded status can vary significantly, it is appropriate to calculate costs for each group separately to ensure adequate funds to provide for each group’s benefits.

As a result, separate cost calculations for the Represented and M&A member groups have been applied consistently since 2018. This methodology has not been contested. SCE requests to continue this treatment going forward. The forecasted PBOP costs for each member group for the 2025 – 2028 period is \$0. The only requested amount is with regards to actuarial fees.

(7) Test Year 2025 Forecast for PBOP Costs

SCE’s Test Year 2025 request of \$0.0 million for PBOP costs is based on estimates prepared by SCE’s PBOP actuary, WTW. As shown in workpapers, PBOP costs are \$0.00 million for the Represented member group, and \$0.00 million for the M&A member group.

1 (a) **Forecast**

2 For the Test Year 2025, SCE forecasts \$0.0 million in three-year
3 average cost for PBOPs.

4 (8) **PBOP Balancing Account**

5 As discussed above, SCE established a two-way (symmetrical) balancing
6 account for PBOP costs (the PBOP BA) following the 2006 GRC. The PBOP BA has been reauthorized
7 in the 2009, 2012, 2018 and 2021 GRCs, The PBOP BA records the difference between authorized rate
8 recovery for tax-deductible PBOP trust funding (including the pre 1993 “pay-as-you-go” group costs)
9 and actual PBOP costs (both determined on a rate requirement basis). PBOP actuarial fees are excluded
10 from the Balancing Account. The revenue requirement associated with any overcollection or
11 undercollection is consolidated into rate levels annually through the Base Revenue Requirement
12 Balancing Account (BRRBA), and any accumulated balances receive interest at the commercial paper
13 rate, consistent with treatment of interest accruals for other SCE balancing accounts.

14 As discussed above, and shown in Table III-12, actual costs were
15 substantially below authorized costs for the periods between 2015-2017, and 2020-2022, while actual
16 costs were above authorized costs in 2018 and 2019. This history illustrates the volatility of annual
17 PBOP costs, which stems almost entirely from factors outside of SCE’s control, including investment
18 performance, rates of increase in health costs, and discount interest rates changes. Similar to SCE’s
19 pension fund, the PBOP trusts include a significant equity allocation,¹⁹¹ primarily in the non-represented
20 VEBAs and 401(h). This equity exposure will lower the long-term costs of funding PBOP benefits, but,
21 as with pensions, will also result in significant volatility in PBOP asset returns, as experienced in 2008
22 and afterward.

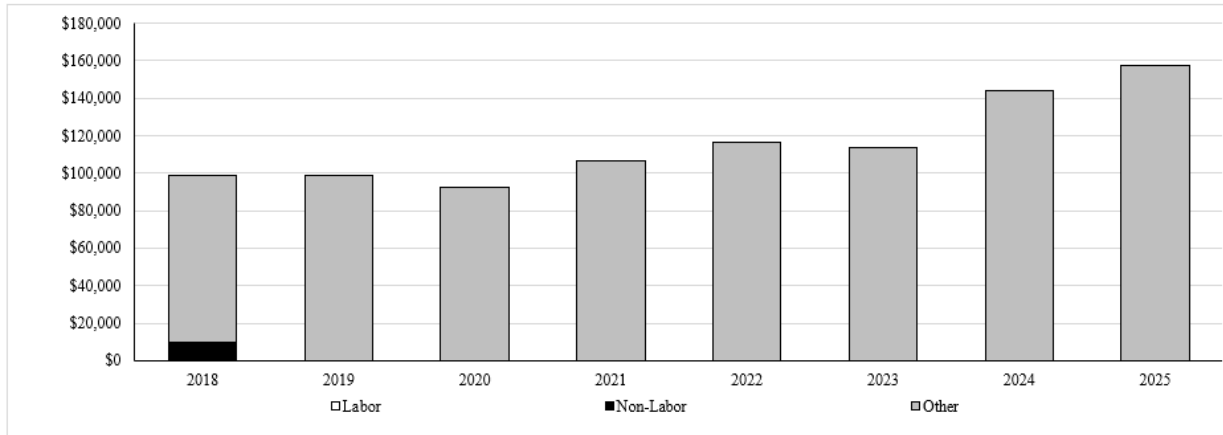
23 Two-way balancing account treatment continues to protect customers from
24 this PBOP cost volatility. The continuation of the PBOP BA remains as critical as ever for making sure
25 that appropriate recovery of future PBOP costs occurs.

¹⁹¹ The current PBOP investment policy is 72 percent equities, 28 percent fixed income for all PBOP Trusts except the Represented Trust.

1

f) **Healthcare Programs**

Table III-13
Healthcare Programs
(includes Medical Programs, Dental Plans, and Vision Service Plan)
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



| | Recorded | | | | | Forecast | | |
|----------------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | | | | | | | | |
| Non-Labor | \$9,560 | | | | | | | |
| Other | \$89,304 | \$98,964 | \$92,204 | \$106,743 | \$116,641 | \$113,352 | \$143,712 | \$157,376 |
| Total Expenses | \$98,864 | \$98,964 | \$92,204 | \$106,743 | \$116,641 | \$113,352 | \$143,712 | \$157,376 |

2

(1) **Medical Programs**

3

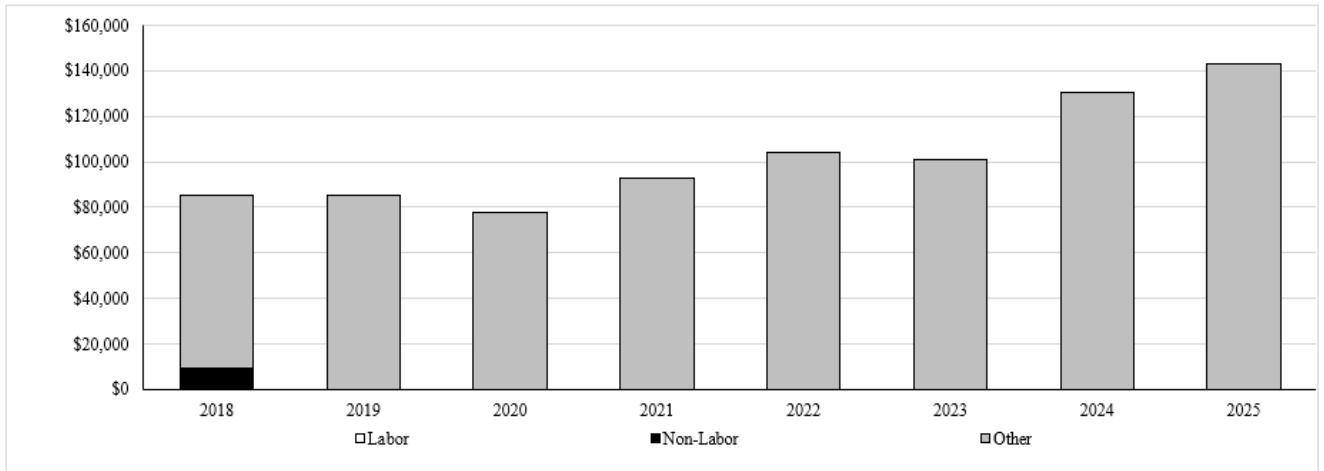
4

5

For Test Year 2025, SCE forecasts \$143.015 million for medical programs costs.¹⁹² Figure III-20, shows recorded Medical Programs costs for the years 2018-2022, plus SCE’s forecast costs for 2023 through Test Year 2025.

¹⁹² Refer to WP SCE-06, Vol. 04, Book C, pp. 1-7, O&M Detail for Medical Programs.

Figure III-20
Medical Programs
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



| | Recorded | | | | | Forecast | | |
|-----------------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$9,560 | | | | | | | |
| Non-Labor | \$75,718 | \$85,598 | \$78,067 | \$92,677 | \$103,981 | \$101,176 | \$130,458 | \$143,015 |
| Other | | | | | | | | |
| Total Expenses | \$85,278 | \$85,598 | \$78,067 | \$92,677 | \$103,981 | \$101,176 | \$130,458 | \$143,015 |

(a) Program Description

Under SCE’s Medical Programs, three types of medical coverage may be available based on an employee’s geographic location: Preferred Provider Organization (PPO), Health Maintenance Organization (HMO), and an Exclusive Provider Organization (EPO). SCE’s PPO, HMO and EPO plans offer comprehensive medical coverage for employees and their dependents, including preventive care, outpatient and inpatient hospital services, physician services, diagnostic laboratory, x-ray and imaging services, telemedicine, a diabetes management program, mental health and substance abuse services, and therapeutic treatments such as chemotherapy and physical therapy.

Each of the medical plan options offers complete coverage for all preventive care services within guidelines for the patient’s age and gender. Each medical plan meets the coverage requirements specified under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (ACA). Besides covering medical services, SCE also includes prescription drug coverage in each medical plan. Depending on the plan elected, pharmacy coverage is provided through a centralized pharmacy benefits manager or the medical plan’s own

Table III-14
2022 Annual Medical Premiums by Tier¹⁹³
(in \$000)

| FBS Annual Medical Premium by Tier | | | | |
|---|--------|----------|--------------|----------|
| Plan | E Only | E/Spouse | E/Child(ren) | E/Family |
| FI HMO | \$7.2 | \$15.6 | \$13.5 | \$21.7 |
| SI HMO/EPO | \$8.6 | \$18.2 | \$15.5 | \$25.5 |
| Enrollment Weighted Average | \$7.5 | \$16.2 | \$14.0 | \$22.6 |

| SCE's 2022 Average Annual Medical Premium by Tier | | | | |
|--|--------|----------|--------------|----------|
| Plan | E Only | E/Spouse | E/Child(ren) | E/Family |
| HMO/EPO | \$8.1 | \$16.2 | \$14.5 | \$26.3 |
| | | | | |
| \$ Difference | \$0.6 | \$0.0 | \$0.5 | \$3.7 |
| % Difference | 8% | 0% | 4% | 16% |

| Annual Medical Premium by Tier | | | | |
|---------------------------------------|--------|----------|--------------|----------|
| Plan | E Only | E/Spouse | E/Child(ren) | E/Family |
| FBS PPO/POS | \$9.1 | \$19.5 | \$16.5 | \$27.6 |
| SCE PPO* | \$9.6 | \$19.2 | \$17.3 | \$31.2 |
| | | | | |
| \$ Difference | \$0.5 | -\$0.3 | \$0.8 | \$3.6 |
| % Difference | 5% | -2% | 5% | 13% |

*SCE's 2022 Average PPO Premium

For total employer and employee contributions, three of the Tier groups—Employee Only, Employee and Spouse, and Employee and Child(ren)—were within the market range for premiums. Only Employee and Family was slightly higher than the market.¹⁹⁴ Similar to the HMO and EPO plans, the SCE PPO plan premium is at market except for the employee and family tier which is higher than market.

¹⁹³ Refer to WP SCE-06, Vol. 4, Book C, pp. 8-15, WTW 2022 Financial Benefits Survey – Annual Medical Contributions by Tier (4 Tiers), California Data Cut.

¹⁹⁴ This measurement is assuming the same 10 percent market range WTW uses with its TCS.

1 However, when reviewing the premium amounts that are paid by
 2 employees, there is a large disparity between SCE’s employees and the market.

Table III-15¹⁹⁵
2022 Annual Medical Premiums – Employee Contributions by Tier
(in \$000)

| FBS Annual Medical Premium (EE Contribution) by Tier | | | | |
|---|--------|----------|--------------|----------|
| Plan | E Only | E/Spouse | E/Child(ren) | E/Family |
| FI HMO | \$1.30 | \$4.00 | \$3.20 | \$5.70 |
| SI HMO/EPO | \$1.50 | \$4.20 | \$3.50 | \$6.10 |
| Enrollment Weighted Average | \$1.30 | \$4.00 | \$3.30 | \$5.80 |

| SCE’s 2022 Annual Medical Premium (EE Contribution) by Tier | | | | |
|--|--------|----------|--------------|----------|
| Plan | E Only | E/Spouse | E/Child(ren) | E/Family |
| HMO/EPO | \$1.80 | \$4.00 | \$3.60 | \$6.80 |
| | | | | |
| \$ Difference | \$0.50 | \$0.00 | \$0.30 | \$1.00 |
| % Difference | 38% | 0% | 9% | 17% |

| Annual Medical Premium (EE Contribution) by Tier | | | | |
|---|--------|----------|--------------|----------|
| Plan | E Only | E/Spouse | E/Child(ren) | E/Family |
| FBS PPO/POS | \$1.70 | \$5.20 | \$4.30 | \$7.60 |
| SCE PPO | \$3.40 | \$7.10 | \$6.40 | \$11.80 |
| | | | | |
| \$ Difference | \$1.70 | \$1.90 | \$2.10 | \$4.20 |
| % Difference | 95% | 38% | 50% | 56% |

3 In three of the four tiers for the PPO plan, SCE employees, on
 4 average, are paying 50 percent or more than the market for their premium contribution. Employee and
 5 Spouse premiums are 38 percent above the market.

6 SCE’s employees also pay significantly above market for some of
 7 the HMO/EPO tiers. SCE’s average Employee Only medical premium contribution for HMO/EPO falls

¹⁹⁵ Refer to WP SCE-06, Vol. 4, Book C, pp. 8-15, WTW 2022 Financial Benefits Survey, Annual Medical Contributions by Tier (4 Tiers), California Data Cut.

1 between the survey's 50th to 75th percentile, while SCE's average Employee Only contribution for the
2 PPO plan is between the 75th and 90th percentile.¹⁹⁶

3 From 2008 to 2023, SCE has calculated its employer contribution
4 for medical premiums based on the medical plan offered in an employee's home geographic area that
5 carried the lowest-total-cost for that year. If an employee selects the lowest-cost option, they pay a 15
6 percent contribution for themselves and 20 percent for their dependents of the price of the lowest-cost
7 plan. If an employee selects a higher-cost plan, they pay that cost, plus 100 percent of the additional cost
8 differential between the lowest-cost plan and the plan they selected. The lowest-cost plan available to
9 each employee was typically an HMO plan.

10 In order to align SCE's medical benefits to the market (for
11 example, PG&E pays 92.5 percent of full-time represented and full and part-time non-represented
12 employees' premiums for the medical plan they select¹⁹⁷), starting in 2024, SCE will reduce the
13 employee share of health care premiums across all medical plans. SCE will pay 87 percent for
14 employees and 82 percent for dependents for the Kaiser plan, and 80 percent for both employees and
15 dependents for the remaining plans. The subsidies are specific to each plan and are not based on the
16 lowest cost plan, as is the case under SCE's current cost structure. SCE will also reduce select medical
17 plan co-pays and out-of-pocket costs from current levels and implement a standard/closed prescription
18 drug formulary for the pharmacy program offered by Express Scripts.

19 These medical design changes are necessary to bring employee
20 costs back within market benchmarks and to stay competitive in this tight job market. Without
21 implementing these changes SCE will not be able to retain and attract qualified employees. According to
22 WTW's 2022 Global Benefits Attitudes Survey, health benefits are the second most important factor in
23 attracting talent (after pay and bonus) and the third most important factor in retaining talent (after pay
24 and bonus and job security).¹⁹⁸

¹⁹⁶ Refer to WP SCE-06, Vol. 4, Book C, pp. 8-15, WTW 2022 Financial Benefits Survey, Annual Medical Contributions by Tier (4 Tiers), California Data Cut.

¹⁹⁷ PG&E Benefits Handbook, <https://mypgebenefits.com/pdfs/spds/pge-spd-union-print-4dec14c.pdf>, at p. 95 and <https://mypgebenefits.com/pdfs/spds/pge-spd-mgmt-print-21feb17a.pdf>, also at p. 95 (as of May 7, 2023).

¹⁹⁸ Refer to WP SCE-06, Vol. 04, Book C, pp. 16-41, WTW Global Benefits Attitude Survey.

1 projected number of eligible employees was derived by dividing the forecast labor cost for 2025
2 (expressed in 2022 dollars) by the 2022 average per-employee labor cost. Projected 2025 per-eligible-
3 employee costs were determined by calculating the cost per employee for 2022. An additional 5.5
4 percent was then applied to the forecast to reflect the incremental amount calculated by the third-party
5 actuary to apply a forecast trend rate specific for medical premium escalation for each year.²⁰¹

6 **(iii) Discussion of Post-Test Year Medical Cost Escalation**

7 The factors increasing the expected costs of medical care
8 for 2022 will continue to impact 2023 and 2024. None of the significant cost drivers contributing to
9 health care cost escalation show any tendency to diminish or lose their upward pressure on the overall
10 cost picture.

11 The challenges with cost escalation are further
12 compounded by the lack of readily available solutions. Historically, increased enrollment in HMOs,
13 where care was more tightly managed, was an effective means of reducing cost increases. The trend in
14 California is going away from HMOs (where physician groups get reimbursed primarily based on
15 capitation, which creates incentives for providers to deliver more efficient services), to physicians
16 modifying their practice patterns to take advantage of the return to reimbursing on a fee-for-service
17 basis, where doing more is financially rewarded. Although employers have seen reductions in the health
18 care trend in the last few years, this typically has resulted from increasing the share of the premiums
19 employees must pay, by adopting plan provisions that require greater cost-sharing as services are used
20 through higher deductibles and copayments, or by changing the method of cost-sharing to a percentage
21 of the charge (which increases the participants' awareness of the cost of services).

22 In the recent past, SCE has adopted each of these plan
23 design changes, and employees and their families are paying a much greater share of the medical
24 program expenses now compared to past years, and at costs higher than SCE's competitors and the
25 market. However, this has not addressed the systemic issues within a health care system that continues
26 to react and adapt to find new ways to generate revenue.

27 Based on these major factors and the volatility being
28 experienced in the health care system, the medical cost escalation is projected to be 5.5 percent for the
29 post-test years 2026, 2027, and 2028. SCE considered the numerous factors influencing medical costs,

²⁰¹ Refer to WP SCE-06, Vol. 04, Book C, pp. 44-59, Health Plan Rate Trend.

1 and the estimated impact of these factors for its covered population based on underwriting projections
2 for its own medical plans.

3 **(iv) Medical Programs Balancing Account**

4 The medical cost trends and additional factors discussed
5 above affecting future health care costs demonstrate the critical need for ongoing two-way
6 (symmetrical) balancing account treatment. In this GRC, SCE proposes that the Commission reauthorize
7 SCE's continuing use of the Medical Programs Balancing Account to record the costs associated with its
8 medical programs. The Medical Programs Balancing Account was first adopted in the 2009 GRC
9 decision, and re-authorized in 2012, 2015, 2018 and 2021.²⁰²

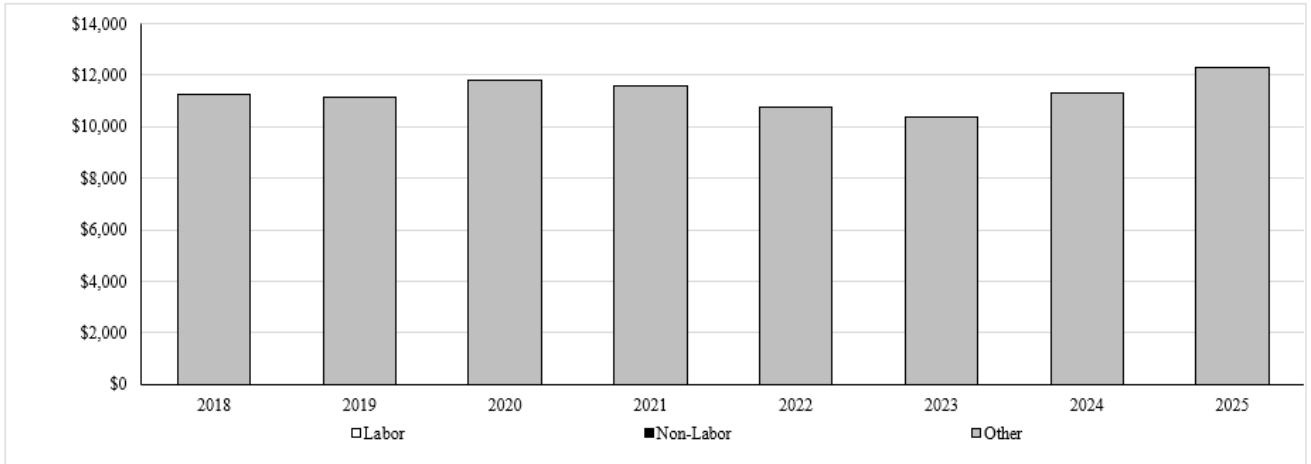
10 **(2) Dental Plans**

11 For Test Year 2025, SCE forecasts \$12.281 million for Dental Plans
12 costs.²⁰³ Figure III-21, shows recorded dental plans costs for the years 2018-2022, plus SCE's forecast
13 costs for 2023 through Test Year 2025.

²⁰² See Exhibit SCE-07, Vol. 01, Results of Operations, GRC-Related Balancing and Memorandum Account Proposals.

²⁰³ Refer to WP SCE-06, Vol. 04, Book C, pp. 60-66, O&M Detail for Dental Plans.

Figure III-21
Dental Plans
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



| | Recorded | | | | | Forecast | | |
|----------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | | | | | | | | |
| Non-Labor | | | | | | | | |
| Other | \$11,256 | \$11,139 | \$11,799 | \$11,563 | \$10,757 | \$10,368 | \$11,310 | \$12,281 |
| Total Expenses | \$11,256 | \$11,139 | \$11,799 | \$11,563 | \$10,757 | \$10,368 | \$11,310 | \$12,281 |

(a) Program Description

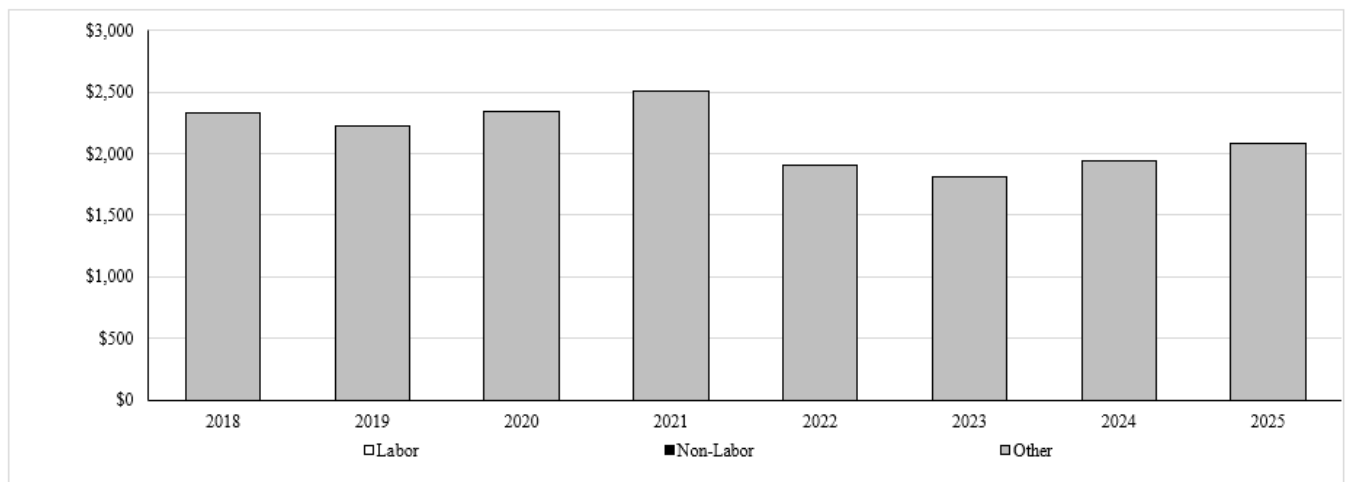
Eligible enrolled employees and their covered dependents can choose from two dental plans: Delta Dental and Cigna. Delta Dental is a self-funded plan administered by Delta Dental of California. Under this plan, SCE pays Delta an administrative fee plus the actual services rendered. Cigna is a dental maintenance organization for which SCE pays a fixed monthly fee to cover dental services for each enrolled member. All dental plans provide 100 percent coverage for preventive services, while requiring various levels of cost sharing for other dental services. For each dental option, the Company’s contribution is 85 percent of the cost for the employee’s coverage and 80 percent of the cost for the dependent’s coverage. Employees may elect to waive dental coverage.

Effective 2024, SCE will impose an in-network deductible of \$25/individual, \$75/family for the Delta Dental plan and increase the annual maximum benefit to \$2,750.

1 **(3) Vision Service Plan**

2 For Test Year 2025, SCE forecasts \$2.080 million for its Vision Service
 3 Plan (VSP) costs.²⁰⁸ Figure III-22 shows recorded VSP costs for the years 2018 through 2022, plus
 4 SCE’s forecast costs for 2023 through Test Year 2025.

Figure III-22
Vision Service Plan (VSP)
Recorded 2018-2022/Forecast 2023-2025
 (Nominal \$000)



| | Recorded | | | | | Forecast | | |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | | | | | | | | |
| Non-Labor | | | | | | | | |
| Other | \$2,330 | \$2,227 | \$2,339 | \$2,503 | \$1,903 | \$1,808 | \$1,944 | \$2,080 |
| Total Expenses | \$2,330 | \$2,227 | \$2,339 | \$2,503 | \$1,903 | \$1,808 | \$1,944 | \$2,080 |

5 Vision care benefits are available for eligible enrolled employees and their
 6 covered dependents. At SCE, vision care is provided through a self-funded plan administered by VSP.
 7 SCE pays an administrative fee to use VSP’s network of vision care providers and claims processing
 8 services, plus the cost of the actual services rendered.

9 Vision benefits include annual eye exams with a \$20 co-payment,
 10 corrective lenses and frames or contact lenses, each with limits on how frequently they may be
 11 dispensed, and a corrective eye surgery benefit. The surgery benefit is available for only one covered

²⁰⁸ Refer to WP SCE-06, Vol. 04, Book C, pp. 67-73, O&M Detail for Vision Service Plan.

1 family member and has a lifetime maximum of \$2,000. To receive this benefit, pre-approval is required
2 and usually a VSP network provider must be used.

3 (a) **Comparison of Authorized 2021 to Recorded**

4 This section compares the amounts authorized by the Commission
5 in the 2021 GRC to the 2021 recorded O&M in this activity, along with an explanation for the variance.
6 As shown in Table III-4, the Vision Service Plan 2021 recorded amount of \$2.50 million was less than
7 the 2021 authorized amount of \$2.69 million by \$0.19 million, due to avoidance of seeking care during
8 the pandemic.

9 (b) **Scope and Forecast Analysis**

10 In Test Year 2025, SCE will record VSP Program costs in the
11 Healthcare Program activity. In accordance with PUC Section 706, all costs recorded for Executive
12 Officers in historical years 2018-2022 were adjusted out so that these costs would not be included in the
13 Results of Operation Model forecast for this work activity.²⁰⁹

14 (i) **Historical Variance Analysis**

15 The recorded costs from 2018 through 2021 are relatively
16 flat except for 2022 when costs decreased due to a decrease in carrier costs.

17 (ii) **Forecast**²¹⁰

18 For Test Year 2025, SCE forecasts \$2.080 million for
19 Vision Plan costs. SCE used the Itemized Forecast methodology to arrive at its forecast. This method,
20 described below, is appropriate because it considers changes to the labor forecast over time.

21 Costs were derived by multiplying the 2022 recorded cost
22 per employee by the projected number of employees in each year. Projected employees were derived by
23 dividing forecast labor by the 2022 recorded labor per employee ratio.²¹¹ Costs for this program were
24 assumed to increase at a trend rate of 3 percent.²¹²

²⁰⁹ Refer to WP SCE-07, Vol. 01, Results of Operations, Ratemaking Adjustments; and WP SCE-06, Vol. 04, Book B, pp. 1-3, PUC Section 706 Excluded Officers' Cost Adjustments.

²¹⁰ Refer to WP SCE-06, Vol. 04, Book C, pp. 42-43, Benefit Programs Itemized Forecast.

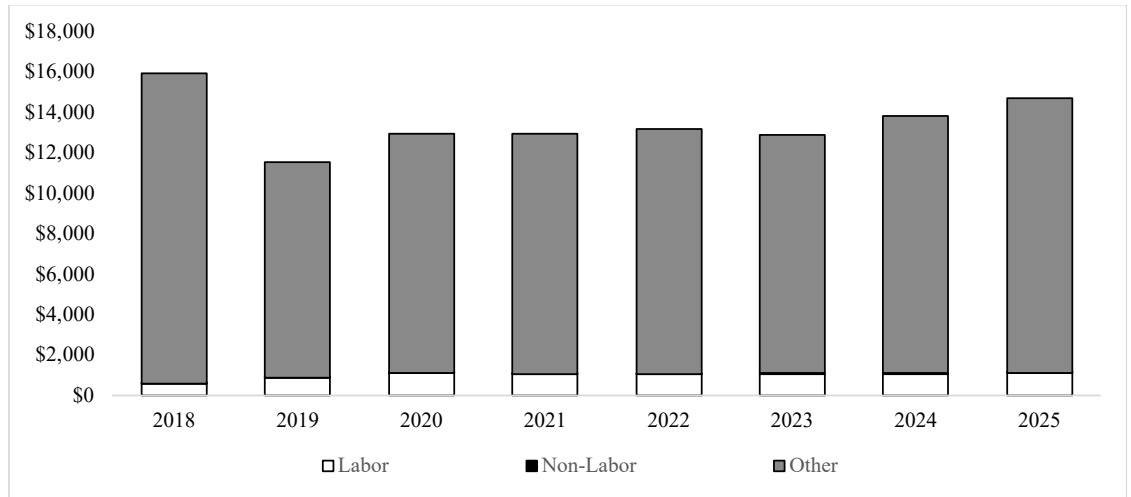
²¹¹ Beginning in the test-year, an adjustment was made to the 2022 recorded labor used in the labor per employee ratio to align with certain changes made to SCE's employee compensation program, as discussed in Section III.A.5 of this volume of testimony.

²¹² Refer to WP SCE-06, Vol. 04, Book C, pp. 44-59, Health Plan Rate Trend.

1

g) Disability Management

**Figure III-23
Disability Management
Recorded/Adjusted 2018-2022/Forecast 2023-2025
(2022 Constant \$000)**



| | Recorded | | | | | Forecast | | |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| <i>Labor</i> | \$574 | \$845 | \$1,085 | \$1,024 | \$1,069 | \$1,053 | \$1,062 | \$1,105 |
| <i>Non-Labor</i> | \$23 | \$22 | \$40 | \$19 | \$8 | \$29 | \$29 | \$8 |
| <i>Other</i> | \$15,318 | \$10,662 | \$11,827 | \$11,902 | \$12,113 | \$11,786 | \$12,691 | \$13,572 |
| Total Expenses | \$15,915 | \$11,529 | \$12,952 | \$12,945 | \$13,190 | \$12,868 | \$13,782 | \$14,684 |
| Ratio of Labor to Total | 4% | 7% | 8% | 8% | 8% | 8% | 8% | 8% |

2

(1) Work Description

3

Disability Management designs and manages the non-occupational disability program, which includes the Comprehensive Disability Plan (CDP), Long Term Disability (LTD) plan, Return to Work Program (RTWP), Paid Family Leave (PFL), job protected leaves and job accommodations. CDP, LTD and PFL provide income replacement to eligible employees who are unable to work due to injury or illness.

8

Disability Management oversees an external vendor. Employees file claims for benefits with this vendor under CDP, LTD and PFL, as well as requests for job-protected leaves and job accommodations. Disability Management manages the RTWP directly.

10

1 **(2) Need for Activity**

2 Collective bargaining agreements, federal, state and local laws and
3 regulations, and Company policies drive the work performed by Disability Management. All of these
4 sources specify how the CDP, LTD, PFL, RTWP, job-protected leaves and job accommodations will be
5 administered and how claims will be handled for both represented and non-represented employees.

6 **(3) Comparison of Authorized 2021 to Recorded**

7 Disability Management recorded \$12.9 million in expenses in 2021, which
8 was \$4.8 million lower than authorized in SCE’s 2021 GRC. This was due to lower-than-expected usage
9 among participants during the pandemic in Disability Programs as shown in Table III-4.

10 **(4) Scope and Forecast Analysis**

11 For Test Year 2025, SCE forecasts a total of \$14.684 million for disability
12 management costs. Recorded disability management costs for the years 2018 through 2022, plus forecast
13 costs for Test Year 2025 are shown in Table III-16. In accordance with PUC Section 706, all costs for
14 Executive Officers recorded in historical years 2018-2022 for LTD were adjusted out so that these costs
15 would not be included in the Results of Operation Model forecast for this work activity.²¹³

Table III-16
Disability Management Costs
Recorded and Adjusted 2018-2022/Forecast 2025
(Constant 2022 \$000)

| GRC Activity | 2018 | 2019 | 2020 | 2021 | 2022 | 2025 Forecast |
|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Labor | \$ 574 | \$ 845 | \$ 1,085 | \$ 1,024 | \$ 1,069 | \$ 1,105 |
| Non-labor | \$ 23 | \$ 22 | \$ 40 | \$ 19 | \$ 8 | \$ 8 |
| Disability Administration | \$ 597 | \$ 867 | \$ 1,125 | \$ 1,043 | \$ 1,077 | \$ 1,112 |
| Disability Programs | \$ 15,318 | \$ 10,662 | \$ 11,827 | \$ 11,902 | \$ 12,113 | \$ 13,572 |
| Total | \$ 15,915 | \$ 11,529 | \$ 12,952 | \$ 12,945 | \$ 13,190 | \$ 14,684 |

16 **(a) Disability Administration Staff²¹⁴**

17 SCE records salaries and related expenses of Disability
18 Management employees associated with employee pensions and benefits in this activity.

²¹³ Refer to WP SCE-07, Vol. 01, Results of Operations, Ratemaking Adjustments; and WP SCE-06, Vol. 04, pp. 1-3, PUC Section 706 Excluded Officers’ Cost Adjustments.

²¹⁴ Refer to WP SCE-06, Vol. 04, Book C, pp. 74-80, O&M Detail for Disability Management - Administration.

1 (i) **Historical Variance Analysis**

2 The Disability Management department expenses increased
3 significantly from 2019 and 2020 due to an accounting change by moving labor costs from the Long-
4 Term Disability Trust to Disability Administration. Costs remained relatively stable from 2021 to 2022.

5 (ii) **Forecast**

6 The Disability Administration Department's Test Year
7 2025 forecast for operating expenses is \$1.112 million. The labor forecast of \$1.105 million and non-
8 labor forecast of \$8,000 are based on 2022 recorded expenses, adjusted by applying certain changes
9 made to SCE's employee compensation program as discussed in Section III.A.5 above.

10 SCE's forecast is consistent with D.89-12-057, where the
11 Commission stated that when an account has shown a cost trend in a certain direction over three or more
12 years, or when costs are relatively stable, then the last recorded year is an appropriate base estimate.

13 (b) **Disability Programs**²¹⁵

14 The disability programs provide income protection if an employee
15 becomes ill or injured and unable to work. SCE's disability programs comply with all federal, State of
16 California, and local mandates for other paid and/or job-protected time off. If employees are not totally
17 disabled but are unable to return to their prior positions, the disability program assists employees in
18 finding other jobs that can be performed within their medical restrictions. The components of the
19 disability program are explained below.

20 (i) **Comprehensive Disability Plan**

21 The Comprehensive Disability Plan (CDP) is SCE's
22 voluntary short-term disability plan, which satisfies the State of California's requirement for short-term
23 disability coverage. Benefits from CDP replace a portion of the wages of an employee who is ill or
24 injured and unable to perform his or her regular job.

25 (ii) **Long-Term Disability**²¹⁶

26 The Long-Term Disability Plan (LTD) provides partial
27 income replacement to full-time eligible employees who are ill or injured and unable to perform any
28 reasonable job for SCE for six months or longer. The definition of a qualifying disability for the first

²¹⁵ Refer to WP SCE-06, Vol. 04, Book C, pp. 81-87, O&M Detail for Disability Management - Programs.

²¹⁶ Refer to WP SCE-06, Vol. 04, Book C, pp. 88-93, Actuarial Report - Liability and Expense for Long-term Disability Plan.

1 two years of disability is the inability to perform one’s regular job. After the initial two-year disability
2 period, LTD benefits are available only if the employee is unable to perform *any* reasonable job for
3 SCE.

4 **(iii) Return to Work Program**

5 The Return-to-Work Program was designed to help SCE
6 retain the critical skills of employees who have permanent work restrictions that prevent them from
7 performing their regular jobs by assisting them in returning to alternative, productive work, and
8 providing workplace accommodations. Participation is voluntary for employees receiving either CDP or
9 LTD benefits, but mandatory once CDP and/or LTD benefits have ended, unless employees are able to
10 return to their regular and customary job. While in this program, employees receive 70 percent of base
11 pay, for up to 30 months (extensions are possible under very limited circumstances).

12 **(iv) Paid Family Leave**

13 Paid Family Leave is designed to help employees care for
14 an ill parent, child, or spouse/domestic partner or to bond with a new child. This program provides for
15 partial income replacement, as required under California’s Paid Family Leave Law.

16 **(v) Disability Program Administration**

17 To help achieve conformity with the California
18 Employment Development Department’s (EDD) guidelines, comply with new federal, state and local
19 laws as they are enacted, consistently apply plan provisions, maintain the confidentiality of employee
20 medical information, and effectively manage disability absences, processing of claims for absences
21 longer than three days are administered by an external vendor with technical expertise in administering
22 disability programs.

23 In addition to the above, the third-party administrator uses
24 processes that help facilitate returning employees back to work earlier (even if in modified positions) or
25 improving their chances of getting approved for federal Social Security Disability Insurance (SSDI) if
26 they are considered viable candidates.

27 **(vi) Historical Variance Analysis**

28 Factors that influence the recorded costs of disability
29 programs include the plan design, changes in legally mandated plan components, and administrative
30 changes, as well as the changes in numbers and salary increases of SCE’s workforce. The variances
31 shown in Table III-16 for 2018 and 2019 were due to timing of invoice payments.

1 (vii) **Forecast**

2 For Test Year 2025, SCE forecasts a total of \$13.572
3 million for the disability program costs. SCE used the Itemized Forecast methodology²¹⁷ to arrive at its
4 forecast. This method, as described below, is appropriate because it takes into account the labor forecast.

5 Test-year costs were forecast by multiplying the projected
6 number of eligible employees by the projected per-eligible-employee cost. The projected number of
7 eligible employees was derived by dividing the forecast labor cost for 2025 (expressed in 2022 dollars)
8 by the 2022 average per-employee labor cost. As pay rates coupled with utilization rates determine
9 disability expenses, projected per-eligible-employee costs were derived by applying the labor escalation
10 rate²¹⁸ for 2023, 2024, and 2025 to the 2022 per-eligible employee disability cost.

11 h) **Group Life Insurance**

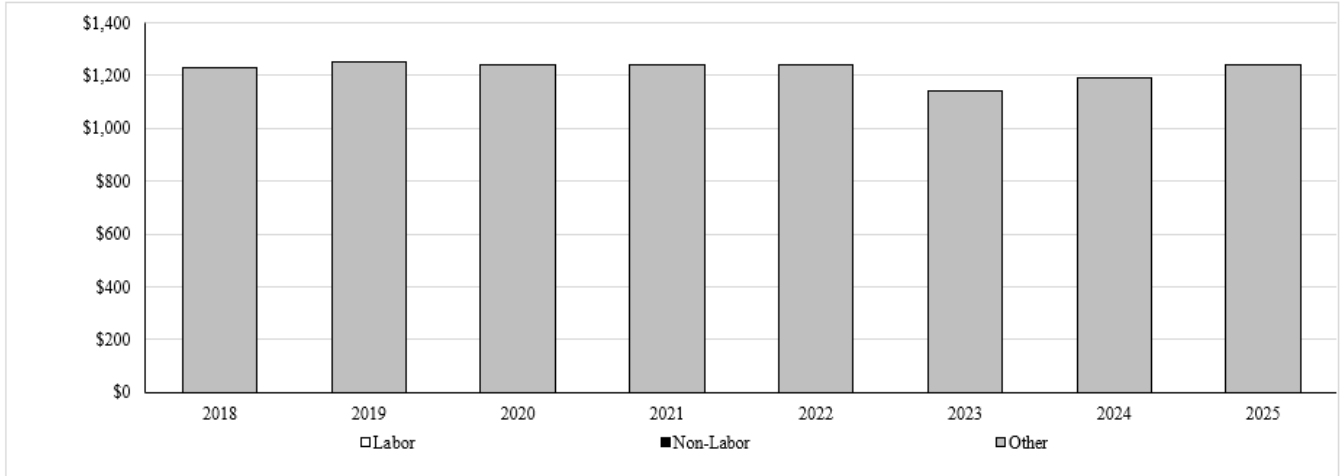
12 For Test Year 2025, SCE forecasts \$1.239 million for Group Life Insurance costs.
13 Figure III-24 shows recorded Group Life Insurance costs for the years 2018 through 2022, plus forecast
14 costs for 2023 through Test Year 2025.²¹⁹

²¹⁷ Refer to WP SCE-06, Vol. 04, Book C, pp. 94-95, Disability Programs Itemized Forecast.

²¹⁸ See Exhibit SCE-07, Vol. 01, Results of Operations, Cost Escalation.

²¹⁹ Refer to WP SCE-06, Vol. 04, Book C, pp. 96-101, O&M Detail for Group Life Insurance.

Figure III-24
Group Life Insurance Costs
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



| | Recorded | | | | | Forecast | | |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| <i>Labor</i> | | | | | | | | |
| <i>Non-Labor</i> | | \$ | \$ | | | | | |
| <i>Other</i> | \$1,229 | \$1,253 | \$1,240 | \$1,244 | \$1,239 | \$1,143 | \$1,193 | \$1,239 |
| Total Expenses | \$1,229 | \$1,253 | \$1,240 | \$1,244 | \$1,239 | \$1,143 | \$1,193 | \$1,239 |

(1) Work Description

(a) Group Life Insurance

Group Life Insurance includes expenses for four separate types of coverage. Each is discussed below.

(i) Employee Life Insurance

There are two components of the Employee Life Insurance program: Company-provided life insurance, and supplemental insurance. The cost of each option is based on the employee's eligible salary as of September 1 of the prior year and age as of January 1 of the successive year.

Company-paid coverage is one times the employee's base pay, up to \$50,000. Besides the Company-paid coverage, during the annual enrollment process, employees may elect supplemental insurance coverage, paid for by the employee, from one-to-eight times base pay, up to a maximum total coverage amount of \$2,050,000.

1 (ii) **Dependent Life Insurance**

2 Multiple dependent life insurance coverage options are
3 available to employees. There is no Company contribution towards this coverage. The employee's cost
4 depends upon who the employee covers, and the option selected.

5 Employees may purchase coverage for spouses in flat
6 amounts of \$5,000, \$15,000, \$25,000, or \$50,000. Employees may also purchase spousal life coverage
7 from one-to-four times the employee's base pay (up to the lesser of 100 percent of the employee's total
8 life insurance coverage, company-provided and any supplemental coverage, or \$300,000). The options
9 available for children are flat amounts of \$2,000, \$5,000, \$10,000, \$15,000 or \$25,000.

10 (iii) **Accidental Death & Dismemberment (AD&D)**
11 **Insurance**

12 The Company provides eligible employees with \$50,000 of
13 AD&D coverage. In addition, employees may elect, at their own expense, additional coverage of two,
14 four, six, eight, or ten times base pay (to a total maximum of \$2,050,000). Employees may elect to pay
15 for coverage for their spouse and/or children. If spousal coverage is selected by the employee, it is
16 limited to 100 percent of the employee's total AD&D insurance coverage (up to a maximum of
17 \$500,000). If child coverage is selected by the employee, the coverage is limited to 10 percent of the
18 employee's coverage (up to a maximum of \$50,000). The cost is based on the employee's eligible base
19 pay as of September 1 of the prior year and the option chosen.

20 (iv) **Business Travel Accident Insurance**

21 Business Travel Accident Insurance provides employees
22 with coverage equal to two times the employee's base pay up to a maximum of \$300,000. SCE
23 executives are provided \$350,000 in coverage, or \$450,000 if they are elected officers. This coverage is
24 paid for by the Company and no employee contributions are required.

25 (2) **Comparison of Authorized 2021 to Recorded**

26 This section compares the amounts authorized by the Commission in the
27 2021 GRC to the 2021 recorded O&M in this activity. Table III-4 shows the *de minimis* variance of
28 \$0.07 million between the 2021 authorized amount of \$1.31 million and the 2021 recorded cost of \$1.24
29 million for Group Life Insurance.

1 **(3) Scope and Forecast Analysis**

2 In Test Year 2025, SCE will record these Group Life Insurance costs in
3 this work activity. In accordance with PUC Section 706, all costs recorded for SCE Executive Officers
4 in historical years 2018-2022 for Group Life Insurance were adjusted out so that these costs would not
5 be included in the Results of Operation Model forecast for this GRC activity.²²⁰

6 **(a) Historical Variance Analysis**

7 Cost remained relatively flat from 2018 through 2022.

8 **(b) Forecast**²²¹

9 For Test Year 2025, SCE forecasts \$1.239 million for Group Life
10 Insurance. SCE used the Itemized Forecast methodology to arrive at its forecast. This method, described
11 below, is appropriate because it considers changes to the labor forecast over time.

12 Costs were derived by multiplying the 2022 recorded cost per
13 employee by the projected number of employees in each year. Projected employees were derived by
14 dividing forecast labor by the 2022 recorded labor per employee ratio.²²² Costs for this program were
15 assumed to increase at a trend rate of 0 percent.^{223,224}

16 **i) EIX Severance Plan**

17 For Test Year 2025, SCE forecasts \$1.288 million for the EIX Severance Plan
18 (Severance Plan) costs. Figure III-25 shows recorded Severance Plan costs for the years 2018 through
19 2022, plus forecast costs for 2023 through Test Year 2025.²²⁵

²²⁰ Refer to WP SCE-07, Vol. 01, Results of Operations, Ratemaking Adjustments; and WP SCE-06, Vol. 04, Book B, pp. 1-3, PUC Section 706 Excluded Officers' Cost Adjustments.

²²¹ Refer to WP SCE-06, Vol. 04, Book C, pp. 96-101, O&M Detail for Group Life Insurance and WP SCE-06, Vol. 04, Book C, pp. 42-43, Benefit Programs Itemized Forecast.

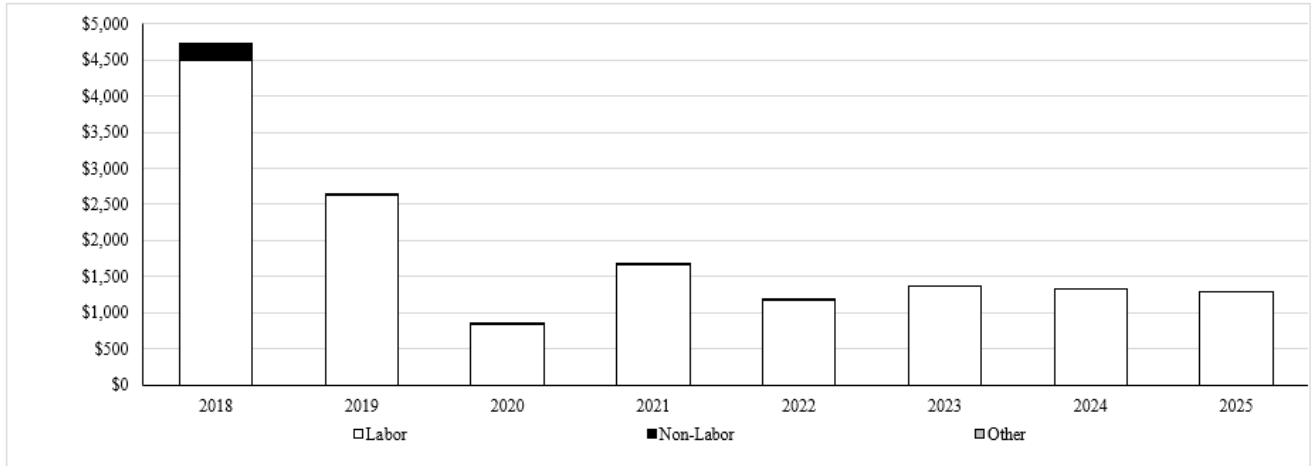
²²² Beginning in the test-year, an adjustment was made to the 2022 recorded labor used in the labor per employee ratio to align with certain changes made to SCE's employee compensation program, as discussed in Section III.A.5 of this volume of testimony.

²²³ See SCE Exhibit SCE-07, Vol. 04, Table III-13, Benefit Escalation Rates.

²²⁴ Refer to WP SCE-06, Vol. 04, Book C, pp. 44-59, Health Plan Rate Trend.

²²⁵ Refer to WP SCE-06, Vol. 04, Book C, pp. 102-108, O&M Detail for Severance Plan.

Figure III-25
EIX Severance Plan
Recorded 2018-2022/Forecast 2023-2025
(2022 Constant \$000)



| | Recorded | | | | | Forecast | | |
|----------------|----------|---------|-------|---------|---------|----------|---------|---------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$4,485 | \$2,633 | \$849 | \$1,671 | \$1,168 | \$1,373 | \$1,327 | \$1,288 |
| Non-Labor | \$237 | \$18 | \$7 | \$1 | \$2 | | | |
| Other | | | | | | | | |
| Total Expenses | \$4,722 | \$2,651 | \$856 | \$1,672 | \$1,170 | \$1,373 | \$1,327 | \$1,288 |

(1) Work Description

The Severance Plan provides cash severance, outplacement services, and educational reimbursement benefits to full-time, non-executive, non-represented employees.²²⁶ Participation in the Severance Plan is contingent upon executing a Separation Agreement & Release (SAR). Impacted employees are given 45 days to review the SAR prior to execution and have a seven-day post-execution window to revoke their signature. The cash severance is primarily calculated based upon the years of completed service with SCE (or another EIX company), with a minimum of four weeks of base salary and a maximum of 52 weeks of base salary. Participants may also receive extended health care coverage or retiree health care coverage (if eligible) at subsidized rates. This coverage includes medical, dental, vision, and employee assistance program benefits. Participants are responsible for making timely payments for their portion of the coverage.

²²⁶ Employees represented by a union receive severance under the terms of the applicable collective bargaining agreement. Executive employees receive severance under the terms of the applicable executive severance plan.

1 The Severance Plan was designed so that similarly situated employees are
2 treated equitably. Individually negotiated severance packages would have been substantially less
3 efficient, made the process more costly for the Company and adverse for departing employees, and
4 increased the risk of potential legal claims arising from perceived differences between packages offered
5 to similarly situated employees. The Severance Plan is designed to comply with applicable legal
6 requirements (e.g., Internal Revenue Code 409A, ERISA, and federal and state WARN acts).

7 The large majority of employers surveyed in the 2020 Lee Hecht Harrison
8 Severance and Separation Benefits survey (more than ninety-two percent) provide some sort of
9 severance benefit to their workforce.²²⁷ SCE's Severance Plan design is consistent with other benefits
10 offered by the majority of companies, including: (1) calculating the cash severance amount based upon
11 years of service, (2) paying the cash severance amount as a lump sum, (3) incorporating minimum and
12 maximum cash severance amounts, and (4) requiring participants to execute a release agreement. The
13 Severance Plan is essential. Through the Severance Plan, severed employees receive a bridge in pay and
14 benefits as they seek other employment. In the 2020 survey, eighty-two percent of respondents indicated
15 they have maintained their existing severance policy or made them more generous.²²⁸ The Severance
16 Plan helps SCE reduce unnecessary risks and remain competitive.²²⁹

17 **(2) Comparison of Authorized 2021 to Recorded**

18 This section compares the amounts authorized by the Commission in the
19 2021 GRC to the 2021 recorded O&M in this activity as well as an explanation of the variance. As
20 shown in Table III-4, the Severance Plan recorded amount of \$1.67 million in 2021 was less than the
21 2021 authorized amount of \$3.24 million. This is because SCE did not have as many severances as
22 forecast for the reasons noted below.

23 **(3) Scope and Forecast Analysis**

24 **(a) Historical Variance Analysis**

25 Severance Plan costs have fluctuated over the past 5 years due to
26 changes in the workforce and COVID. Actual spend in 2020 and 2021 was significantly lower than 2018
27 and 2019 as many employees worked virtually and there were fewer layoffs as the company navigated

²²⁷ Refer to WP SCE-06, Vol. 04, Book C, p. 122 Lee Hecht Harrison, Severance & Separation Benefits.

²²⁸ Refer to WP SCE-06, Vol. 04, Book C, p. 118, Lee Hecht Harrison, Severance & Separation Benefits.

²²⁹ Refer to WP SCE-06, Vol. 04, Book C, p. 114 and p. 168, Lee Hecht Harrison, Severance & Separation Benefits.

1 through COVID. Severance costs in 2022 were approximately halfway between 2020 and 2021 costs,
2 with the Company seeing higher turnover and needing to fill more positions.

3 **(b) Forecast**

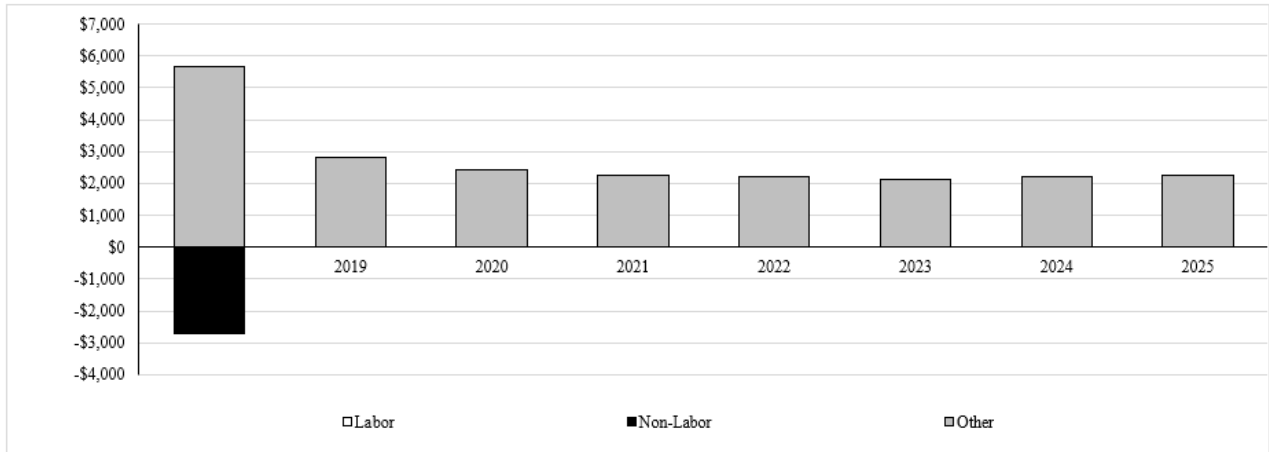
4 For Test Year 2025, SCE forecasts \$1.289 million for Severance
5 Plan costs. The forecast was based on a three-year average for 2020 – 2022.

6 **j) Miscellaneous Benefit Programs**

7 The Miscellaneous Benefit Programs consist primarily of Electric Service
8 Discount Reimbursement, Commuter Programs, and Educational Reimbursement.²³⁰ For Test Year
9 2025, SCE forecasts \$2.235 million for Miscellaneous Benefit Programs costs. Figure III-26, shows
10 recorded Miscellaneous Benefit Programs costs for the years 2018 through 2022, plus SCE’s forecast
11 costs for 2023 through Test Year 2025.

²³⁰ Refer to WP SCE-06, Vol. 04, Book C, pp. 170-176, O&M Detail for Miscellaneous Benefit Programs.

Figure III-26
Miscellaneous Benefit Programs
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



| | Recorded | | | | | Forecast | | |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| <i>Labor</i> | | | | | | | | |
| <i>Non-Labor</i> | (\$2,696) | (\$) | \$ | | | | | |
| <i>Other</i> | \$5,671 | \$2,813 | \$2,415 | \$2,267 | \$2,228 | \$2,111 | \$2,225 | \$2,235 |
| Total Expenses | \$2,976 | \$2,813 | \$2,415 | \$2,267 | \$2,228 | \$2,111 | \$2,225 | \$2,235 |

(1) Work Description

(a) Electric Service Reimbursement

The Electric Service Discount (SCE’s Rate Schedule DE) provides a 25 percent discount on domestic electric service for full-time employees who live in SCE’s service territory and have completed six months of service with the Company. Retirees are also eligible for this rate. The expenses associated with the 25 percent discount for employees (and retirees) within SCE’s service territory are addressed in rate design.

Employees whose work assignment precludes them from living in SCE’s service territory are eligible to receive a comparable 25 percent reimbursement for their electric service. The expenses associated with this 25 percent reimbursement for eligible employees are included in this 2025 Test Year request. The 25 percent reimbursement was previously also provided to retirees outside SCE’s service territory if their work assignment as an employee precluded them from living in SCE’s service territory; this reimbursement was eliminated starting in 2023.

1 **(3) Scope and Forecast Analysis**

2 **(a) Historical Variance Analysis**

3 Employee population and program usage changes are the primary
4 drivers of the miscellaneous benefit costs fluctuation. Cost decreases in 2019 and 2020 were mainly
5 driven by the Educational Reimbursement program. Classes for Project Management and Six Sigma that
6 were previously reimbursed through the program are now included in the Skillsoft offerings. Costs
7 continued to decrease in 2020 and 2021 as people were not taking classes in person, and not as many
8 were commuting due to COVID.

9 **(b) Forecast²³¹**

10 For Test Year 2025, SCE forecasts \$2.235 million for
11 Miscellaneous Benefit Programs. SCE used the Itemized Forecast methodology to arrive at its forecast.
12 This method, described below, is appropriate because it considers changes to the labor forecast over
13 time.

14 Costs were derived by multiplying the 2022 recorded cost per
15 employee by the projected number of employees in each year. Projected employees were derived by
16 dividing forecast labor by the 2022 recorded labor per employee ratio.^{232, 233} Costs for this program were
17 assumed to increase at the Administrative & General non-labor escalation rate.

18 **k) Executive Benefits**

19 For Test Year 2025, SCE forecasts \$16.672 million for Executive Benefits
20 costs.²³⁴ Figure III-27, shows recorded Executive Benefits costs for the years 2018 through 2022, plus
21 SCE's forecast costs for 2023-2025.

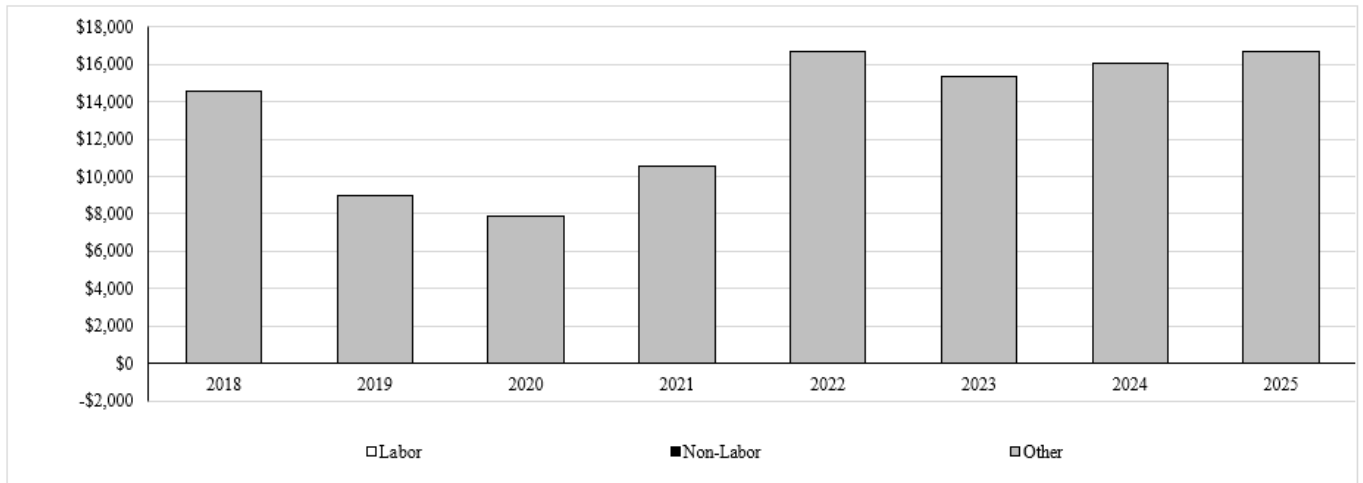
²³¹ Refer to WP SCE-06, Vol. 04, Book C, pp. 170-176, O&M Detail for Miscellaneous Benefits Programs and WP SCE-06, Vol. 04, Book C, pp. 42-43, Benefit Programs Itemized Forecast.

²³² Beginning in the test-year, an adjustment was made to the 2022 recorded labor used in the labor per employee ratio to align with certain changes made to SCE's employee compensation program, as discussed in Section III.A.5 of this volume of testimony.

²³³ This includes an \$0.115 million savings due to SCE's cost savings initiative which eliminates the electric service reimbursement for retirees who live outside of SCE's service area. The RO Model has been adjusted for these savings.

²³⁴ Refer to WP SCE-06, Vol. 04, Book C, pp. 177-183, O&M Detail for Executive Benefits (Non-Service) and WP SCE-06, Vol. 04, Book C, pp. 184-190, O&M Detail for Executive Benefits (Service).

Figure III-27
Executive Benefits
Recorded 2018-2022/Forecast 2023-2025
(Nominal \$000)



| | Recorded | | | | | Forecast | | |
|-----------------------|-----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| <i>Labor</i> | \$ | | | | | | | |
| <i>Non-Labor</i> | | | | | | | | |
| <i>Other</i> | \$14,545 | \$8,988 | \$7,919 | \$10,524 | \$16,665 | \$15,370 | \$16,044 | \$16,672 |
| Total Expenses | \$14,545 | \$8,988 | \$7,919 | \$10,524 | \$16,665 | \$15,370 | \$16,044 | \$16,672 |

(1) Work Description

The Executive Benefits package is a key part of SCE’s total compensation offered to attract and retain qualified executives who lead operations and work activities and chart the strategy and direction of the utility. Since SCE competes for executive talent from both utilities and companies in other industries, that package must be market-competitive across industries. The benefits provided include the Executive Retirement Plan, as well as other benefits that are excluded from the rate request due to their negligible cost to SCE. The Executive Retirement Plan is a non-qualified pension plan that provides benefits that executives cannot receive in the qualified SCE Retirement Plan due to compensation and payout limits imposed by the Internal Revenue Code on that plan.

The Executive Retirement Plan has traditionally provided a benefit formula based on one of the SCE Retirement Plan’s final average pay pension formulas. The compensation recognized for this Executive Retirement Plan formula is base pay, except for Vice Presidents and more senior officers, for whom the compensation recognized is base pay plus bonus. This Executive Retirement Plan benefit formula provides no vesting until five years of service is completed,

1 significant reductions in value if a covered executive terminates employment prior to early retirement
2 eligibility (age 55 with at least five years of service), and graded reductions in value for early retirement
3 at ages from 55 but prior to 61. These features were preserved in the Executive Retirement Plan because
4 retaining well-qualified, long-serving executives with a deep knowledge of how to run the Company is
5 important for meeting safety and other goals.

6 Once the Executive Retirement Plan final average pay pension benefit is
7 determined for an eligible executive, the benefit that executive earned under the qualified SCE
8 Retirement Plan is subtracted, in addition to up to 40 percent of the executive's Social Security benefit.
9 Only the residual is paid from the Executive Retirement Plan.

10 If an executive is involuntarily severed not for cause, that executive's
11 Executive Retirement Plan benefit immediately vests (this is an enhancement for executives not
12 otherwise vested because they have less than five years of service at termination). In addition, if an
13 individual who became an executive before 2022 is involuntarily severed not for cause, one additional
14 year of age and service is added to the Executive Retirement Plan calculation. The retirement severance
15 benefit for senior officers who lose their positions due to a change in control of the holding company
16 would be two additional years of age and service, or, for SCE's CEO, three additional years of age and
17 service (this additional benefit does not apply if the individual became an executive on or after January
18 1, 2022).

19 In 2018, the Company made significant changes to the Executive
20 Retirement Plan. For executives hired prior to 2017, accruals prior to Jan 1, 2018 are based on 1.75
21 percent of final average pay up to 30 years of service, plus 1 percent of final average pay for service
22 over 30 years. This changed for accruals on or after 2018 to 1 percent of final average pay up to 30 years
23 of service plus 0.5 percent of final average pay over 30 years of service.

24 The Executive Retirement Plan final average pay formula was eliminated
25 for individuals who became executives in 2018 or later. An Executive Retirement Account formula was
26 added to the Executive Retirement Plan in 2018. The Executive Retirement Account formula is designed
27 to provide annual accruals equal to 12 percent of an executive's base pay and bonus, minus Company
28 contributions to the Edison 401(k) Savings Plan (including an assumed 6 percent Company matching
29 contribution) and minus Cash Balance Account pay credits under the SCE Retirement Plan. Interest
30 credits are also provided.

1 The total compensation study conducted for SCE's 2021 General Rate
2 Case found that benefits for SCE's Executives were 19.8 percent below market average "primarily due
3 to significant changes to the executive retirement plans," including the changes to the Executive
4 Retirement Plan for 2018 discussed above, as well as the 2017 elimination of the Executive Survivor
5 Benefit Plan and the 2018 elimination of the company match for the Executive Deferred Compensation
6 Plan.²³⁵ As discussed at the beginning of this Benefits Subsection, the 2021 TCS was conducted by Aon
7 while the 2025 TCS was conducted by Willis Towers Watson, which used a different benefits valuation
8 methodology. As WTW states in its 2025 TCS, "SCE did not make significant changes to the benefit
9 programs between the 2021 TCS Study and this [2025] TCS Study, therefore the movement in
10 competitive positioning is attributable to the change in methodology."²³⁶

11 The 2025 TCS shows SCE's benefits for Executives as being 54 percent
12 above the market average, but it also states that "this [2025] TCS Study uses a methodology that results
13 in a higher SCE benefit value relative to other reasonable methodologies, including that used in prior
14 SCE GRC filings."²³⁷ For example, WTW's benefits valuation methodology does not take into account a
15 plan's vesting provisions, while Aon's methodology did take vesting provisions into account.²³⁸ SCE's
16 Executive Retirement Plan requires more years of service for vesting than plans at comparable
17 employers, so taking vesting into account results in a lower SCE benefit value because benefits are
18 forfeited (i.e., no value is provided to the participant) to the extent they are unvested upon termination of
19 employment.

20 Benefits are only 4 percent of market total compensation for
21 Executives.²³⁹ Regardless of whether SCE's current executive benefits are below the market average
22 (which might have been the result if Aon's valuation methodology had been used for the 2025 TCS) or
23 above the market average, SCE's total compensation package for Executives (including executive
24 benefits) is and has been approximately at or below the market average overall (2.5% below for actual
25 total compensation and 1.3% above for target total compensation according to the 2025 TCS and 17.4%

²³⁵ 2021 GRC Testimony, *See* Exhibit SCE-06, Vol. 3, Part 2, pp. 4-5.

²³⁶ 2025 GRC Testimony, *See* Exhibit SCE-06, Vol. 5, p. 4.

²³⁷ 2025 GRC Testimony, *See* Exhibit SCE-06, Vol. 5, p. 4.

²³⁸ 2025 GRC Testimony, *See* Exhibit SCE-06, Vol. 5, p. 4; 2021 GRC Testimony, *See* Exhibit SCE-06, Vol. 3, Part 2, p. 19.

²³⁹ 2025 GRC Testimony, *See* Exhibit SCE-06, Vol. 5, p. 4.

1 below for target total compensation according to the 2021 TCS). SCE’s executive benefits are part of a
2 competitive, market-driven total compensation package for Executives that should be funded as a
3 reasonable cost of service.

4 **(2) Comparison of Authorized 2021 to Recorded**

5 This section compares the amounts authorized by the Commission in the
6 2021 GRC to the 2021 recorded O&M in this activity as well as an explanation of the variance. As
7 shown in Table III-4, Executive Benefits recorded \$10.52 million; this was \$2.76 million higher than the
8 authorized amount of \$7.76 million. This variance is largely due to the Commission disallowing 50
9 percent of the Executive Benefits costs that SCE continued to record in an effort to remain competitive
10 in the executive labor market. The variance is less than the 50 percent disallowance due to the types of
11 fluctuations addressed in the historical variance analysis below (2022 recorded was in line with the 2021
12 request plus escalation).

13 **(3) Scope and Forecast Analysis**

14 In Test Year 2025, SCE will record Executive Benefits costs in this work
15 activity. In accordance with PUC Section 706, all costs recorded for SCE Executive Officers in
16 historical years 2018-2022 for Executive Benefits were adjusted out so that these costs would not be
17 included in the Results of Operation Model forecast for this work activity.²⁴⁰

18 **(a) Historical Variance Analysis**

19 The annual costs are determined by actuaries based on salary and
20 bonuses, length of service, expected retirement age, expected mortality, and interest rate assumptions.
21 Executive Benefits expenses fluctuate over time based on variations in bonus levels and turnover among
22 executives. In addition, the discount rate used to measure pension benefit obligations has fluctuated over
23 the last few years, contributing to fluctuations in annual costs over the recorded history.

24 **(b) Forecast**²⁴¹

25 For Test Year 2025, SCE forecasts \$16.672 million for Executive
26 Benefits costs. SCE used the Itemized Forecast methodology to arrive at its forecast. This method,
27 described below, is appropriate because it considers changes to the labor forecast over time.

²⁴⁰ Refer to WP SCE-07, Vol. 01, Results of Operations, Ratemaking Adjustments; and WP SCE-06, Vol. 04, Book B, pp. 1-3, PUC Section 706 Excluded Officers’ Cost Adjustments.

²⁴¹ Refer to WP SCE-06, Vol. 04, Book C, pp. 177-183, O&M Detail for Executive Benefits (Non-Service) and WP SCE-06, Vol. 04, Book C, pp. 184-190, O&M Detail for Executive Benefits (Service) and WP SCE-06, Vol. 04, Book C, pp. 42-43, Benefit Programs Itemized Forecast.

1 Costs were derived by multiplying the 2022 recorded cost per
2 employee by the projected number of employees in each year. Projected employees were derived by
3 dividing forecast labor by the 2022 recorded labor per employee ratio.²⁴² Costs for this program were
4 assumed to increase at a trend rate of 0 percent.²⁴³

²⁴² Beginning in the test-year, an adjustment was made to the 2022 recorded labor used in the labor per employee ratio to align with certain changes made to SCE's employee compensation program, as discussed in Section III.A.5 of this volume of testimony.

²⁴³ See SCE Exhibit SCE-07, Vol. 04, Table III-13, Benefit Escalation Rates.

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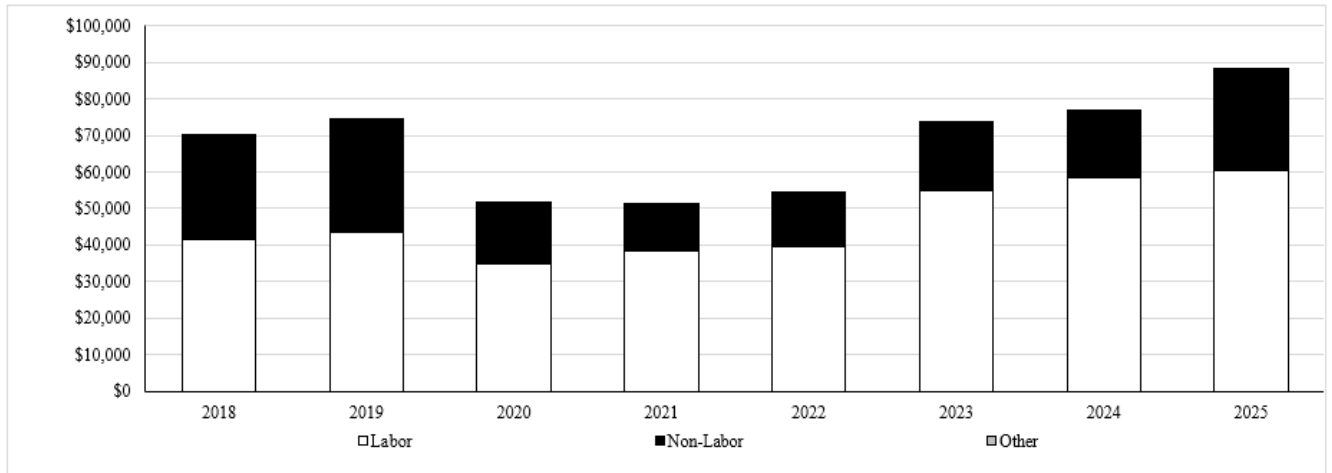
IV.

EMPLOYEE TRAINING

This section presents the Test Year 2025 forecast of SCE’s Employee Training BPE. For Test Year 2025, SCE is forecasting \$88.395 million for this BPE.²⁴⁴ Figure IV-28 shows recorded costs for the years 2018 through 2022, and SCE’s forecast for Test Year 2025. SCE is focused on developing and investing in a workforce that can implement Pathway 2045 and provide the leadership and develop the skills to pass on to the next generation of SCE employees. The strategic goal is to improve effectiveness in how SCE intentionally grows talent throughout the organization. As a result, SCE will advance a learning culture infused with coaching and on-the-job training that maximizes employee engagement, enhances their experience, and maximizes employees’ ability to learn on demand. Employee Training is composed of the various company-wide training and development programs, and supports the corporate goals of safety and resiliency, performance management, operational excellence, diversity, and people and culture. This section discusses (1) Enterprise Learning and Development, (2) Customer Service Training Delivery, and (3) Transmission and Distribution Training Development, Delivery and Training Seat-Time.

²⁴⁴ Refer to WP SCE-06, Vol. 04, Book C. pp. 191-197 O&M Detail for Employee Training and Development.

Figure IV-28
Employee Training
Recorded 2018-2022/Forecast 2025-2028
(2022 Constant \$000)



| | Recorded | | | | | Forecast | | |
|----------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$41,617 | \$43,538 | \$34,721 | \$38,482 | \$39,345 | \$54,812 | \$58,486 | \$60,264 |
| Non-Labor | \$28,597 | \$30,850 | \$17,038 | \$13,008 | \$14,968 | \$19,019 | \$18,241 | \$28,130 |
| Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$70,214 | \$74,388 | \$51,759 | \$51,489 | \$54,314 | \$73,831 | \$76,727 | \$88,395 |

A. Overview

The Employee Training strategy will help SCE meet its talent needs for the future by providing learning and development for its workforce. This includes onboarding, functional learning, technical job skills, job enhancement, and ongoing career development. The programs (leadership, technical, compliance, systems, and safety training) will help SCE retain the right people and grow organizational capabilities. As the attraction and retention for high-performing talent becomes more competitive, employee training and development programs are more important than ever. How employees are engaged and developed from the time they are on-boarded and throughout their careers impacts retention and business growth. A key tenant of the strategy is redefining how employees think about learning. SCE will provide experiential learning facilitated by internal and external experts, with content and materials sourced and made available to all employees, anytime, anywhere, and on any device. SCE will leverage strategic learning technologies that put employees in control of their learning and provide opportunities to customize their learning experience based on a unique set of needs. For example, through a virtual learning platform, employees have access 24 hours a day, 7 days a week to flexible

1 learning opportunities. This platform contains certification courses, books, audio books and videos that
2 are self-paced and accessible to all employees from their mobile devices or company or home
3 computers. Course materials include an array of emerging business topics that meet individual and
4 leader competencies for professional and technical skills development.

5 Benchmarking and research have shown companies are looking beyond traditional education
6 methods, and growing skills in different ways for different learning styles, with programs that encourage
7 internal job mobility, ad-hoc projects, peer-to-peer learning, job shadowing, and coaching.²⁴⁵ Most
8 importantly, companies are fostering a culture of perpetual learning, personalizing the parts of the
9 employee lifecycle to build, grow, and reward continual skill growth. Some of the tactics used to close
10 the skill gaps focus on reskilling employees based on business priorities; leveraging
11 apprenticeship/internship programs to train talent; leveraging new and emerging educational
12 programs/platforms to enhance employee skills; implementing skill recognition initiatives to recognize
13 and track skills progression; leveraging talent through ecosystem partners; and applying analytics to
14 analyze and predict skill supply and demand. Also, research has shown using advanced analytics and AI
15 to scan an employee's digital footprint to infer current skills and skill depth, and to deliver results that
16 can be openly shared with the employee.²⁴⁶ Personalized, continual skilling recommendations are then
17 served up in the flow of daily work. This benchmarking and research support the modernization of
18 curricula and employee upskilling to improve performance, thereby delivering value in the form of a
19 more knowledgeable workforce to customers.²⁴⁷

²⁴⁵ IBM Institute for Business Value The enterprise guide to closing skills gap -
<https://www.ibm.com/downloads/cas/EPYMNBJA>, at p. 5 (as of May 7, 2023).

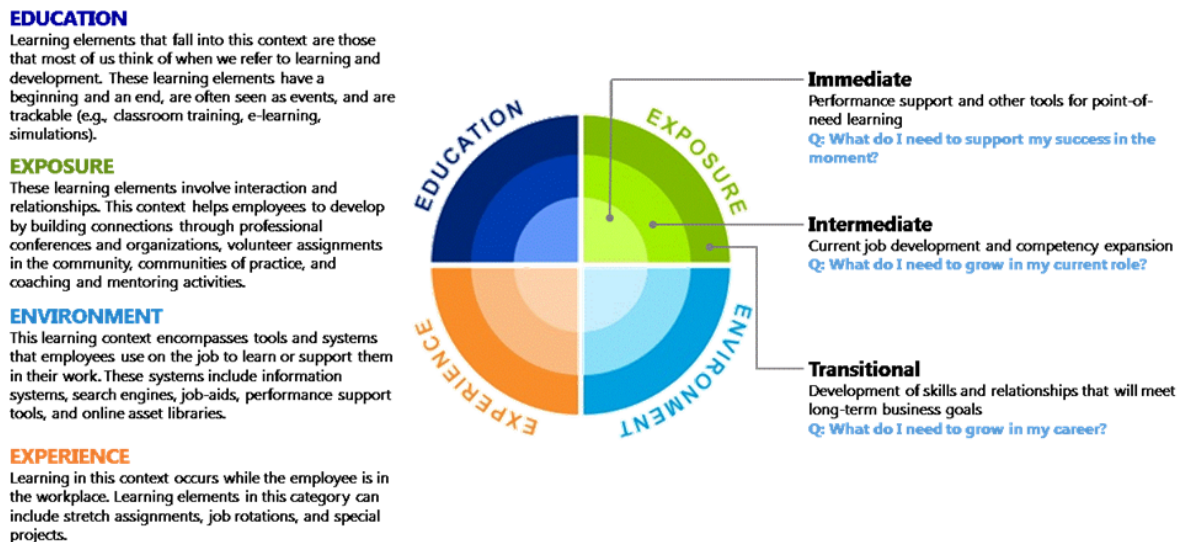
²⁴⁶ Diving deeper Five workforce trends to watch in 2021 –
<https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2021/workforce-trends-2020.html> (as of
May 7, 2023).

²⁴⁷ Future of work trends 2022 - https://www.kornferry.com/content/dam/kornferry-v2/featured-topics/pdf/FOW_TrendsReport_2022.pdf (as of May 7, 2023).

Table IV-17
Learning Trends



Table IV-18
Continuous Learning



1 Learning and Development is essential to serving SCE’s customers effectively while keeping
 2 employees and the public safe. The solutions target quality and performance improvement solutions that
 3 prepare and strengthen SCE’s workforce to safely provide electricity and deliver operational and service
 4 excellence to its communities through every customer experience.

5 Front-line employees (e.g., Customer Service, Revenue Service, Business Customer Division,
 6 Transmission & Distribution, Customer Programs & Services) are SCE’s primary point of contact for

1 5.1 million service accounts and provide support for service requests, 24-hour outage information, and
2 billing inquiries. These frontline employees require technical role-based learning solutions that enhance
3 their customer, technical, system, and safety skills to meet their job requirements.

4 Systems learning solutions support the implementation of SCE’s ability to modernize technology
5 solutions and planning. Human Resources’ Systems Training group partners closely with Information
6 Technology to create performance tools that enable employees to develop the capabilities to utilize
7 solutions that the Company invests in to support customer interactions.

8 Learning and Development also partners with Corporate Safety to develop and deliver Safety
9 Culture Transformation Training to employees throughout SCE. To aid in developing a culture of safety,
10 education, and training solutions focused on the competencies and skills are needed to strengthen SCE’s
11 safety culture, and to recognize and mitigate hazards. This training is key to cultivating and sustaining
12 safe beliefs, attitudes, and behaviors across SCE’s employees and contractors, and to fostering the
13 mindset needed to make the right safety choices.

14 Finally, the Human Resources Compliance Training department develops educational solutions
15 and training that abides by state and federal requirements, mitigates company risks, and addresses safety
16 concerns that can avoid violations and penalties.

17 **1. Risk Factors, Safety, Reliability and Connection with RAMP**

18 The following GRC activities address the Employee Safety RAMP Risk that is discussed
19 in SCE’s 2022 RAMP filing as shown in Table IV-19. More detailed descriptions of the activities can be
20 found in the respective O&M areas.²⁴⁸

²⁴⁸ More detail on the Employee Safety Risk can be found in SCE-06, Vol. 06 – Safety Programs.

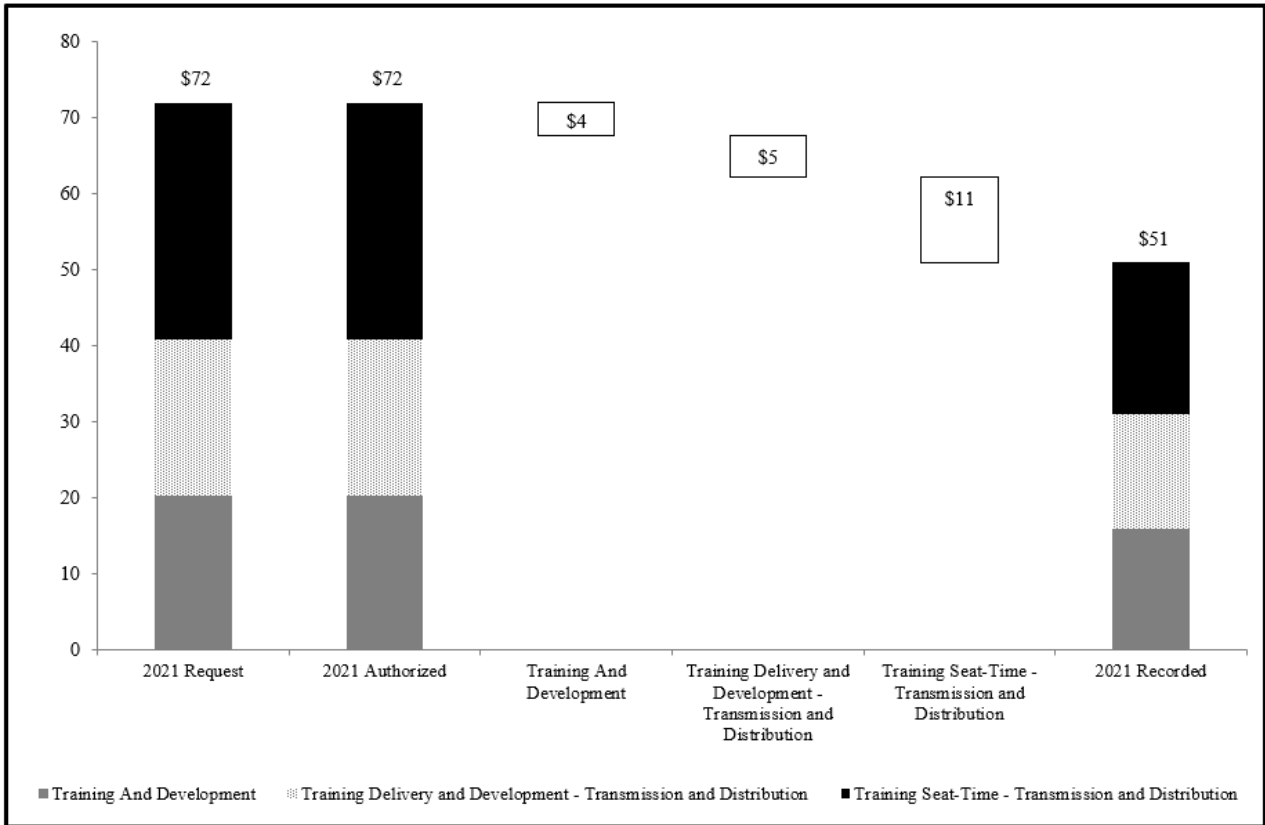
Table IV-19
GRC Activities Included in SCE's 2022 RAMP Filing

| RAMP Risk | GRC Activity | RAMP ID | RAMP Control / Mitigation Name |
|-----------------|---|---------|--------------------------------|
| Employee Safety | Employee Training and Development | C1 | Safety Culture Transformation |
| | Training Seat Time and Delivery - Transmission and Distribution | C3 | T&D Field Based Training |

2. Comparison of Authorized 2021 to Recorded

This section compares the amounts authorized by the Commission in the 2021 GRC to the 2021 recorded O&M for the Employee Training and Development BPE. SCE's 2021 authorized amount for Employee Training and Development was \$72.071 million. SCE recorded \$51.489 million. In 2021, SCE continued to experience the global impact of the COVID-19 pandemic. Therefore, SCE made necessary adjustments to normal operations and practices in an effort to mitigate the risk of COVID-19 transmittal and spread, and in order to comply with COVID-driven governmental directives and guidance. Some of these adjustments by SCE impacted our ability to engage in normal levels of in-person training. As a result of the protocols that we necessarily adopted during the pandemic, the recorded expenses for this activity in 2021 were lower than authorized.

Figure IV-29
Employee Training
O&M Expenses for 2021 – Authorized versus Recorded²⁴⁹
(2022 Constant \$ Millions)



B. O&M Forecast

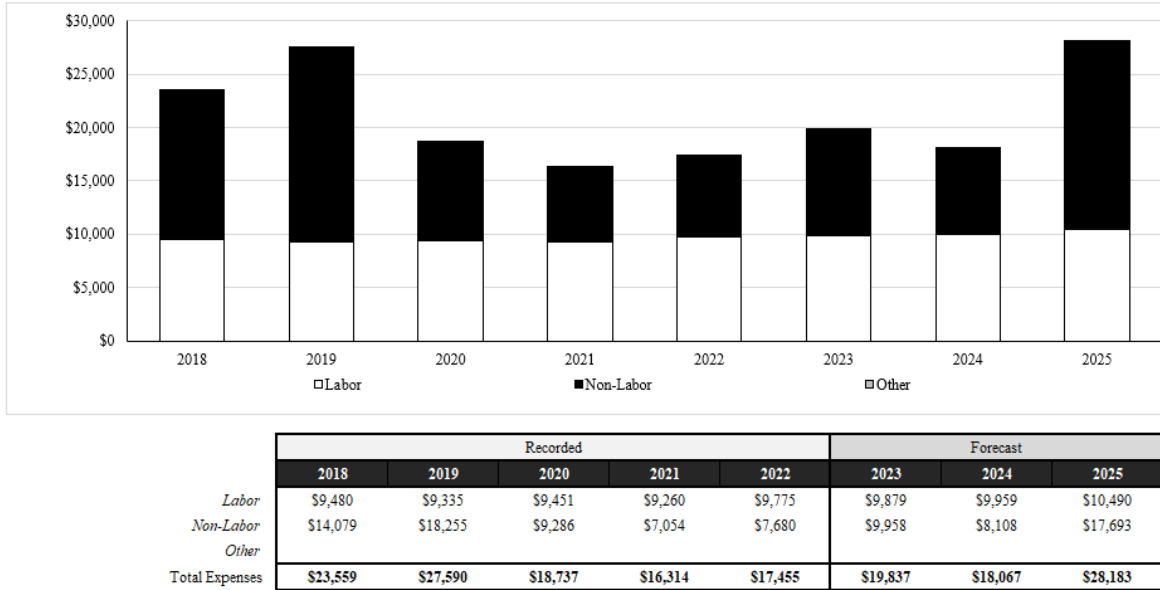
1. Employee Training and Development

For Test Year 2025, SCE forecasts \$28.183 million for Employee Training and Development costs.²⁵⁰ Figure IV-30 shows recorded costs for the years 2018 through 2022, plus SCE’s forecast costs for Test Year 2025.

²⁴⁹ Refer to WP SCE-07, Vol. 01, Authorized vs. Recorded.

²⁵⁰ Refer to WP SCE-06, Vol. 04, Book C, pp. 191-197, O&M Detail for Employee Training and Development.

Figure IV-30
Employee Training and Development
Recorded 2018-2022/Forecast 2023-2025
(2022 Constant \$000)



1 **a) Work Description**

2 SCE plans to ensure that our employees have best-in-class resources and
3 modernized training by rolling out the following programs in the coming years.

4 **(1) Enterprise Training Programs**

5 By supporting and identifying the learning needs of the company, SCE can
6 help develop and retain its organizational talent to meet key business capabilities. SCE develops its
7 talent by implementing training programs for contingent workers, individual contributors, and leaders.
8 The Company must train incoming employees and supplemental workers to ensure compliance with
9 workplace, state and federal policies and practices, as well as technical job skills related training. The
10 Company’s employee development programs aid in building high-performing employees that
11 consistently meet strategic and operational goals. By focusing on the skills needed immediately and, in
12 the future, these programs establish employees as owners of their careers, and provide an environment
13 that supports the personalization of their professional growth and development.

1 consistent personal motivation to make safer choices. Consistent ongoing leadership development is
2 needed to cultivate and embed foundational leadership skills to drive safety ownership behaviors.

3 Training and Development is responsible for developing and
4 implementing initiatives to strengthen safety culture. The safety culture training approach builds on the
5 foundation set through three workshops: (1) Switch – train employees and leaders in cognitive
6 behavioral principles that equip them to create a psychologically and physically safe work environment;
7 (2) Engage – develop leaders’ influencing skills, equipping them to foster the desired safety culture; and
8 (3) Connect – reinforce Switch and Engage training concepts to drive safety engagement. This program
9 will integrate safety leadership competencies into the company-wide Leadership Academy which will
10 develop safety leadership skills for all leaders. Training will be anchored in best practices with ongoing
11 reinforcement to sustain competencies and skills.

12 Building on Switch, Engage and Connect, there is a need to
13 establish safety leadership competencies into the company-wide leadership academy. Training delivery
14 best practices to influence changed behavior should be done in-person using immersive delivery
15 strategies anchored with sufficient ongoing reinforcement to sustain competencies. The objective for this
16 effort is to improve safety leadership, employee safety value, motivation, knowledge and skills, and to
17 establish ongoing safety leadership skills development Company-wide.

18 While the leadership training is enterprise-wide, T&D is an
19 organization unit that has specific leadership training for employees who enter a supervisory role (*i.e.*,
20 employees moving into Foremen positions) that is more specifically geared towards T&D’s role. For
21 more information, please refer to SCE-06, Vol. 6, Section III. D. 3.a) (2)(a)(i).

22 **(4) SCE’s Compliance Transformation**

23 SCE’s Compliance Transformation is an example of a massive effort to
24 develop customized learning plans for all roles across the company, to reduce incorrect course
25 assignments, modify training design to focus on motivating and challenging employees to comply
26 because it’s the right thing to do, pilot the use of virtual reality technology for compliance training and
27 automate role-based training assignments to improve processes and decrease seat times.

28 **(5) Wildfire Activities**

29 The volume and scope of work to combat wildfire risks will increase
30 significantly through the GRC period. This necessitates training for existing and new employees on safe
31 work practices and new technologies. In support of these activities, SCE is developing programs to train

1 SCE employees on new work methods and technologies related to performing wildfire mitigation
2 activities.

3 Wildfire activities also require the use of new technologies, such as
4 situational awareness tools. The use of new technology is usually accompanied by end-user training in
5 order to ensure the appropriate click-through of the application and the accurate capture of data. In
6 response to a Senate Bill, SCE provided a Wildfire Mitigation Plan (WMP) which included several
7 wildfire mitigation programs such as Enhanced Overhead Inspections,²⁵¹ Wildfire Covered Conductor
8 Program (WCCP), and others. In order for this work activity to be effectively executed, incremental
9 training has to be provided to existing and newly hired qualified electrical workers. Additionally, new
10 grid hardening activities will require incremental training specific to this new technology throughout the
11 workforce.

12 (6) **Grid Modernization and Resiliency**

13 Advancing the modernization and resiliency of the electric grid will enable
14 greater deployment of distributed energy resources, other clean technologies, and will help achieve
15 California’s environmental goals, provide greater customer choice to sustainably manage energy costs,
16 and provide increased flexibility to improve system reliability of the grid. T&D employees will require
17 new forms of training to acquire the skills needed to deploy and maintain distribution automation
18 equipment. Employees in multiple T&D job classifications are required to install, maintain, operate, and
19 monitor the equipment. Additionally, employees must be trained to analyze and respond to the data the
20 new technology provides.

21 (7) **Technical Training Modernization**

22 The process in designing and modernizing our curriculum will lead to
23 increasing instructional efficiency and creating a successful learning environment.

24 According to the Mosaic Future of Learning benchmark study, “Over the
25 past decade, there has been a visible shift from compliance- to competence-focused training that
26 prepares employees for the entire job and aligns training goals to tangible business outcomes. However,
27 as the pace and magnitude of change continue to increase across the business, training organizations are
28 facing new and expanding challenges.”²⁵²

²⁵¹ EOI comprises expanded inspection criteria relative to SCE’s traditional overhead detailed inspections.

²⁵² Refer to WP SCE-06, Vol. 04, Book C, p. 204, Future of Training Benchmark Study Findings Report.

1 The Journal of American Physiological Society conducted research on
2 applying learning theories and instructional design models for effective instruction. “Based on an
3 understanding of how people learn, the science of instruction is concerned with the rational development
4 of instructional design strategies. Effective design of instructional materials elicits appropriate cognitive
5 processes in the learner and mediates more successful learning outcomes. Five principles of instruction
6 have been identified that promote learning: 1) learners are engaged in solving real-world problems, 2)
7 existing knowledge is activated as a foundation for new knowledge, 3) new knowledge is demonstrated
8 to the learner, 4) new knowledge is applied by the learner, and 5) new knowledge is integrated into the
9 learner's world.”²⁵³ “Gagné identified the five domains of learning that affect the learning process: 1)
10 motor skills, 2) verbal information, 3) intellectual skills, 4) cognitive strategies, and 5) attitudes.”²⁵⁴ By
11 recognizing different domains of learning, selecting only one teaching method to deliver curriculum will
12 introduce limitations that may affect learning outcomes negatively. Evaluation of legacy technical
13 training learning assets has revealed an imperative need to address the instructional integrity of, and to
14 modernize, our craft technical training curricula in an effort to improve learning effectiveness and
15 employee performance.

16 Leveraging industry learning theories, paired with Bloom’s Taxonomy
17 methodology,²⁵⁵ will improve employee performance by addressing cognitive learning design and will
18 ensure defensibility and safety culture stewardship. Analysis of current programs reveals opportunities
19 to progress from the lower levels of learning to higher levels of comprehension and application.
20 Modernization of craft training curricula will require program redesigns and continued modernization of
21 the electric grid, tools, and standards. Each of these will require continuous sustainment and
22 reinforcement of training programs that are unprecedented. Modernization and ensuring instructional
23 integrity of the curriculum is necessary because historically, critical craft technical learning programs
24 were developed by leveraging standards manuals that rely heavily on instructor knowledge. These
25 curricula were not built leveraging instructional design principles discussed above in many cases. This

²⁵³ Applying learning theories and instructional design models for effective instruction –
<https://journals.physiology.org/doi/full/10.1152/advan.00138.2015>, at p. 3 (as of May 7, 2023).

²⁵⁴ Applying learning theories and instructional design models for effective instruction –
<https://journals.physiology.org/doi/full/10.1152/advan.00138.2015>, at p. 1 (as of May 7, 2023).

²⁵⁵ A Glance into Bloom’s Taxonomy – <https://www.iacet.org/news/iacet-blog/blog-articles/a-glance-into-blooms-taxonomy/>, (as of May 7, 2023).

1 approach creates a particularly high risk for SCE, as we rely on adjunct training facilitators to conduct a
2 majority of our training, rather than doing it in-house.

3 **(8) SCE’s Technical Development Program**

4 Through immersive and experiential learning, the Technical Development
5 Program helps to accelerate an employee’s time to competence and strengthens their connections to the
6 company, people, and culture. The learning outcomes from these programs have a direct impact on
7 SCE’s ability to maintain the grid effectively, keep employees and the public safe, and to stay compliant
8 with regulatory requirements and best practices. As referenced in the Mosaic Future of Learning
9 Benchmark study: “Benchmark participants shared that energy and utility organizations face a perfect
10 storm of game-changing external disruption and internal transformation impacting the workforce.
11 However, new and expanded challenges also emerged: An increasing pressure to keep up with a
12 continual stream of change in the business; Workforce recruiting and retention challenges resulting in
13 more significant knowledge and skill gaps; The demand for more modern learning methods from a new
14 generation of workers; New and evolving business needs enhance the importance of building a
15 competent, skilled, and high-performing workforce and require training organizations to approach their
16 work with more flexibility and agility.”²⁵⁶ All these disrupters require the learning organization to
17 refocus our efforts on improving the effectiveness of these programs to ensure that SCE has the skills,
18 knowledge, and abilities within its workforce to ensure that Safety and Pathway to 2045 goals can be
19 achieved.

20 **(9) Learning Operations**

21 The Learning Operations function provides support for SCE’s instructor-
22 led, online, and web-based training. This support includes tasks associated with enrollments,
23 completions, and tracking of all training programs through the learning management system. In addition,
24 this function handles all logistical requirements needed for scheduling and deploying Employee,
25 Leadership, Compliance, and enterprise-wide safety and corporate training initiatives. Learning
26 Operations also provides measurement performance solutions that enhance learner effectiveness and
27 ensure the expected outcomes impact corporate goals and initiatives. Effective measurement also
28 improves the training content to ensure an effective training experience for the learners. Measurement

²⁵⁶ Refer to WP SCE-06, Vol. 04, Book C, p. 201; Future of Training Benchmark Study Findings Report.

1 maximizes organizational results and demonstrates program value by assessing and ensuring training
2 effectiveness. This is part of SCE's continuous improvement efforts.

3 **(10) Learning Technology**

4 The Advancements Extended Reality (XR)- (LTAXR) Program will
5 provide immersive Virtual Reality (VR) and Augmented Reality (AR) technologies to enhance field and
6 office worker training, increase safety, and reduce training and training-related costs. VR experiences
7 are computer-simulated, completely immersive experiences that place workers directly into difficult-to-
8 replicate or dangerous scenarios for safe and emotionally connected training. AR provides digital
9 overlays to enrich the real-world environment with interactive 3D models and digital information. Field
10 workers can attempt dangerous tasks in different environments; for example, they can practice
11 emergency procedures during a catastrophic event or perform routine tasks in extreme weather events
12 such as wildfires, lightning storms, or high winds. These situations are unsafe and impossible to
13 replicate in a real-world training environment.

14 AR can also overlay new equipment with interactive 3D models and job
15 instructions to speed new hires' time to reach competency or augment rare scenarios with additional
16 information and provide remote third-party assistance. For example, a new trouble man can access 3D
17 equipment models to explore outage causes or access the expertise of an experienced trouble man who
18 can drop appropriate documentation or models into the field of view while monitoring the work of the
19 person wearing the device.

20 Office workers are better equipped as well. Immersive training ensures
21 that knowledge workers are better prepared to handle dangerous situations that can alter customer safety,
22 customer experience, and the work environment. Service workers can practice empathy, rapid conflict
23 resolution, and crisis scenarios to navigate real-world problems efficiently and effectively. Leaders can
24 rehearse various challenging experiences and have opportunities to repeat them until they are
25 comfortable using new or rarely used skills.

26 **a) Need for Activity**

27 Training and development programs (leadership, system, technical job skills,
28 compliance, learning technology and safety training) help SCE retain the right people and grow
29 organizational capabilities. As the battle for high-performing talent becomes more competitive,
30 employee training and development programs are more important than ever. How employees are

1 engaged and developed from the time they are on-boarded and throughout their career impacts retention
2 and business growth.

3 The Training and Development work activity benefits the customer by developing
4 higher skills and competencies within SCE’s employees which allows them to utilize tools and
5 technologies to boost performance, improve organizational dynamics, and increases leadership power
6 and influence to maximize leadership impacts. It also assists in retaining employees as they choose to
7 stay at the Company to develop or grow new skills, thereby lowering turnover rates and reducing costs.
8 A focus on training and upskilling also enhances creativity. The primary driver for technology
9 advancement is to enable and realize better field safety, enhance SCE’s ability to safely maintain the
10 grid, rapidly deploy up-to-date training, reduce time to competency, training time, and training-related
11 costs, and improve operational efficiency in SCE’s safety training via a robust Extended Reality
12 Training Program. There are currently no platforms at SCE to deliver these benefits. SCE has conducted
13 pilot programs using an inefficient manual process to provide, conduct, and measure safety training for
14 Field Personnel. Appropriate platforms will enable SCE to record and document capabilities, increase
15 the ability to assess skill levels, and ensure the competency of its workforce. Simulations can safely
16 replicate work activities and provide real-time, consistent feedback and a safe encounter with true-to-life
17 consequences, allowing workers to repeat tasks in a safe and realistic environment until the appropriate
18 response becomes natural.

19 The SCE Learning Technology Advancements Extended Reality (XR)- (LTAXR)
20 Program will use modern and innovative technology tools for training that promise reduced seat time,
21 speed time to competency, and increase learner confidence and connection to the content. Using VR and
22 AR, SCE can reduce costs while improving safety. A study from Price Waterhouse Cooper indicates²⁵⁷
23 that:

- 24 • Employees in VR courses can be trained up to four times faster;
- 25 • 275 percent of VR learners are more confident in applying what they’re
26 taught;
- 27 • VR learners are 3.75 times more emotionally connected to the content than
28 classroom learners; and
- 29 • VR-trained employees are four times more focused than e-learners.

²⁵⁷ What Does Virtual Reality and the Metaverse Mean for Training – <https://www.pwc.com/us/en/tech-effect/emerging-tech/virtual-reality-study.html>, (as of May 7, 2023).

1 In addition, the technology provides SCE with the ability to provide remote video
2 support, record and share capabilities to manage risk, and reduce the time required to learn new skills
3 and to demonstrate proficiency. SCE estimates a 40 percent reduction in seat time for technical training
4 courses that can be performed in XR.²⁵⁸

5 Safety training also benefits the customer by building awareness and reducing
6 risks to employees, customers, and the public. The traditional methods often no longer meet the needs of
7 the rapidly changing industry. As learning partners, we will need to build a skilled and prepared
8 workforce capable of adapting to ongoing changes confidently and competently.

9 Modernizing the curricula is required for consistency in learning application and
10 to improve learning and performance outcomes. Bloom's Taxonomy comprises three learning domains:
11 the cognitive, affective, and psychomotor, and assigns to each of these domains a hierarchy that
12 corresponds to different levels of learning. Specifically, the modernization will contribute to SCE's
13 journey to Safety Stewardship and support our Wildfire Mitigation efforts by developing higher level
14 thinking and skills application. Application of these principles will improve learning retention and
15 effectiveness, as well as improve employee performance, reduce time to competency, and improve
16 overall safety performance that result in reduction of risk, long term cost savings and efficiencies for the
17 company. Safety has, is, and always will be a foundational organizational priority. There has been a
18 visible shift from compliance- to competence-focused learning that prepares employees for the entire job
19 aligned to tangible business outcomes.

20 Developing effective learning solutions is critical to prepare employees to meet
21 the rapid changes in technology that impacts the construction, operation, and maintenance of the grid.
22 Failure to do so results in an extremely high risk to the employee and public safety as well as decreased
23 reliability for SCE customers. There is also an increased risk of wildfire and other hazards associated
24 with incorrectly executing standards and procedures as well as creating risks in meeting future
25 objectives and initiatives, such as Pathway 2045.

26 **b) Alternatives Considered**

27 Training and Development activities and programs are key components to the
28 success of SCE's business strategy. Ensuring that employees are equipped with the knowledge and skills

²⁵⁸ [10 Case Studies] Virtual Reality Increases Training Effectiveness - <https://www.interplaylearning.com/blog/virtual-reality-increases-training-effectiveness-10-case-studies/> (as of May 7, 2023).

1 to do their jobs effectively and conduct them safely are requirements that the Company must provide.
2 The continued health and welfare of all employees is a shared focus across the Company, regardless of
3 job level or position. SCE's workforce needs to continuously develop critical skills to maintain safety
4 performance, regulatory requirements to mitigate risks, leadership development and technical
5 capabilities. The new reality of remote and hybrid work has made traditional, in-person upskilling more
6 challenging. The reliance of old training delivery methods will hinder the upskilling that is required to
7 lead the workforce and keep employees safe from serious injuries or fatalities.

8 SCE explored using multiple vendor platforms without the added benefit of an
9 XR Platform. The cost savings SCE could realize would be sacrificed for a poor user experience.
10 Without the uniformity of an XR Platform, content creators can develop Custom Content interactions in
11 various ways, much like software, meaning that picking up an object might be done differently in every
12 course or with every asset. By leveraging a common platform, Custom Content creators are forced to use
13 the same methodology for learners operating in a learning environment, ensuring consistency from
14 course to course and object to object. This approach provides a realistic, immersive environment for
15 learning, enabling consistency in employees experience that will increase retention in hazardous
16 situations in a safe and risk-free environment.

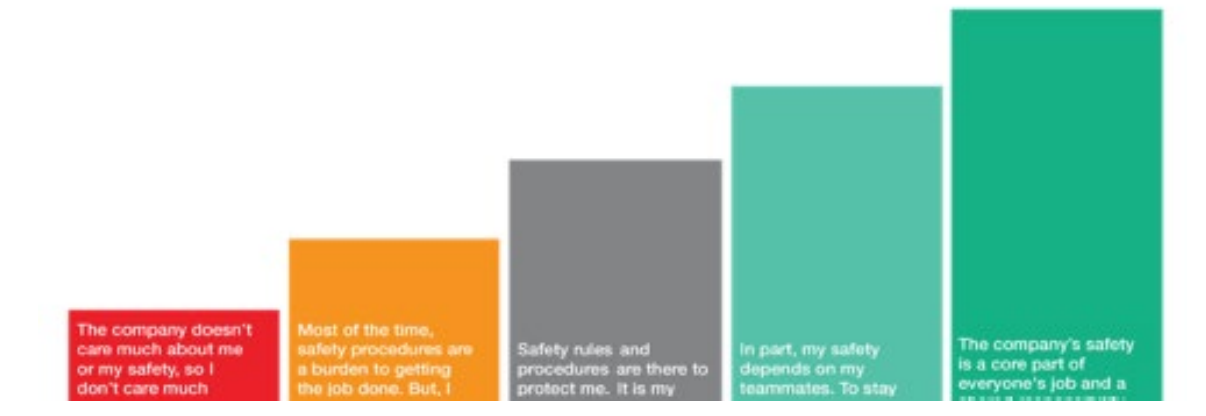
17 **c) RAMP Integration**

18 SCE is committed to delivering safe, reliable, affordable, and clean energy. One
19 of the core tenets is ensuring that our employees are equipped with the safety culture concepts and tools
20 to protect themselves for who and what they value. The programs and projects outlined in this volume
21 exist to keep people safe, but the specific programs and projects need to be supported by the strong
22 foundation of a safety-focused culture, which is instilled in employees and contractors through effective
23 training.

24 As explained in detail in SCE's 2022 RAMP filing, for the last several years, SCE
25 has been on a journey to strengthen our safety culture in connection with ensuring Employee Safety. We
26 believe we have made meaningful progress in improving safety culture. SCE's progression through our
27 Safety Culture Maturity Model, as shown in Figure IV-31, is currently focused on evolving from Public
28 Compliance, where employees follow rules primarily because of potential consequences, to Private
29 Compliance, where employees are motivated to make safe choices to protect themselves for who and
30 what they value. In practical terms, a Private Compliance perspective is one where employees make the

1 safest choice through intrinsic motivation and care, rather than making that choice because “someone is
2 looking.”

*Figure IV-31
Safety Culture Maturity Model*



3 A Private Compliance mindset sets the foundation for employees' discretionary
4 efforts to use SCE's safety programs, processes, and tools to systematically identify and mitigate risk.
5 SCE's employee safety programs drive improvements in how we perform the work, and how we identify
6 and mitigate safety risks at all times. Safety ownership through Private Compliance fosters acceptance
7 and adoption. This integrated approach holistically addresses safety risks to our employees and the
8 public.

9 In 2017, we engaged the safety consulting firm Propulo to assess our safety
10 culture, and to help us update and implement our roadmap to drive continued improvement.

11 Based on the assessment, SCE implemented an updated safety culture roadmap.
12 As part of this roadmap, all leaders and employees were provided consistent safety culture language,
13 concepts, and tools through cognitive behavioral training between 2018 and 2020. Our safety culture
14 was reassessed in 2020 as part of a standing triennial review. Results indicated significant progress was
15 made in improving our safety culture between the 2017 and 2020 assessments, with 78 percent of 2020
16 survey respondents indicating our safety culture has improved, and 75 percent of respondents indicating
17 they have seen improvement in safety leadership.

18 The results also identified the next series of mitigation initiatives, which include
19 the following: Leader Safety Ownership and Engagement, Employee Engagement Safety Ownership &
20 Participation, and Safety Culture Measurement and Safety Culture Training Sustainment. SCE will

1 continue implementing Safety Culture Transformation efforts from 2022-2025, with a planned safety
 2 culture assessment in 2023 to measure progress and inform adjustments. We anticipate these initiatives
 3 will continue to drive wider risk reduction benefits throughout the GRC period.

4 **(1) Reconciliation Between RAMP and GRC**

5 Table IV-20 shows the financial forecasts and RSEs for the Safety Culture
 6 Transformation RAMP control. Overall, there were minor variances in the forecast and the variance in
 7 RSEs can be attributed to SCE using the weighted average cost of capital (WACC) for future cost
 8 discounting.

Table IV-20
Safety Culture Transformation
O&M Forecast - (Nominal \$000s)²⁵⁹
Risk Spend Efficiencies

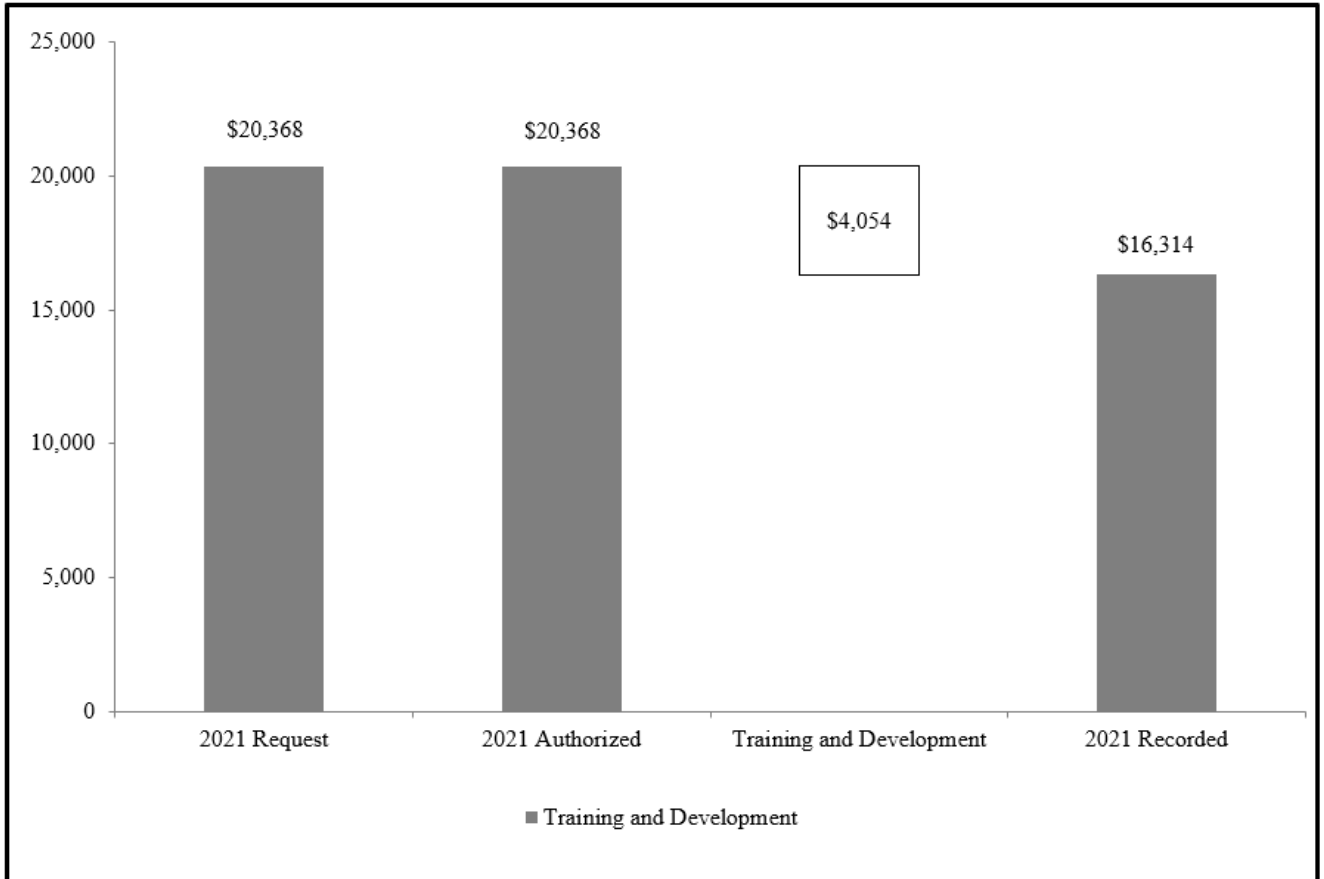
| RAMP Risk | RAMP ID | RAMP Control / Mitigation Name | Filing | 2022 | 2023 | 2024 | 2025 | 2025 - 2028 RSE |
|-----------------|---------|--------------------------------|----------|---------|---------|---------|---------|-----------------|
| Employee Safety | C1 | Safety Culture Transformation | RAMP | \$2,324 | \$2,929 | \$2,395 | \$2,395 | 645 |
| | | | GRC | \$1,551 | \$2,829 | \$2,295 | \$2,295 | 557 |
| | | | Variance | (\$773) | (\$100) | (\$100) | (\$100) | (88) |

9 **d) Comparison of Authorized 2021 to Recorded**

10 This section compares the amounts authorized by the Commission in the 2021
 11 GRC to the 2021 recorded O&M in this activity, along with an explanation for the variance. SCE’s 2021
 12 amount authorized for Employee Training and Development was \$20.368 million. SCE recorded
 13 \$16.314 million. The variance of \$4.054 million lower than authorized was due to COVID-19.
 14 Following public health guidelines to minimize large in-person gatherings, maintain social distance, and
 15 limit employee exposures to reduce the risk of the virus spreading among the workforce, in-person
 16 trainings were put on hold or held virtually, resulting in significantly less spend.

²⁵⁹ Refer to WP SCE-06, Vol. 04, Book C, pp. 227-230, RAMP to GRC Integration. Additional details on the Employee Safety risk can be found in WP SCE-06, Vol. 06, RAMP to GRC Integration – Employee Safety.

Figure IV-32
Employee Training and Development²⁶⁰
O&M Expenses for 2021 – Authorized versus Recorded
(2021 Constant \$000)



1 e) **Scope and Forecast Analysis**

2 (1) **Historical Variance Analysis**

3 (a) **Labor**

4 Labor remained relatively flat from 2018-2022.

5 (b) **Non-Labor**

6 Training costs were higher in 2019 than in 2018 due to an increase
7 of T&D employees completing Safety Culture Training in 2019 and an increase in costs associated with
8 the purchase of learning technology such as software licenses, hardware and analyst contract support.

²⁶⁰ Refer to WP SCE-07, Vol. 01, Authorized vs. Recorded.

1 The Edge Leadership program²⁶¹ was developed in December of 2018 and the bulk of the program was
2 implemented in 2019, which accounts for higher costs in 2019 as well. In 2020, the Safety Culture
3 training was wrapping up and due to COVID-19, hiring of contractors and consultants slowed down.
4 These are the reasons for costs decreasing from 2019 to 2020. The decreased costs from 2020 to 2021
5 was a result of the ending of the Safety Culture Transformation Project.²⁶² There were also design costs
6 associated with the Edge Leadership program in 2020, but the rollout of the program did not happen in
7 2021 due to COVID-19. The Edge program will now be offered every third year starting in 2023. There
8 was no significant change between 2021 to 2022.

9 **(2) Forecast**

10 **(a) Labor**

11 SCE's Test Year 2025 forecast for Employee Training and
12 Development labor is \$10.489 million. SCE utilized the last recorded year plus adjustment to forecast
13 labor costs for 2025. The \$0.56 million increase in 2025 is attributable to an adjustment to reflect certain
14 changes made to SCE's employee compensation program. Please refer to Section III.A.5 of this volume
15 of testimony.

16 **(b) Non-Labor**

17 SCE's Test Year 2025 forecast for Employee Training and
18 Development non-labor is \$17.692 million. Employee Training and Development's non-labor forecast
19 costs are based on utilizing the last recorded year methodology in addition to an adjusted incremental
20 increase. The incremental increased costs will go toward developing new training programs to manage
21 compliance, safety risk training development, enterprise leadership development, employee technical
22 skills and enterprise-wide system integration training. Included in the forecast is \$0.28 million of
23 savings related to the safety predictive model.

24 The incremental resources are required to create new modernized
25 content, maintain existing technical training programs, facilitate enterprise-wide instructor-led training
26 sessions, project management support, and analytical reporting and learning management systems for

²⁶¹ The Edge Program is for high potential leaders with C-Suite Potential and targets Principal Managers to Vice Presidents. The program focuses on the external environment, the future, strategy, complex problem solving, and innovation.

²⁶² The Safety Culture Transformation is enterprise-wide training focused on the competencies and technical skills needed to strengthen SCE's safety culture, and to recognize and mitigate hazards to perform work safety.

1 enterprise operations. The incremental costs will improve safety leadership training by targeting
2 continuous learning for critical knowledge and skills to improve work performance, reduce safety
3 incidents, and increase customer satisfaction. The increase will address specific skill gaps informed by
4 highest SIF²⁶³ risk for all employees in high hazard areas and will be anchored in best practices with
5 consistent ongoing reinforcement to improve safety through the investment in a cohesive technical skills
6 and leadership academy program.

7 The Safety Culture Training which builds on Switch, Engage, and
8 Connect will require consultant and seat time costs, as well as triannual assessment costs starting in
9 2023. The training provides consistent education of foundational safety practices involving constructive
10 execution of safety observations to drive safer work practices to further help employees to proactively
11 identify and address hazards that can contribute to safety incidents in the field.

12 Extended Reality (XR) are experiences that are computer-
13 simulated and provides digital overlays to enrich the real-world environment with interactive 3D models
14 and digital information. This technology enhances the user's perception of reality by superimposing
15 computer-generated images, sounds, or other sensory inputs onto the real-world environment. Projected
16 costs include an XR Platform that will connect to existing infrastructure to automatically record course
17 completion, house video recordings of performance and statistical information about learner
18 competencies and deploy content to learners using standard methods to initiate interaction with content.
19 Pricing includes connection to SCE's Learning Management System, unlimited access to the platform,
20 user management, content distribution, reporting, and ensuring that users have a similar experience
21 when accessing and interacting with content. With the proposed infrastructure, we can collect learning
22 and performance data as a performance predictor and monitor results to identify learners that require
23 additional assistance in high-risk areas.

24 A Safety & Soft Skills Catalog from the XR Platform includes off-
25 the-shelf content to reduce custom development costs. Pricing is based on a per-user fee, and users can
26 access content as often as desired. It includes hundreds of available titles, including Fall Protection,
27 Confined Spaces, LOTO, AED, Ladder Safety, Fire Hazards, First Aid, Bloodborne Pathogens,
28 Navigating Micro Aggressions, Gender Inclusion, Active Listening, Leadership Training, Presentation
29 Skills, and Harassment Prevention.

²⁶³ Serious Injury and Fatality.

1 Custom Content creation and hosting fees for SCE-specific
2 training are incurred for content that must be custom-created to represent the work environment or is
3 precisely aligned with corporate goals. Examples are content related to SCE’s Wildfire Resiliency
4 efforts, Vegetation Management programs, Overhead and Underground Equipment, and Bucket Truck
5 training. Custom Content is stored and deployed from the XR Platform, which charges \$6,750 per
6 module, regardless of the number of times accessed. Hosting fees may be adjusted downward depending
7 on the number of items SCE hosts on the platform.

8 A Virtual Campus allows SCE to deploy group training as an
9 Instructor-Led course with participants not requiring co-location. Reusable digital assets enable
10 individuals to work on the same tasks simultaneously. For example, annual compliance can be
11 conducted virtually with assets for everyone. Each person can be in a bucket lift and conduct activities in
12 a realistic, immersive, engaging environment where instructors can view the progress and movement of
13 each learner concurrently and may change out equipment types with the press of a few buttons, fostering
14 an ability to train on many types of assets in a single cohesive environment. The virtual campus can be
15 used enterprise-wide for soft skills training and technical trainings.

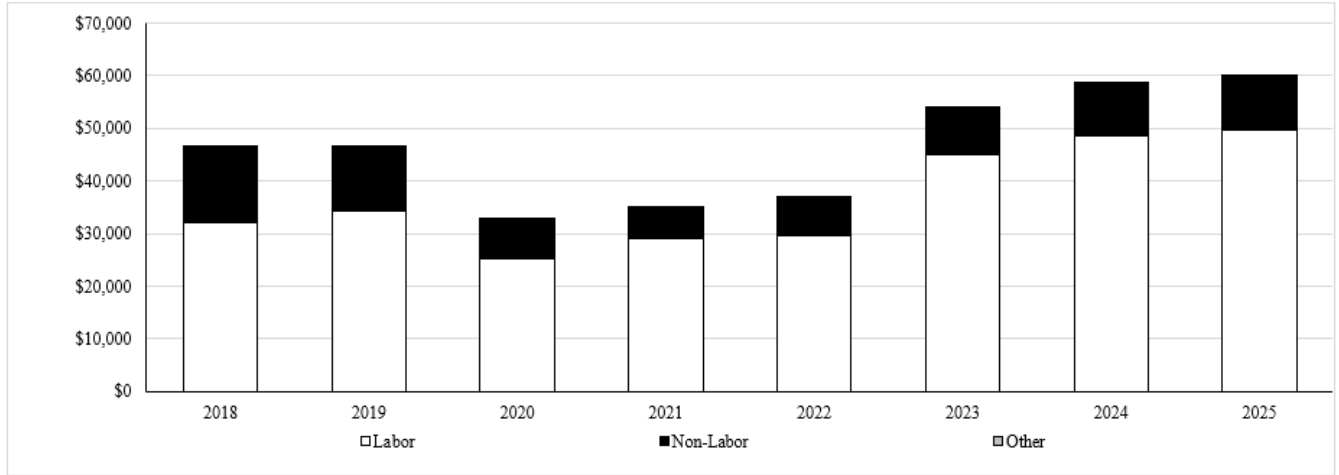
16 Finally, to date, SCE has invested in 200 XR devices and seeks to
17 add to the fleet by 500 devices per year until we are at scale. Over time, it is expected that device quality
18 will increase, and costs will decrease.²⁶⁴

19 **2. Training Seat Time and Delivery – Transmission and Distribution**

20 For Test Year 2025, SCE forecasts \$60.21 million for the following activities combined:
21 Training Delivery and Development – Transmission & Distribution and Training Seat Time –
22 Transmission & Distribution. Figure IV-33 shows recorded costs for the years 2018 through 2022, plus
23 SCE’s forecasted costs for Test Year 2025.

²⁶⁴ Refer to WP SCE-06, Vol. 04, Book C, pp. 231-232, Financial Support Required for XR.

Figure IV-33
Training Seat Time and Delivery – Transmission and Distribution
O&M Recorded / Forecasts²⁶⁵
(2022 Constant \$000)



| | Recorded | | | | | Forecast | | |
|----------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$32,137 | \$34,203 | \$25,270 | \$29,222 | \$29,770 | \$44,934 | \$48,527 | \$49,774 |
| Non-Labor | \$14,518 | \$12,595 | \$7,752 | \$5,953 | \$7,288 | \$9,061 | \$10,133 | \$10,438 |
| Other | | | | | | | | |
| Total Expenses | \$46,655 | \$46,798 | \$33,022 | \$35,175 | \$37,058 | \$53,995 | \$58,660 | \$60,212 |

a) Work Description

SCE uses both informal and formal training for the Transmission and Distribution workforce. Agile and informal training such as job-aids, on-the-job training, on-site mobile training subject matter experts, and similar delivery methods allow for flexibility of focus in a dynamic environment and shift employee learning to current, new and/or relevant processes, procedures, and skillsets to mitigate safety hazards in changing conditions.

In addition, SCE also utilizes formal training programs for structured and foundational training of the skills and knowledge needed to perform core work safely. This is particularly the case in parts of the Transmission and Distribution (T&D) operating unit, that has a variety of required technical skillsets, numerous hazards related to working with and around electricity, ongoing changes to tools and equipment, and advancements to keep pace with as the grid incorporates

²⁶⁵ Refer to WP SCE-06, Vol. 04, Book C, pp. 233-239, O&M Detail for Training Delivery and Development – Transmission and Distribution, and WP SCE-06, Vol. 04, Book C, pp. 240-246, O&M Detail for Training Seat Time – Transmission and Distribution.

1 new technologies and operating practices. Technical training is essential for maintaining the safety for
2 our employees, the public, and increasing the reliability and resiliency of our grid.

3 **(1) T&D Training**

4 T&D employees plan, engineer, construct, operate, repair, and maintain
5 the T&D facilities and equipment used to deliver electricity to SCE's customers throughout its 50,000
6 square mile service territory. To facilitate the work, T&D Training works in close collaboration with HR
7 Enterprise Learning & Development to develop and evaluate training that is subsequently reviewed,
8 implemented, and delivered by T&D Training through the various training programs to T&D
9 employees. The T&D technical training programs prepare employees to perform their jobs safely, to
10 comply with regulatory requirements and laws, maintain system reliability, and meet the demands of
11 new technology.

12 T&D Training focuses on ensuring proper physical capabilities and
13 enabling safe work practices to perform various field work processes by delivering a wide array of
14 training focused on specific on-the-job activities. Examples of these training courses include pole
15 climbing, hot sticking, rubber gloving, grid operations, rescue scenarios, electrician, operator, and test
16 apparatus training as well as many other topics covered through both new hire training and the various
17 Apprenticeship and technical skill programs within the T&D Training organization. Training is
18 supplemented by verification of knowledge retention through on-the-job (OJT) training logs, supervisor
19 validation, physical assessments, and knowledge assessments to ensure employees have the knowledge
20 and abilities required to complete work safely. In addition, T&D Training provides access to a large
21 volume of job-aids and training materials focused on the latest system and equipment design,
22 communications related to system operating bulletins and other materials related to proper utilization of
23 hardware in the field. O&M expenses associated with T&D's training programs include the work
24 activities Training Delivery and Development – Transmission & Distribution and Training Seat-Time –
25 Transmission & Distribution. Additionally, HR Enterprise Learning & Development maintains
26 additional forecasts related to training development for Transmission and Distribution through the
27 Employee Training and Development activity, as described in Section IV.B.1 above.

28 **(2) T&D Training Seat Time**

29 T&D Training Seat Time includes the labor and non-labor costs for
30 employees to attend company training programs. Seat time labor expenses account for the time
31 employees spend in training classes as a participating learner. Non-labor expenses are a function of labor

1 forecasts and include travel expenses associated with attending training, such as lodging, mileage, and
2 meals. Seat time is forecasted for T&D employees, who charge the majority of their daily labor to
3 capital work orders within their organizational units. To align T&D craft personnel charging capital
4 work orders for daily work with training activities defined as Operations and Maintenance (O&M), as
5 well as to maintain alignment of work to the appropriate GRC activities, T&D employees expense labor
6 hours during training activities to T&D Training accounting cost objects as O&M dollars for training
7 activities 31 minutes or greater in duration.

8 **(3) T&D Training Delivery**

9 T&D Training Delivery includes the labor, material, contract, and other
10 (LMCO) forecasted expenses associated with delivering training. T&D Training has a staff of full-time
11 instructors; however, adjunct instructors from SCE's field organizations supplement this staff in addition
12 to contracted third party instructors who are leveraged as needed, depending on class types. This allows
13 the training organization to control fixed costs by absorbing additional students while minimizing
14 permanent staff. The use of field employees to deliver training has the added benefit of immersing the
15 employee in the proper work practices, which they can then share with their co-workers when they
16 return to their field location. Contracted instructors are used to deliver training classes focused mainly
17 on industry standard procedures such as forklift operation, CPR, First Aid, and several others. This
18 creates benefits in reducing the risk of overutilizing SCE craft employees from the field as adjunct
19 instructors, thereby reducing the need to remove SCE personnel from daily work. This model is
20 beneficial when technical skills and grid knowledge unique to SCE is not required to facilitate and
21 deliver course curriculum.

22 In addition to labor and contract expenses, course materials and other
23 expenses associated with delivery are forecasted within this activity. Material forecasts include items
24 such as class notebooks, handouts, supplies, equipment, tools, and other materials needed as part of the
25 course delivery. Other expenses may include travel, meals, lodging, employee development and other
26 costs associated with enabling instructors to facilitate classes at the appropriate locations.

27 **b) Need for Activity**

28 Training for many work activities in T&D is uniquely technical with a focus on
29 the skills needed to understand and use complex, industry-specific tools and equipment – and in many
30 cases, in a dangerous environment. As a result, SCE continues to utilize a structured and formal
31 approach to train T&D employees.

1 Due to the level of technical knowledge required to construct, operate and
2 maintain the grid, and the complexities involved in the various processes and procedures associated with
3 doing so, failure to adequately train and prepare the T&D workforce results in an extremely high risk to
4 employee and public safety. Additionally, insufficient training results in decreased reliability for SCE
5 customers, increased risks of wildfire, and other hazards associated with incorrectly executing standards
6 and procedures as well as creating risks in meeting future objectives and initiatives, such as Pathway
7 2045.

8 In order to deliver safe and effective training, T&D Training programs utilize four
9 main practices: (1) using a formal structured approach to provide training in addition to informal
10 training, such as job-aids and self-directed materials; (2) leveraging multiple training delivery methods,
11 such as Computer Based Training (CBT) and Instructor-Led Training (ILT); (3) incorporating
12 assessments of employee performance; and (4) implementing programs to promote continuous learning
13 over a worker's career.

14 **c) Alternatives Considered**

15 Dedicated training delivery from T&D Training and the associated seat time are
16 critical to the success of appropriately training T&D personnel safely and effectively. SCE must ensure
17 that T&D employees are equipped with the technical knowledge and unique skills to do their jobs
18 effectively and conduct them safely while in the field.

19 As an alternative to the formalized and centralized training organization of T&D
20 Training, a de-centralized approach is an option considered and not implemented due to the critical
21 focus and attention needed, and achieved, through a centralized organization to meet training demands
22 safely and with alignment across multiple T&D organizations. Each of the major organizations within
23 T&D currently attend formal training programs facilitated by T&D Training personnel. In a
24 decentralized environment, each of these organizations would be required to begin training employees
25 within their own organizations through on-the-job training, peer-to-peer training, or other means as
26 determined by organizational leadership. This option has not been considered viable as it would result in
27 inconsistencies across the company, increased risks to safety and reliability as well as insufficient
28 workforce within the organizations to maintain, operate, schedule, monitor, track, and report on all of
29 the various components associated with effective and appropriate training for their staff. Therefore, SCE
30 remains consistent by keeping T&D Training centralized to a specialized and specific organization

1 responsible for all training activities associated with T&D Seat Time and Delivery within the formalized
2 programs of the T&D Training schools.

3 Mobile training has also been considered as a training delivery option, but has not
4 proven feasible due to the high volume of mobile instructional resources necessary, each with specific
5 and dedicated skillsets required to deliver training across the entire service territory within the necessary
6 time constraints and in alignment with work schedules for employees within T&D. This delivery method
7 has, however, been proven and implemented as a successful solution for specific programs such as
8 technical skill compliance training, and some entry-level programs with the additional benefits of
9 providing on-site subject matter expert support in the field. T&D Training is utilizing the viable
10 components of this training delivery method to expand the scope of mobile trainers, where appropriate,
11 beginning in 2023 by increasing resources and expanding program and content options delivered
12 through mobile training to meet training demand and field needs.

13 **d) RAMP Integration**

14 The RAMP control T&D Field-Based Training can influence several of the key
15 drivers of employee safety incidents.²⁶⁶ SCE describes the need and rationale for this work above in
16 Section IV.B.1.a).

17 **(1) Reconciliation Between RAMP and GRC**

18 Table IV-21 shows the financial forecasts and RSE values for the T&D
19 Field Based training RAMP control. There was a slight overall increase in the forecast resulting from
20 increased training demand in response to increased hiring to support the Safety Reliability Incentive
21 Investment Mechanism (SRIIM) requirements as indicated in prior GRCs, which also causes
22 downstream and compounded training demand increases as some employees transition into longer-term
23 multi-year Apprenticeship programs to support the SRIIM requirements. Additional detail related to
24 future training demand can be found in Section II.B.2.f)(2). The change in RSEs can be attributed to
25 SCE using the weighted average cost of capital (WACC) for future cost discounting.

²⁶⁶ More detail on the Employee Safety Risk can be found in SCE-06, Vol. 06.

Table IV-21
T&D Field Based Training
O&M Forecast - (Nominal \$000)²⁶⁷
Risk Spend Efficiencies

| RAMP Risk | RAMP ID | RAMP Control / Mitigation Name | GRC Activity | Filing | 2022 | 2023 | 2024 | 2025 | 2025 - 2028 RSE |
|-----------------|---------|--------------------------------|---|----------|-----------|----------|----------|----------|-----------------|
| Employee Safety | C3 | T&D Field Based Training | Training Delivery and Development - Transmission and Distribution | RAMP | \$6,392 | \$6,732 | \$7,054 | \$7,378 | N/A |
| | | | | GRC | \$5,020 | \$6,333 | \$6,445 | \$6,550 | N/A |
| | | | | Variance | (\$1,372) | (\$399) | (\$609) | (\$828) | N/A |
| Employee Safety | C3 | T&D Field Based Training | Training Seat-Time - Transmission and Distribution | RAMP | \$16,844 | \$17,406 | \$17,939 | \$18,475 | N/A |
| | | | | GRC | \$15,496 | \$19,089 | \$19,744 | \$20,364 | N/A |
| | | | | Variance | (\$1,348) | \$1,683 | \$1,805 | \$1,889 | N/A |
| Totals | C3 | T&D Field Based Training | - | RAMP | \$23,236 | \$24,138 | \$24,993 | \$25,853 | 58 |
| | | | | GRC | \$20,516 | \$25,422 | \$26,188 | \$26,914 | 44 |
| | | | | Variance | (\$2,720) | \$1,285 | \$1,195 | \$1,061 | (14) |

²⁶⁷ Refer to WP SCE-06, Vol. 04, Book C, pp. 227-230, RAMP to GRC Integration. Additional details on the Employee Safety risk can be found in WP SCE-06, Vol. 06, RAMP to GRC Integration – Employee Safety.

e) Comparison of Authorized 2021 to Recorded

Figure IV-34
Training Delivery and Development and Training Seat Time, Transmission & Distribution²⁶⁸
Authorized vs Recorded
(Constant 2022 \$000)

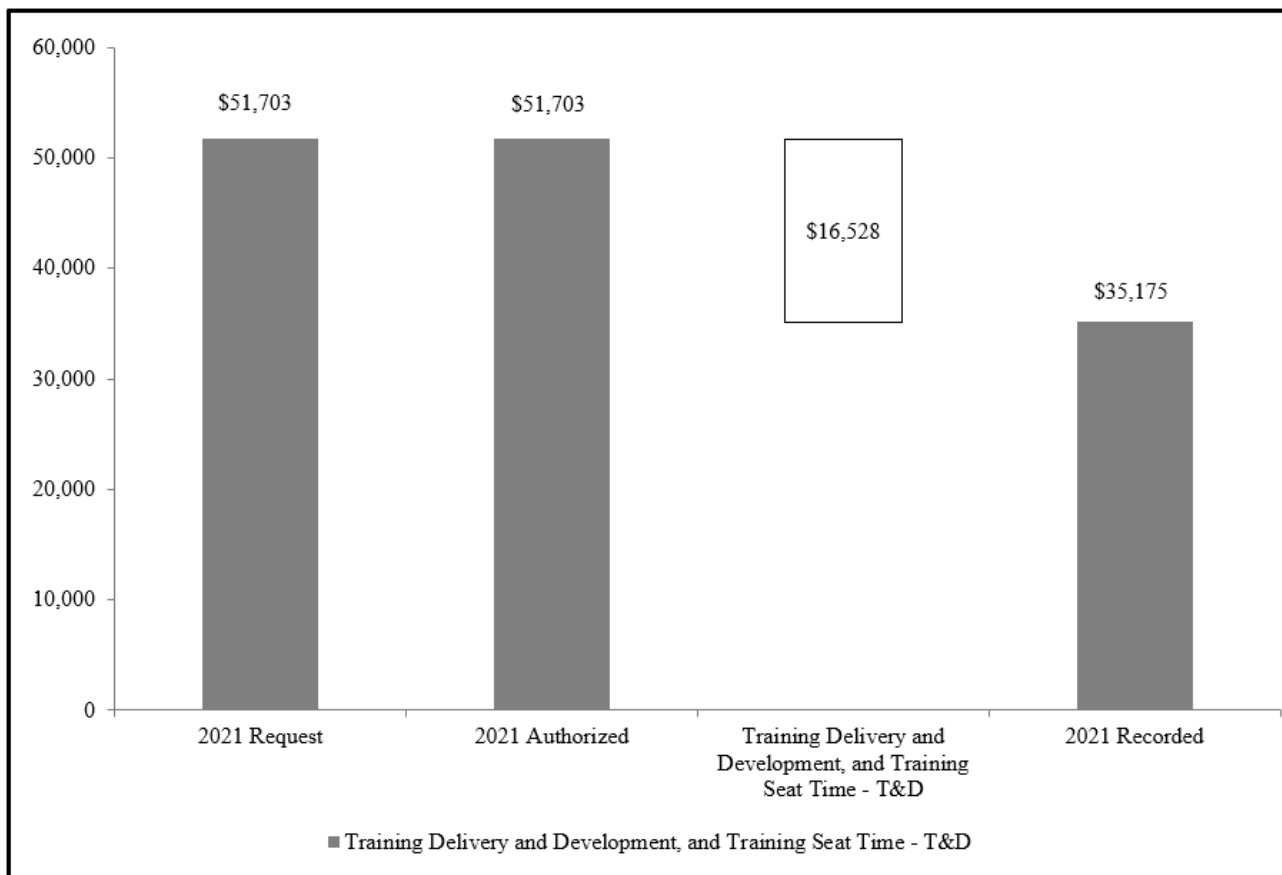


Figure IV-34 compares the amounts authorized by the Commission in the 2021 GRC to 2021 recorded O&M expenses for Training Delivery and Development – Transmission & Distribution and Training Seat Time – Transmission & Distribution. SCE was authorized \$51.70 million and recorded \$35.17 million for both activities combined. SCE incurred O&M expenses less than the authorized amounts for Training Seat Time as a result of deferring, eliminating, or rationing employee attendance to various classes, utilizing more electronic learning tools, occupying SCE locations rather

²⁶⁸ Refer to WP SCE-07, Vol. 01, Authorized vs. Recorded.

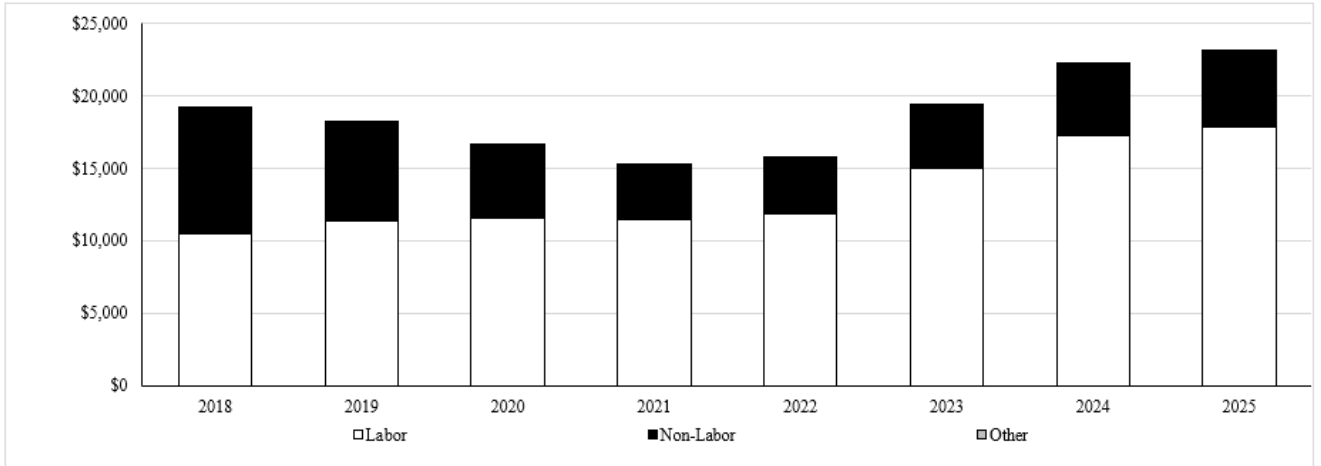
1 than off-site locations, practicing virtual training options, and optimizing schedules to reduce travel
2 expenses at the beginning of the COVID-19 pandemic in 2020, and continuing into 2021. In addition to
3 intermittent pauses and/or deferrals, SCE implemented safety protocols such as decreasing class sizes to
4 accommodate social distancing, utilization of outdoor training spaces and other practices ultimately
5 resulting in less training that was required to mitigate exposure and spread amongst attendees as much as
6 possible while safely training employees during the COVID-19 pandemic. As a result of decreased
7 training in 2020 and 2021 to mitigate safety risks, which will not be the case in future years, Seat Time
8 and Delivery expenses are expected to increase in upcoming years to meet the current training demands
9 and hiring expectations across the T&D organizational units.

10 **f) Scope and Forecast Analysis**

11 For Test Year 2025, SCE forecasts \$60.21 million for Training Delivery and
12 Development – Transmission & Distribution and Training Seat Time - Transmission & Distribution. The
13 historical O&M variance and forecast analyses for these activities are described in detail below.²⁶⁹

²⁶⁹ Separate and apart from the O&M training request presented in this testimony, there may be cases in which training activities are required to be capitalized. In these select cases, the costs for those training-related activities follow the capital work activity they support.

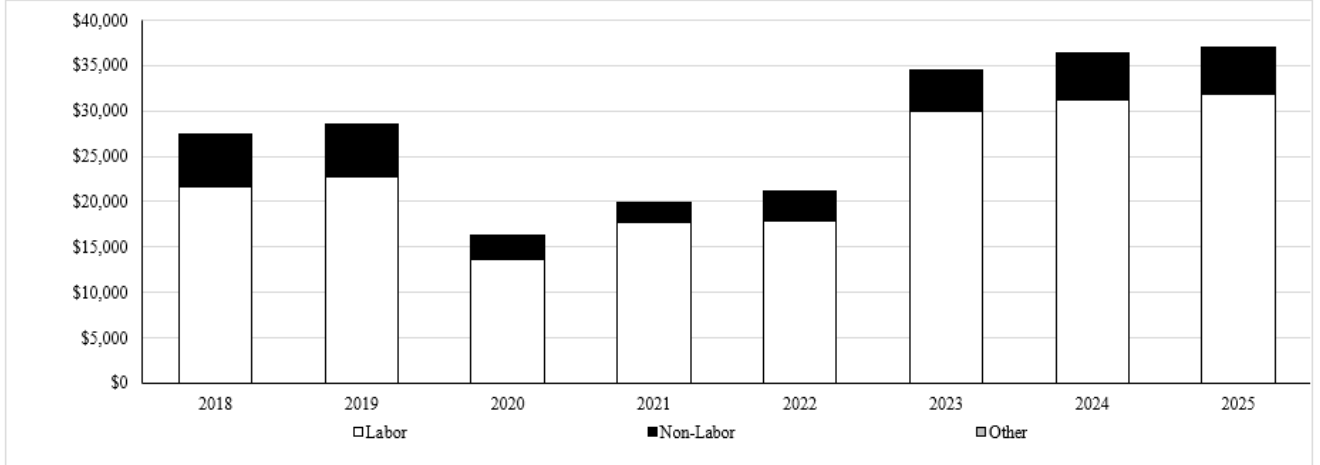
Figure IV-35
Training Delivery and Development – Transmission & Distribution
O&M Recorded / Forecasts²⁷⁰
(Constant \$000)



| | Recorded | | | | | Forecast | | |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| <i>Labor</i> | \$10,468 | \$11,417 | \$11,571 | \$11,473 | \$11,873 | \$15,043 | \$17,272 | \$17,870 |
| <i>Non-Labor</i> | \$8,790 | \$6,820 | \$5,082 | \$3,790 | \$3,951 | \$4,384 | \$5,026 | \$5,319 |
| <i>Other</i> | | | | | | | | |
| Total Expenses | \$19,258 | \$18,237 | \$16,653 | \$15,263 | \$15,824 | \$19,427 | \$22,298 | \$23,189 |

²⁷⁰ Refer to WP SCE-06, Vol. 04, Book C, pp. 233-239, O&M Detail for Training Delivery and Development – Transmission and Distribution.

Figure IV-36
Training Seat Time – Transmission & Distribution
O&M Recorded / Forecasts²⁷¹



| | Recorded | | | | | Forecast | | |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Labor | \$21,669 | \$22,786 | \$13,699 | \$17,749 | \$17,897 | \$29,890 | \$31,255 | \$31,904 |
| Non-Labor | \$5,728 | \$5,776 | \$2,669 | \$2,163 | \$3,338 | \$4,677 | \$5,107 | \$5,119 |
| Other | | | | | | | | |
| Total Expenses | \$27,397 | \$28,562 | \$16,368 | \$19,912 | \$21,235 | \$34,567 | \$36,362 | \$37,023 |

(1) Historical Variance Analysis

(a) Training Delivery

Figure IV-35 shows the recorded and forecasted O&M costs for T&D’s Training Delivery and Development – Transmission & Distribution work activity.

(i) Labor

From 2018 to 2019 Training Delivery labor expenses resulted in a 10 percent variance higher in 2019. The labor variance is due to the Mobile Training program expenses resulting from an increase to the Mobile Training staff and delivery.

Training Delivery labor expenses were relatively consistent from 2019 to 2022.

²⁷¹ Refer to WP SCE-06, Vol. 04, Book C, pp. 240-246, O&M Detail for Training Seat Time – Transmission and Distribution.

1 (ii) **Non-Labor**

2 From 2018 to 2019, non-labor expenses had a variance of
3 30 percent lower in 2019 than 2018. The non-labor variance is mainly due to the decrease in several
4 contract vendors and material expenses resulting from transitions in training program structure to web-
5 based curriculum requiring less contract, delivery, and design support and a reduction in materials
6 needed, as the trainings transitioned from traditional classroom learning to web-based delivery.

7 From 2019-2020, non-labor expenses had a variance of 25
8 percent lower in 2020 compared to 2019. Non-labor delivery expenses include contract, material and
9 other costs associated with delivering training classes. Due to the global COVID-19 pandemic, T&D
10 Training was required to pause all training efforts from March 16, 2020, through July 20, 2020, and
11 again from Jan 11, 2021, through February 23, 2021. As a result, fewer non-labor expenses were
12 required to deliver training, including contracted instructor costs and decreased needs for materials,
13 equipment, and other expenses, such as travel that would normally be needed in a traditional in-person
14 delivery environment.

15 From 2020-2021, non-labor expenses had a variance of 9
16 percent lower in 2021 than 2020. This is due to the continued impacts of COVID-19 work settings
17 resulting in capacity constraints upon re-entry, social distancing requirements, and scheduling
18 adjustments to accommodate these safety protocols resulting in fewer classes than in a non-COVID-19
19 environment. Instructional delivery changes were made to some courses that previously utilized contract
20 adjunct support instructors; instruction was transitioned to utilize internal SCE adjunct instruction,
21 which resulted in a decrease to non-labor contract expenses. Additionally, T&D Training continued with
22 virtual learning as much as possible, even upon re-entry, to ensure employee safety resulting in standard
23 non-labor expenses required for in-person training no longer being required, such as instructor travel
24 expenses.

25 From 2021-2022, non-labor expenses remained relatively
26 consistent, with a 7 percent variance increase from 2021, as SCE maintained similar training delivery
27 processes and procedures from 2021.

28 (b) **Training Seat Time**

29 Figure IV-36 shows the recorded and forecast costs for T&D's
30 Training Seat Time – Transmission & Distribution work activity.

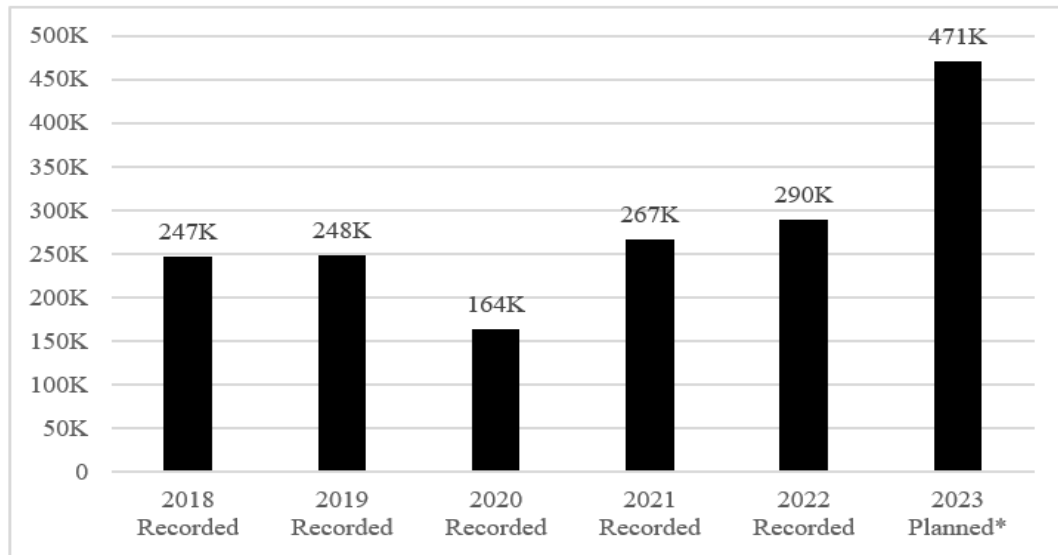
1 (i) **Labor**

2 From 2019 to 2020 Seat Time labor recorded a 29 percent
3 variance lower in 2020 than 2019 and increased by 36 percent in 2021 compared to 2020. This variance
4 is a result of the COVID-19 pandemic in 2020 where T&D Training was required to pause, cancel
5 and/or defer training in order to maintain employee safety when participating in previously scheduled in-
6 person, instructor-led training classes without the alternative to attend virtual training. In 2020, training
7 pauses occurred between March 16, 2020, and July 19, 2020, resuming on July 20, 2020, with an
8 additional pause from January 11, 2021, through February 22, 2021, resuming on February 23, 2021,
9 under strict COVID-19 restrictions and protocols.

10 In 2020, T&D Training adapted to fluid and dynamic safety
11 protocols in partnership with the COVID-19 Project Management Organization (PMO) to determine
12 training pauses and re-entry in addition to understanding and implementing the appropriate protocols, as
13 applicable, related to social distancing, room capacity, mask requirements, and other means taken to
14 keep employees safe when in re-entry periods. Additionally, T&D Training identified virtual conversion
15 opportunities as much as possible to either conduct training through virtual instructor-led and/or at home
16 and/or conversion of previous instructor-led training courses to web-based training courses. Due to the
17 complex nature of the content and hands-on needs for effective and safe training within T&D Training,
18 the majority of classes were unable to be converted to virtual settings and therefore resulted in
19 cancellations, or deferrals, until safe re-entry was evaluated and approved by SCE.

20 As a result, re-entry periods in 2021 resulted in a higher
21 volume of training classes due to the lessening of COVID-19 impacts in comparison to 2020 resulting in
22 higher seat time labor expenses of 36 percent in 2021 than 2020; however, many protocols were still in
23 place and some classes continued to be deferred and/or canceled in order to make up previously
24 scheduled classes (from 2020) resulting in higher volumes of classes in 2021 than in 2020. As the
25 impacts of COVID-19 continue to decline, it is expected that training volume will continue to increase
26 as a result of increased hiring, returning to normal training levels and/or continued make-up from prior
27 deferrals as shown in Figure IV-37 below. T&D Training continues to work in close partnership with the
28 SCE COVID-19 PMO to ensure safe training environments and will continue to adapt and adjust as
29 required to maintain the health of employees as much as possible.

Figure IV-37
Year-Over-Year T&D Student Training Hours (Seat Time) Delivered



*2023-2025 student hours are expected to remain consistent as the basis for the GRC forecast

(ii) Non-Labor

Non-labor expenses recorded a 44 percent variance less in 2020 than 2019 and 11 percent less in 2021 compared to 2020. This is due to the same COVID-19 impacts explained in the Labor Seat Time historical variance analysis above with fewer in-person classes in 2020 resulting in fewer employee expenses. By continuing to leverage hybrid and/or virtual learning opportunities in 2020 and 2021, non-labor expenses including travel mileage, lodging, etc. associated with attending in-person training resulted in a decrease of non-labor seat time expenses.

From 2021-2022, Seat Time non-labor expenses increased by 55 percent in 2022 compared to 2021 due to higher volumes of in-person training sessions as COVID-19 recovery allowed. This resulted in increased travel, meals, lodging, and employee expenses for employees to attend in-person training previously limited to mitigate safety risks in prior years to adhere with COVID-19 protocols.

(2) Forecast

The O&M expenses for Training Delivery and Development – Transmission & Distribution and Training Seat Time – Transmission & Distribution activities and demand are anticipated to increase post-stabilization of COVID-19 impacts. SCE utilizes a bottoms up itemized forecast methodology for both activities, Training Delivery and Development – Transmission

1 & Distribution and Training Seat Time – Transmission & Distribution, based on the volume of expected
2 training hours to be delivered and standard labor rates averaged by class type for the employee job
3 classifications planned to attend training and/or staff and personnel associated with delivering and
4 operating training programs. Estimated rates and quantities of non-labor expenses anticipated to be
5 needed to accommodate delivery to the forecasted Seat Time training hours are used to forecast non-
6 labor expenses. The itemized forecast²⁷² and any applicable labor adjustments²⁷³ therefore serve as the
7 basis for the 2025 Test Year forecast. Additionally, the 2025 GRC forecast includes \$2.6 million total
8 combined organizational training dollars distributed within each of the T&D business units for any T&D
9 Seat Time and T&D Delivery for training outside of craft technical skills within T&D. This may include
10 training for items such as soft-skills, workshops, or office skills and may include Wildfire training for
11 Public Safety Power Shutoff events, other Wildfire resiliency events, or training programs associated
12 with Wildfire-specific curriculum.

13 Figure IV-37 illustrates the increased volume of student training hours
14 (Seat Time hours) in 2023 in comparison to prior years, which is anticipated to remain consistent with
15 future training demand. This increased training demand results in increased training forecasted expenses
16 compared to prior years for both the Seat Time and Delivery activities. Seat Time represents the student
17 hours for those attending training and their non-labor expenses, whereas Delivery represents the costs
18 associated with instructional facilitation of these classes and associated non-labor expenses. These
19 forecast items are explained in Section IV.B.2.f(2)(a) for Delivery and Section IV.B.2.f(2)(b) for Seat
20 Time below.

21 **(a) Training Delivery**

22 Figure IV-35 shows the forecasted Test Year 2025 O&M costs for
23 T&D’s Training Delivery work activity totaling \$23.189 million.

²⁷² Refer to WP SCE-06, Vol. 04, Book C, pp. 247-249, T&D Seat Time and Delivery 2025 Forecast Structure.

²⁷³ The forecast includes a \$1.4 million total combined increase for both activities (Training Delivery-
Transmission and Distribution and Training Seat Time – Transmission and Distribution) in 2025 attributable
to reflect certain changes made to SCE’s employee compensation program. Please refer to Section III.A.5 of
this volume of testimony.

1 SCE requests incremental costs within Training Delivery to
2 support the increased training demand resulting primarily from increased hiring in the field to support
3 projects within the main organizational units of T&D.²⁷⁴

4 Ultimately, the additional costs requested for these increased
5 resource needs support the alignment of emergent activities within the T&D organizational units. Most
6 notably, requiring increased hiring to support company and departmental plans, objectives and initiatives
7 and the increased resources requested will enable these employees to onboard successfully with optimal
8 staffing levels in T&D Training. This will provide learners with the skills and knowledge necessary to
9 perform their jobs safely in accordance with new procedures, work methods, and associated technology.
10 Safety is SCE's number one priority and ensuring appropriate resources to deliver proper training
11 through these training programs is critical to help ensure SCE's workforce is equipped with the
12 knowledge and skillsets to safely and confidently perform work on the SCE system.

13 (i) **Labor**

14 SCE forecasts \$17.870 million for labor expenses for the
15 2025 Test Year associated with the Training Delivery and Development – Transmission & Distribution
16 work activity. The Training Delivery labor forecast consists of adjunct, internal SCE employees from
17 other organizations to facilitate training, in addition to T&D Training staff and personnel, including
18 permanent instructors, back-office support, analytical support, administrative support, and leadership.
19 All are included in the Training Delivery activity and the forecast is calculated based on full-time
20 employment utilizing the midpoint of the average market reference structure for each individual job
21 classification.

22 In addition to continuing existing training for the current
23 organization, SCE anticipates the need to meet higher training demands in the coming years that will
24 have a compounded effect due to some multi-year programs, such as the Apprenticeship Programs,
25 requiring longer commitments from employees and ongoing needs for increased resources to support
26 increased demand. This increase in training demand results from new system implementations, skill-
27 based training expansions, safety and resiliency initiatives²⁷⁵ and also accompanies several of the

²⁷⁴ Refer to SCE-02, Vol. 02 – Distribution Inspections & Maintenance and Capital-Related, SCE-02, Vol. 04 –
Transmission Grid, SCE-02, Vol. 06 Grid Modernization, Grid Technology and Energy Storage, SCE-02,
Vol. 07 – Load Growth, Transmission Projects, and Engineering and SCE-02, Vol. 05 – Substation.

²⁷⁵ Refer to SCE-06, Vol. 06, Part III, Safety Programs.

1 emergent initiatives that SCE is focusing on throughout this GRC period, including increased training
2 related to the SRIIM hiring.²⁷⁶ To perform the amount of work laid out in this GRC, SCE must grow its
3 field workforce. This anticipated growth is exemplified through the headcount targets, included as part
4 of SCE's SRIIM.

5 SCE proposes to increase the headcount target for field
6 worker positions, including but not limited to Groundman, Lineman, Patrolman, Test Technicians,
7 Troublemaker, System Operators, Apparatus Technicians and many others to execute the work proposed
8 in this GRC. This workforce will require substantial training as indicated above. Further information on
9 the SRIIM headcount target can be found in Exhibit SCE-02, Volume 01, Part 2, Safety and Reliability
10 Investment Incentive Mechanism (SRIIM). In addition, some T&D organizations not impacted by
11 SRIIM must, nevertheless, also increase hiring to meet the demand of increased capital work, most
12 notably within the Service Planning organization supporting capital work. This results in significant
13 increases to hiring forecasts and subsequent increased training demand for these new employees as
14 determined by organizational leadership.

15 In order to meet this increased training demand, T&D
16 Training staff and personnel, as part of the Training Delivery activity, have been incrementally
17 requested in order to support this anticipated training demand by hiring additional permanent instructors,
18 leaders, analytical and advisory support and other roles critical to the operations of T&D Training. The
19 forecast includes additional, incremental costs of \$2.8 million to account for increased labor needs and
20 training demand anticipated in future years with the hiring of 22 additional staff to support ongoing
21 Training Delivery.

22 In addition to permanent instructional support and T&D
23 Training personnel, incremental requests in the Training Delivery activity also include the increased
24 costs forecast for adjunct field support to supplement permanent staff in T&D Training to effectively
25 and efficiently deliver classes as scheduled, while also ensuring a quality learner experience through the
26 appropriate student-to-instructor ratios. The rates used to calculate and forecast adjunct instructional
27 support are in alignment with union agreements, and upgrade allotments as determined by T&D
28 leadership when field employees conduct Training Delivery. The additional classes resulting from
29 increased hiring generate the need for additional instructional support both permanently and through

²⁷⁶ Refer to SCE-02, Vol. 02, Part IV, Safety and Reliability Investment Incentive Mechanism (SRIIM).

1 adjunct instruction while also requiring additional operational personnel support to maintain the
2 logistics, scheduling, planning, tracking, monitoring, reporting and other critical operational business
3 functions of the T&D Training organization at increased volumes.

4 **(ii) Non-Labor**

5 SCE's non-labor forecast for Test Year 2025 for the
6 Training Delivery and Development – Transmission & Distribution work activity is \$5.319 million. SCE
7 forecasts delivery costs for contract facilitators and/or suppliers based on the product of the number of
8 required delivery hours, service hours, or unit costs according to the training course, supply needs, and
9 the applicable rates within the associated contract. Contracted facilitation is used for certain classes to
10 supplement adjunct and/or permanent instructional staff and contracts are also leveraged for some
11 services and supplies associated with training delivery. Additionally, material costs within the Training
12 Delivery activity are calculated based on the product of the cost per unit and the number of units
13 required as determined by the number of sessions and/or quantity of materials and equipment required to
14 deliver the current structure of the course curriculum. Other costs consist of employee expenses, travel,
15 meals, lodging, development, or other non-labor expenses associated with labor resources operating
16 training delivery and facilitation.

17 **(b) Training Seat Time**

18 Figure IV-36 shows the forecasted O&M costs for Test Year 2025
19 for T&D's Training Seat Time – Transmission & Distribution work activity of \$37.023 million.²⁷⁷

20 In addition to the forecast for structured foundational core training,
21 SCE adds incremental expenses to cover the costs of necessary activities resulting from increased
22 training demand in the Training Seat Time – Transmission & Distribution activity. The incremental
23 labor forecast is based on the forecasted number of training hours multiplied by the standard hourly rate
24 for each job classification attending training averaged by class type. The incremental non-labor costs are
25 based on the associated needs of participating learners for any travel, mileage, lodging, meals, or other
26 expenses, if any, when attending in-person training programs.

²⁷⁷ Included in the Test Year forecast are employee-led efficiency savings of \$0.068 million related to reduced premium time training. Please refer to SCE-06, Vol. 03, Enterprise Planning and Governance, for additional details.

1 (i) **Labor**

2 The labor forecast for Test Year 2025 for the Training Seat
3 Time – Transmission & Distribution work activity is \$31.904 million. The incremental Training Seat
4 Time labor forecast aligns with the incremental Training Delivery forecast described above related
5 mainly to the required hiring to meet the SRIIM, as defined in prior GRCs to operate a safe and reliable
6 grid while also meeting business line operational requirements for increased hiring most notably in the
7 Service Planning organization as described above. The incremental Training Delivery forecast described
8 above is associated with facilitating the training, whereas the incremental Training Seat Time is the
9 labor hours associated with the learners attending training classes. The increased volume of training
10 hours to be delivered resulting from increased hiring is a direct relationship to the incremental Training
11 Seat Time forecast where the students will attend these classes and, in some cases, will continue to have
12 multi-year impacts for programs in extended and/or multi-year duration, such as the three-year
13 Apprenticeship programs.

14 (ii) **Non-Labor**

15 SCE forecasts \$5.119 million for Test Year 2025 for
16 Training Seat Time – Transmission & Distribution non-labor expenses. The incremental Training Seat
17 Time non-labor forecast utilizes a 17 percent average expected percentage as a function of labor to be
18 associated with non-labor expenses such as travel, meals, lodging, mileage, or other expenses necessary
19 for employees to attend in-person training. The incremental non-labor forecast is in direct correlation to
20 the increased Seat Time labor forecast for expenses related directly to employees attending training
21 classes.