Docket	:	A.10-11-015
Exhibit Number	:	DRA-10
Commissioner	:	Simon
ALJ	:	Darling
Witness	:	Chia

DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations for Southern California Edison Company General Rate Case Test Year 2012

Customer Service Business Unit Costs

San Francisco, California
May 11, 2011

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CUSTOMER SERVICE BUSINESS UNIT COSTS

I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Division of Ratepayer Advocates (DRA) regarding the forecasts of Southern California Edison Company's (SCE or Edison) Customer Service Business Unit (CSBU) expenses for Test Year 2012 and a separate forecast for 2013, CSBU capital expenditures for 2010 through 2012, Uncollectibles expense for 2012, Other Operating Revenues (OOR) for 2012, Gains and Losses on Sale of Property for 2012, and Cost Recovery of Retired Meters.

SCE's CSBU has the Customer Service Operations Division (CSOD), which delivers customer services to all SCE customers, and the Customer Service and Information Delivery (CS&ID) functions, which addresses the customer service needs of SCE's nonresidential customers such as government, commercial, industrial, and agricultural customers.[1] The Operation and Maintenance (O&M) expenses for the Customer Service Operations activities are recorded in Federal Energy Regulatory Commission (FERC) Accounts 901 through 905, which are designated as "Customer Accounts" and certain portions of FERC Accounts 580, 586, 587, and 597, which are designated as "Distribution Accounts."[2] CS&ID records expenses in FERC Accounts 907, 908, 916 (CS&ID Accounts), 920, 927 (A&G Accounts), and 408 (Tax Expense Accounts).

A. 2012 Test Year Business As Usual O&M Forecast

In the Edison SmartConnect deployment decision (D.08-09-039), the Commission approved a Settlement Agreement between SCE and the DRA that established the Edison SmartConnect Balancing Account (ESCBA) for operation through the end of 2012. According to SCE, because the ESCBA will operate

[1] Ex. SCE-04, Vol. 3, p. 1.

[2] Ex. SCE-04, Vol. 2, pp. 1 and 115

during 2012, the TY 2012 forecast for CSBU operations needs to be developed on a business as usual basis without Edison SmartConnect costs or benefits, whereby in 2012, all Edison SmartConnect incremental costs and benefits will continue to flow through the ESCBA. SCE's TY 2012 forecast for CSBU operations will include normal ratemaking treatment of all non-Edison SmartConnect related costs and benefits and include FERC Account-by-FERC Account adjustments for customer growth, productivity and non-Edison SmartConnect-related program changes forecasted between the recorded 2009 base year and the TY 2012.[3]

DRA forecasts TY 2012 expenses for CSBU operations on a business as usual basis without Edison SmartConnect costs or benefits.

B. 2013 O&M Forecast with Edison SmartConnect Fully Deployed

SCE anticipates that SmartConnect deployment will be fully implemented by the end of 2012. SCE developed a forecast to reflect the expected CSBU operations in 2013 based on the assumption that Edison SmartConnect will be fully deployed throughout CSBU. SCE developed the 2013 forecast by using 2009 recorded costs as the starting point and included all forecasted Edison SmartConnect incremental costs and benefits. The separate 2013 forecast for CSBU operations will be reflected in SCE's 2013 attrition mechanism as a specific adjustment.[4] SCE states that this method provides avoidance of double recovery and increased transparency of cost recovery.[5]

DRA forecasts 2013 expenses as if the Edison SmartConnect deployment is fully implemented. The Commission should consider DRA's 2013 forecasts if it does not adopt the Post Test Year Ratemaking proposals presented in Exhibit DRA-21.

[3] Exhibit SCE-4, Volume 1, p.15

[4] Exhibit SCE-4, Volume 1, pp. 15 and 16

[5] Exhibit SCE-4, Volume 1, p. 24

II. SUMMARY OF RECOMMENDATIONS

As part of its analysis, DRA reviewed numerous exhibits and volumes of work papers, numerous sets of data requests, and met with SCE's staff.

The following summarizes DRA's recommendations associated with CSBU expenses:

- DRA recommends a TY 2012 forecast of $274.154 million for CSBU expenses, compared to SCE's forecast of $300.411 million. This represents a $26.257 million adjustment to SCE's forecast.
- DRA forecasts $226.069 million for 2013 CSBU expenses, compared to SCE's forecast of $275.646 million. This represents a $49.577 million adjustment to SCE's forecast.

The following summarizes DRA's recommendations associated with CSBU capital expenditures:

- DRA recommends $50.768 million in 2010, $40.159 million in 2011, and $37.462 million in 2012 for CSBU capital expenditures. This compares to SCE's forecast of $69.824 million in 2010, $72.744 million in 2011, and $75.141 million in TY 2012.

The following summarizes DRA's recommendations associated with CSBU-related Other Operating Revenues (OOR) and Gains/Losses on Sale of Property:

- DRA recommends a TY 2012 forecast of $43.091 million for CSBU-related OOR, compared to SCE's forecast of $37.783 million. This represents a $5.308 million adjustment to SCE's forecast.
- DRA recommends a TY 2012 forecast of $1.788 million for gains on minor sales of property, compared to SCE's forecast of $713,000. This represents a $1.075 million adjustment to SCE's forecast.

The following summarizes DRA's recommendations associated with the cost recovery of retired legacy meters:

- DRA recommends that the net plant balance of $308.699 million be amortized over six years with no rate of return, resulting in a rate recovery of the undepreciated portion of the legacy meters at six equal amounts of $52.041 million for each year from 2012 to 2017.
- DRA also recommends that the rate recovery of the undepreciated portion of the legacy meters over the six-year amortization should not receive escalation or attrition increases.

Table 10-1a compares DRA's and SCE's TY2012 forecasts of CSBU expenses:

Table 10-1a
CSBU Expenses for TY2012
(In Thousands of 2009 Dollars)

Description (a)	DRA Recommended (b)	SCE Proposed[6] (c)	Amount SCE>DRA (d=c-b)	Percentage SCE>DRA (e=d/b)
901-Business Units Mgt. & Support	13,332	14,630	383	2.9%
902-Meter Reading	44,301	46,202	1,901	4.3%
903-Customer Records & Collection	106,015	115,102	9,087	8.6%
905-Misc. Customer Accts Expense	12,325	14,534	2,209	17.9%
580-Operation, Supervision, & Eng.	6,906	6,906	0	0%
586-Meter Expense	28,330	29,670	1,340	4.7%
587-Customer Installation Expense	8,363	8,363	0	0%
597.4-Maintenance of Meters	1,689	1,689	0	0%
904-Uncollectible Expenses	0.229%	0.229%	0	0%
Total CSOD	**221,261**	**237,096**	**15,835**	**7.2%**
408-Business License Tax	623	623	0	0%
907-Business Unit Mgmt. & Support	10,729	10,729	0	0%
908-Customer Assistance Expense	31,614	37,882	4,508	13.5%
916-Mis. Sales Expense	630	1,458	828	131%
920-Local Public Affairs	9,297	12,624	3,327	35.8%
Total CSID	**52,893**	**63,315**	**10,422**	**19.7%**
TOTAL CSBU	**274,154**	**300,411**	**26,257**	**9.6%**

6 Exhibit SCE-4, Volume 2, pp. 116 and 117

Table 10-1b compares DRA's and SCE's 2013 forecasts of CSBU expenses:

Table 10-1b
CSBU Expenses for 2013 Forecast
(In Thousands of 2009 Dollars)

Description (a)	DRA Recommended (b)	SCE Proposed[7] (c)	Amount SCE>DRA (d=c-b)	Percentage SCE>DRA (e=d/b)
901-Business Units Mgt. & Support	13,332	14,772	1,440	10.8%
902-Meter Reading	16,110	25,455	9,345	58.0%
903-Customer Records & Collection	96,434	115,963	19,529	20.3%
905-Misc. Customer Accts Expense	12,281	15,936	3,655	29.8%
580-Operation, Supervision, & Eng.	7,882	7,882	0	0%
586-Meter Expense	17,613	19,572	1,959	11.1%
587-Customer Installation Expense	5,641	7,549	1,908	33.8%
597.4-Maintenance of Meters	1,911	1,911	0	0%
904-Uncollectible Expenses	0.229%	0.229%	0	0%
Total CSOD	**171,204**	**209,040**	**37,836**	**22.1%**
408-Business License Tax	623	623	0	0%
907-Business Unit Mgmt. & Support	11,123	11,123	0	0%
908-Customer Assistance Expense	33,192	40,778	7,586	22.9%
916-Mis. Sales Expense	630	1,458	828	131%
920-Local Public Affairs	9,297	12,624	3,327	35.8%
Total CSID	**54,865**	**66,603**	**11,741**	**21.4%**
TOTAL CSBU	**226,069**	**275,646**	**49,577**	**21.9%**

[7] Exhibit SCE-4, Volume 2, pp.116 and 117

Table 10-2 compares DRA's and SCE's 2010-2012 forecasts of CSBU capital expenditures:

Table 10-2
CSBU Capital Expenditures for 2010-2012
(In Millions of Nominal Dollars)

Description	DRA Recommended			SCE Proposed[8]		
	2010	2011	2012	2010	2011	2012
Structure & Improvements	2.931[9]	1.295	2.235	2.125	1.295	5.735
Office Furniture & Equipment	0.671[10]	0.752	0.752	4.699	4.527	2.100
Specialized Equipment	6.301[11]	1.212	0.975	1.450	1.212	0.975
Meters	15.552[12]	11.900	8.500	25.657	24.310	23.321
Capitalized Software	25.313[13]	25.000	25.000	35.893	41.400	43.010
TOTAL	50.768	40.159	37.462	69.824	72.744	75.141

[8] Exhibit SCE-4, Volume 4, p. 3

[9] SCE's response to DRA-SCE-226-SWC, question 1

[10] SCE's response to DRA-SCE-76-SWC, question 4

[11] SCE's response to DRA-SCE-226-SWC, question 2

[12] SCE's response to DRA-SCE-112-SWC, question 1.a.

[13] SCE's response to DRA-SCE-92-SWC, questions 5 to 8

III. DISCUSSION / ANALYSIS OF THE CSBU EXPENSES

A. Adjusted Recorded Expenses and Forecasts for CSBU

Table 10-3 provides an overview of SCE's CSOD and CSID's recorded adjusted data from 2005 to 2009 and TY 2012 and a separate 2013 forecasts.

Table 10-3
Customer Service Business Unit
Operations & Maintenance Expenses[14]
(in Thousands of 2009 Dollars)

Description	FERC Account	2005	2006	2007	2008	2009	SCE forecast 2012	SCE Forecast 2013
Business Units Mgt. & Support	901	$14,239	$13,891	$12,372	$14,096	$12,062	$14,630	$14,722
Meter Reading	902	45,036	45,704	45,739	46,928	44,301	46,202	25,455
Customer Records & Collection	903	101,358	102,602	103,980	106,185	106,017	115,102	115,963
Misc. Customer Accts. Exp.	905	10,970	11,592	11,562	9,286	12,230	14,534	15,936
Operation, Supervision, & Eng.	580	5,261	5,417	5,259	6,387	6,382	6,906	7,882
Meter Expense	586	26,812	26,872	27,341	26,779	27,519	29,670	19,572
Customer Installation Exp.	587	8,423	9,357	9,825	8,517	7,973	8,363	7,549
Maintenance of Meters	597.4	2,210	2,203	2,281	2,123	1,659	1,689	1,911
Uncollectible Expenses	904	0.11%	0.11%	0.19%	0.22%	0.24%	0.229%	0.229%
Total CSOD		**214,309**	**217,638**	**218,359**	**220,301**	**218,143**	**237,096**	**209,040**
Business License Tax	408	307	378	455	400	482	623	623
Business Unit Mgt. & Support	907	7,186	7,384	8,113	8,610	9,532	10,729	11,123
Customer Assistance Expenses	908	29,585	31,197	31,665	30,364	31,175	37,882	40,775
Miscellaneous Sales Exp.	916	254	435	405	712	1,458	1,458	1,458
Local Public Affairs	920	9,126	8,422	8,854	9,190	10,896	12,624	12,624
Total CSID		**46,458**	**47,816**	**49,492**	**49,276**	**53,543**	**63,315**	**66,603**
Total CSBU		**260,767**	**265,454**	**267,851**	**269,577**	**271,686**	**300,411**	**275,643**

[14] Exhibit SCE-4, Volume 2, pp. 114 to 118; Exhibit SCE-4, Volume 3, pp. 105 and 106

The discussion that follows focuses on the accounts where DRA has differences with SCE's TY 2012 and 2013 forecasts.

B. FERC Account 901 – Business Unit Management and Support

FERC Account 901 records costs incurred in the general management and support of Customer Service Operations, such as Finance and Administration, Business Planning, Regulatory and Tariff Program Support, Training, and Program Management Organization support of Customer Service.[15] Table 10-4 presents the recorded adjusted expenses for 2005 through 2009 for FERC Account 901.

Table 10-4
FERC Account 901
2005-2009 Recorded Expenses[16]
(in Thousands of 2009 Dollars)

FERC Account 901	2005	2006	2007	2008	2009
Labor	10,667	10,587	9,613	10,973	8,957
Non-Labor	3,572	3,304	2,759	3,123	3,105
Total	14,239	13,891	12,372	14,096	12,062

Table 10-5 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 901.

Table 10-5
FERC Account 901[17]
2012 and 2013 Forecasted Expenses
(in Thousands of 2009 Dollars)

FERC Account 901	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	8,957	10,542	10,159	383	10,703	10,159	544
Non-Labor	3,105	4,088	3,173	915	4,069	3,173	896
Total	12,062	14,630	13,332	1,298	14,772	13,332	1,440

[15] Exhibit SCE-4, Volume 2, p. 118

[16] Exhibit SCE-4, Volume 2, p. 119

[17] Exhibit SCE-4, Volume 2, p. 119

1. SCE's Request for 2012 Test Year (Business as Usual) for FERC Account 901

SCE is requesting $14.630 million or an increase of $2.568 million above 2009 recorded expenses for FERC Account 901 for TY 2012.[18] SCE used 2009 recorded expenses of $12.062 million and made six test year adjustments to forecast TY 2012 expenses.

The first test year adjustment of a $221,000 increase is to reflect a cumulative customer growth rate 1.83 percent for 2009 to 2012.[19]

The second test year adjustment of a $1.139 million increase is for the addition of five full time equivalent employees (FTE) plus associated non-labor expenses to support CSBU's Major Technology initiatives in SCE's Program Management Organization.[20]

The third test year adjustment of a $56,000 increase is for the addition of one FTE plus associated non-labor expenses in the Payroll and Administrative Services departments.[21]

The fourth test year adjustment of a $773,000 increase is for the addition of nine employees plus associated non-labor expenses for training for technology enhancements made to CSBU customer service and information systems. In addition, other non-labor expenses are added for consultants and training materials.[22]

The fifth test year adjustment of a $147,000 increase is for the development and delivery of training modules of SCE's Plug-in Electric Vehicle (PEV) program.[23]

[18] Exhibit sCE-4, Volume 2, p. 123

[19] Exhibit SCE-4, Volume 2, p. 122

[20] Exhibit SCE-4, Volume 2, pp.122 and 123

[21] Exhibit SCE-4, Volume 2, p. 123

[22] Exhibit SCE-4, Volume 2, p. 123

[23] Exhibit SCE-4, Volume 2, p. 123

The sixth test year adjustment of a $232,000 increase is for training and support of the Home Area Network (HAN) technologies for the Customer Communication Organization (CCO).[24]

2. DRA's Recommendation for 2012 Test Year (Business as Usual) for FERC Account 901

DRA recommends a TY 2012 forecast of $13.332 million or an increase of $1.270 million which is 11% above 2009 recorded expenses. DRA recommends using the five-year average of recorded labor and non-labor expenses to forecast the TY 2012 for FERC Account 901. During 2005 to 2009, the recorded expenses generally declined with the exception of 2008 in which recorded expenses increased to $14.096 million but declined to the lowest recorded expenses of $12.062 million in 2009.

First, DRA takes issue with SCE's TY 2012 adjustment of a $221,000 increase to reflect a cumulative customer growth of 1.83 percent for 2009 through 2012. SCE has not demonstrated that the expenses in FERC Account 901 are directly proportionate to the customer growth rate. The recorded expenses for FERC Account 901 were at the highest recorded expenses of $14.239 million in 2005 and declined to the lowest recorded expenses of $12.062 million in 2009. Past recorded data shows that recorded expenses in FERC Account 901 have declined despite recorded annual customer growth during 2005 to 2009. Table 10-6 provides SCE's recorded annual customer growth for 2005 through 2009.

[24] Exhibit SCE-4, Volume 2, p. 123

Table 10-6
SCE's Recorded Annual Customer Growth[25]
2005 to 2009

Year	Customers at December 31st	Annual Increase	Percent Increase
2005	4,741,034	72,465	1.552%
2006	4,812,474	71,440	1.507%
2007	4,851,010	38,536	0.801%
2008	4,866,324	15,314	0.316%
2009	4,993,898	17,463	0.359%

DRA's recommendation of $13.332 million will allow SCE to increase FTEs in the Business Unit Management and Support departments. SCE is requesting a 50 percent increase in the number of FTEs in its Program Management Organization (PMO) for a funding increase of $1.139 million. At the end of 2009, the number of FTEs in the PMO was 9.8 FTEs.[26] SCE is requesting an additional five FTEs for 2012. DRA's recommendation for an increase of $1.270 million above 2009 recorded expenses will allow SCE to increase FTEs in the PMO as well as additional FTEs for Finance and Administrative activities and training for CSBU's Customer Service Systems. Additionally, SCE has historically administered training programs to its CSBU staff. For example, SCE explains that training expense related to new Customer Service systems is expected to take place over a four-year period on a scope and scale similar to the ERP/SAP training program that took place in 2008.[27] Therefore, training expense for different training programs are embedded in historical recorded costs.

Second, DRA recommends removing SCE's entire funding request increases for PEV for TY 2012 which are above 2009 recorded levels. SCE instituted a PEV

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[25] SCE's Response to DRA-SCE-032-SWC, Question 1

[26] SCE's response to DRA-SCE-032-SWC, question 2.b.

[27] SCE's response to DRA-SCE-032-SWC, question 4.b.

Readiness Program and recorded $2.284 million for the PEV Readiness Program in 2009.-[28] SCE already has embedded costs for PEV Readiness recorded in 2009.

Also, SCE was authorized $9.726 million in the 2009 GRC for its Low Emission Vehicle (LEV) program and engineering advancement which includes a customer education and outreach information program. SCE recorded $11.197 million for the LEV program in 2009.[29] Some of SCE's past recorded costs for its LEV program can also be used for PEV costs. For example, SCE has an 800 number as part of it customer education and outreach component of SCE's existing Low Emission Vehicle program. Since 2005, SCE has received 954 calls at this number which provides recorded messaging on various electric vehicle topics. SCE does not track customer calls received through its general service 800 number regarding electric vehicle questions. In addition, SCE introduced a PEV microsite on its website to educate customers on the process of purchasing PEVs and to provide important electric service related information that customers who purchase a PEV may require for overall PEV readiness. The microsite also provides customers with the capability to inquire about PEVs via email. Since November 2009, SCE received 277 PEV related email inquiries.[30]

SCE forecasts that there will be 21,090 PEVs in its service area by the end of 2012.[31] SCE indicated that there are approximately 100 PEVs in its service area as of February 2011.[32] Based on the 100 PEVs in SCE's service area as of February 2011, SCE's forecast of 21,090 PEVs in its service area by the end of 2012 is unlikely. Finally, SCE customers who purchase PEV will receive information

[28] SCE Handout, "Plug-in Electric Vehicle Readiness," in meeting with DRA on February 22, 2011

[29] SCE Handout, "Plug-in Electric Vehicle Readiness," in meeting with DRA on February 22, 2011, pp. 2 and 3 and SCE's response to DRA-SCE-035-SWC, question 5.e.

[30] SCE's response to DRA-SCE-035-SWC, question 5.e.

[31] SCE's response to DRA-SCE-032-SWC, Question 5

[32] DRA meeting with SCE on February 22, 2011 regarding PEV Readiness

regarding charging of the PEV from auto manufacturers and dealerships. Therefore, DRA recommends no additional funding for SCE's PEV program above 2009 recorded levels, an adjustment of $147,000.

Third, DRA recommends removing HAN program costs for TY 2012. SCE forecasts that it will have 116,000 customers with HAN devices at year-end 2012.[33] However, availability of HAN product devices is dependent on the ratification of HAN standards, Smart Energy Profile (SEP) 2.0, by the National Institute of Standards and Technology (NIST) which has not yet happened. SCE states that the latest SEP 2.0 project schedule forecasts final ratification of the standard in June 2011 by the ZigBee Alliance, the industry consortium developing SEP 2.0, with NIST ratification thereafter. Thereafter, product development and testing of HAN devices will begin by manufacturers. SCE optimistically speculates that it is reasonable to assume SEP 2.0-based products to be commercially available in the fourth quarter of 2011 or first quarter 2012.[34]

The HAN standards have not been ratified. At this time, one can only speculate as to the number of SCE customers that will have HAN devices and to the extent of communication that SCE will have with its customers with HAN devices in 2012. Also, SCE's SmartConnect proceeding has provided some funding for some HAN functionality such as SCE's Programmable Communicating Thermostat (PCT) program.[35] SCE has proposed to modify ESCBA so that the costs authorized in D. 08-09-039 for HAN functionalities related to the PCT program remain in operation for purposes of recording authorized costs through 2014 because these costs are expected to be incurred in 2013 and 2014. SCE states that the implementation of the PCT program has been postponed due to an unanticipated delay in the Advanced Load Control System (ALCS) technology, and the provisions of In-home

[33] SCE’s response to DRA-SCE-032-SWC, Question 6

[34] SCE’s response to DRA-SCE-035-SWC, Question 6.d.

[35] Exhibit SCE-4, Volume 1, pp. 4 and 30

Displays (IHDs), which have been postponed due to a delay in the adoption of the Smart Energy Profile 2.0 HAN national standard.[36]

For all these reasons, DRA recommends no additional funding for SCE's HAN programs for TY 2012, an adjustment of $232,000.

3. SCE's Request for 2013 Test Year (Edison SmartConnect Fully Deployed) for FERC Account 901

SCE is requesting $14.772 million or an increase of $2.710 million above 2009 recorded expenses for FERC Account 901 for 2013.[37] SCE used 2009 recorded expenses of $12.062 million and made seven test year adjustments to forecast 2013 expenses.

The first 2013 adjustment reduces operating expenses by $210,000 due to the full deployment of Edison SmartConnect program as fewer training specialists will be needed to provide training to meter readers and Field Service Representatives.[38]

The second 2013 adjustment of a $323,000 increase is to reflect a cumulative customer growth rate of 2.73 percent for 2009 to 2013.[39]

The third 2013 adjustment of a $1.496 million increase is for the addition of eight full time equivalent employees (FTE) plus associated non-labor expenses to support CSBU’s Major Technology initiatives in SCE’s Program Management Organization.[40]

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[36] Exhibit SCE-4, Volume 1, p. 30

[37] Exhibit SCE-4, Volume 2, p. 125

[38] Exhibit SCE-4, Volume 2, p. 124

[39] Exhibit SCE-4, Volume 2, p. 124

[40] Exhibit SCE-4, Volume 2, pp.124 and 125

The fourth 2013 adjustment of a $56,000 increase is for the addition of one FTE plus associated non-labor expenses in the Payroll and Administrative Services departments.[41]

The fifth 2013 adjustment of a $773,000 increase is for the addition of nine employees plus associated non-labor expenses for training for technology enhancements made to CSBU customer service and information systems. In addition, other non-labor expenses will be needed for consultants and training materials.[42]

The sixth 2013 adjustment of a $40,000 increase is for the development and delivery of training modules of SCE's Plug-in Electric Vehicle (PEV) program.[43]

The seventh 2013 adjustment of a $232,000 increase is for training and support of the Home Area Network (HAN) technologies for the Customer Communication Organization (CCO).[44]

4. DRA's Recommendation for 2013 Test Year (Edison SmartConnect Fully Deployed) for FERC Account 901

DRA's recommends a 2013 forecast of $13.332 million which is $1.440 million or 9.7 percent less than SCE's forecast for FERC Account 901. DRA's recommendation of an increase of $1.270 million which is 11% above 2009 recorded expenses will allow SCE to increase FTES in the Business Unit Management and Support departments.

DRA takes issue with SCE's second 2013 adjustment of a $323,000 increase to reflect a cumulative customer growth of 2.73 percent for 2009 through 2013. SCE has not demonstrated that the expenses in FERC Account 901 are directly proportionate to the customer growth rate. The recorded expenses for FERC

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[41] Exhibit SCE-4, Volume 2, p. 125

[42] Exhibit SCE-4, Volume 2, p. 125

[43] Exhibit SCE-4, Volume 2, p. 125

[44] Exhibit SCE-4, Volume 2, p. 125

Account 901 were at the highest recorded expenses of $14.239 million in 2005 and declined to the lowest recorded expenses of $12.062 million in 2009. Past recorded data shows that recorded expenses in FERC Account 901 have declined despite recorded annual customer growth during 2005 to 2009.

DRA recommends no ratepayer funding for SCE's third through seventh 2013 forecast adjustments for the same reasons as discussed above for DRA's recommendations for TY 2012 for FERC Account 901.

C. FERC Account 902 – Meter Reading Expenses

FERC Account 902 captures all expenses related to the reading of customer meters.[45] FERC Account 902.300 is a new sub-account to capture activities associated with the SmartConnect Operations Center.[46] Table 10-7 presents the recorded adjusted expenses for 2005 through 2009 and SCE and DRA forecasts for TY 2012 and 2013 for FERC Account 902 and 902.300.

Table 10-7
FERC Account 902 and 902.300
2005-2009 Recorded and 2012 & 2013 Forecasts[47]
(in Thousands of 2009 Dollars)

FERC Subaccount	2005	2006	2007	2008	2009	SCE 2012	DRA 2012	SCE 2013	DRA 2013
902-Meter Reading Exp.	45,036	45,704	45,739	46,928	44,301	45,113	44,301	12,340	12,012
902.300-Operations Center	0	0	0	0	0	1,089	0	13,115	4,098
Total	45,036	45,704	45,739	46,928	44,301	46,202	44,301	25,455	16,110

[45] Exhibit SCE-4, Volume 2, p. 125

[46] Exhibit SCE-4, Volume 2, p. 133

[47] Exhibit SCE-4, Volume 2, pp. 114 and 116

Table 10-8 presents the recorded adjusted expenses for 2005 through 2009 for FERC Account 902.

Table 10-8
FERC Account 902
2005-2009 Recorded Expenses[48]
(in Thousands of 2009 Dollars)

FERC Account 902	2005	2006	2007	2008	2009
Labor	32,839	33,506	33,288	35,327	34,822
Non-Labor	12,197	12,198	12,451	11,601	9,479
Total	45,036	45,704	45,739	46,928	44,301

Table 10-9 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 902.

Table 10-9
FERC Account 902
2012 and 2013 Forecasted Expenses[49]
(in Thousands of 2009 Dollars)

FERC Account 902	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	34,822	35,460	34,822	638	9,260	9,014	246
Non-Labor	9,479	9,653	9,479	174	3,080	2,998	82
Total	44,301	45,113	44,301	812	12,340	12,012	328

1. SCE's/DRA's 2012 Test Year (Business as Usual) for FERC Account 902

SCE is requesting $45.113 million or an increase of $812,000 above 2009 recorded expenses for FERC Account 902 for TY 2012.[50] SCE used 2009 recorded expenses of $44.301 million and made an adjustment of an $812,000 increase for

[48] Exhibit SCE-4, Volume 2, p. 126

[49] Exhibit SCE-4, Volume 2, p. 126

[50] Exhibit SCE-4, Volume 2, p. 129

the cumulative customer growth of 1.83 percent from 2009 to 2012 to forecast 2012 expenses.[51]

DRA is recommending a TY 2012 forecast of $44.301 million which is $812,000 or two percent less than SCE's request for FERC Account 902. DRA recommends using the 2009 recorded expenses of $44.301 million to forecast 2012 expenses.

DRA takes issue with SCE's proposal of an $812,000 increase because SCE has not demonstrated that the expenses in FERC Account 902 are directly proportionate to the customer growth rate. The recorded expenses for FERC Account 902 were at the highest recorded expenses of $46.928 million in 2008 and declined to the lowest recorded expenses of $44.301 million in 2009. Past recorded data shows that recorded expenses in FERC Account 902 have declined from 2008 to 2009 despite the recorded annual customer growth during this period.

2. SCE's/DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 902

SCE is requesting $12.340 million or a decrease of $31.961 million below 2009 recorded expenses for the 2013 forecast for FERC Account 902.[52] SCE used 2009 recorded expenses of $44.301 million and made two test year adjustments to forecast 2013 expenses. The first 2013 adjustment is a $32.289 million reduction due to the full deployment of Edison SmartConnect and the elimination of approximately 720 FTEs in the Meter Services Organization and associated non-labor costs. The second 2013 forecast adjustment is a $328,000 increase for the cumulative customer growth of 2.73 percent from 2009 to 2013.[53]

DRA is recommending $12.012 million which is $328,000 or 2.6 percent less than SCE's request for the 2013 forecast for FERC Account 902. DRA recommends

[51] Exhibit SCE-4, Volume 2, p. 129

[52] Exhibit SCE-4, Volume 2, p. 130

[53] Exhibit SCE-4, Volume 2, p. 130

using the 2009 recorded expenses of $44.301 million as the base to forecast 2013 expenses. DRA does not take issue with the $32.289 million reduction due to the full deployment of Edison SmartConnect and the elimination of approximately 720 FTEs in the Meter Services Organization and associated non-labor costs. However, DRA does take issue with SCE's 2013 forecast adjustment of a $323,000 increase to reflect a cumulative customer growth of 2.73 percent for 2009 through 2013 for the same reasons as discussed above for TY 2012, and recommends a $323,000 adjustment. Given the substantial funding for the new SmartConnect meters, SCE has the incentive to significantly minimize and ultimately eliminate these costs. DRA's forecast is reasonable in light of the full deployment of SmartConnect meters.

D. FERC Account 902.300 – Operations Center

With the completion of Edison SmartConnect deployment in 2012, the SmartConnect Operations Center (SOC) will be a part of MSO operations. The SOC will plan, monitor, operate and maintain the Edison SmartConnect meter and communication system. The functions of the SOC will be funded through the Edison SmartConnect balancing account (ESCBA) consistent with Decision (D.) 08-09-039 until the end of 2012. SCE claims that FERC Account 902.300 is a new activity so no historical data exists for this activity.[54]

Table 10-10
FERC Account 902.300
2005-2009 Recorded Expenses[55]
(in Thousands of 2009 Dollars)

FERC Account 902.300	2005	2006	2007	2008	2009
Labor	0	0	0	0	0
Non-Labor	0	0	0	0	0
Total	0	0	0	0	0

[54] Exhibit SCE-4, Volume 2, p. 131

[55] Exhibit SCE-4, Volume 2, p. 131

Table 10-11 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 902.300.

Table 10-11
FERC Account 902.300
2012 and 2013 Forecasted Expenses[56]
(in Thousands of 2009 Dollars)

FERC Account 902	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	0	310	0	310	3,702	1,556	2,146
Non-Labor	0	779	0	779	9,413	2,541	6,872
Total	0	1,089	0	1,089	13,115	4,098	9,017

1. SCE's/DRA's 2012 Test Year (Business as Usual) for FERC Account 902.300

SCE is requesting $1.089 million for TY 2012 for FERC Account 902.300.[57] The first TY 2012 adjustment is a $760,000 increase to support the PEV program in which the MSO will incur non-labor implementation and maintenance costs for Information Technology applications and communication systems related to the PEV program.[58] The second TY 2012 adjustment is a $329,000 increase to support the HAN program that was not included in SCE's SmartConnect deployment costs in which the MSO anticipates incremental costs for detailed troubleshooting and diagnostics related to the HAN-enabled customer devices.[59]

DRA is recommending $0 for TY 2012 for FERC Account 902.300 as this activity is funded through the Edison SmartConnect balancing account to be consistent with Decision (D.) 08-09-039 until the end of 2012. Second, DRA takes issue with SCE's request for additional funding for its PEV and HAN programs as

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[56] Exhibit SCE-4, Volume 2, p. 131

[57] Exhibit SCE-4, Volume 2, p. 132

[58] Exhibit SCE-4, Volume 2, p. 132

[59] Exhibit SCE-4, Volume 2, p. 132

discussed above in FERC Account 901, and recommends an adjustment of $1.089 million.

2. SCE's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 902.300

SCE is requesting $13.115 million for the 2013 Forecast for FERC Account 902.300. First, SCE is requesting an increase of $770,000 to support the PEV program. Second, SCE is requesting an increase of $422,000 to support the HAN program.[60] Third, SCE forecasts an increase of $11.923 million to support the installation and ongoing maintenance of the telecommunication data management system at the SmartConnect Operations Center. SCE's forecast of $11.923 million is comprised of $3.304 million in labor for 29 employees to provide on-going oversight and maintenance support associated with the operation of the SmartConnect meter and communication system and $8.620 million for telecommunication costs associated with the SOC.[61] The 2009 to 2012 costs to operate SOC will be recovered through the ESCBA over the SmartConnect deployment period and is not included in the 2012 forecast.[62]

3. DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 902.300

DRA is recommending a 2013 forecast of $4.098 million which is $9.017 million or 69 percent less than SCE's forecast for the FERC Account 902.300. DRA is recommending $4.098 million, which is comprised of $1.556 million for labor expense and $2.541 million for non-labor expense, to operate the SOC for 2013.

SCE claims that FERC Account 902.300 is a new activity and no historical data exists. However, historical cost data does exist as the functions of the SOC have been operating since 2010. The SOC has been funded through the Edison

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[60] Exhibit SCE-4, Volume 2, pp. 133 and 134

[61] Workpapers to Exhibit SCE-4, Volume 2, Chapter IV, p. 93

[62] SCE's response to DRA-SCE-208-SWC, question 1.a.

SmartConnect balancing account. DRA reviewed the recorded costs to operate the SOC for 2010 and year-to-date February 2011. The following table provides the recorded SOC costs for 2010 and year-to-date February 2011 as recorded in the Edison SmartConnect balancing account.

Table 10-12
SmartConnect Operations Center
2010 and Year-to-Date February 2011 Recorded[63]
Recorded in the SmartConnect Balancing Account 2013 Forecasted

Cost Description	2010	Year-to-Date February 2011	Annualized 2011
Labor	1,198,093	259,325	1,555,950
Non-Labor	2,023,020	141,649	849,894
SOC Telecommunications Costs (Non-labor)	1,860,312	281,964	1,691,784
Total	5,081,425	682,938	4,097,628

To forecast the labor expense, DRA recommends taking the year-to-date February 2011 recorded labor cost of $259,325 and annualizing the two months of recorded costs to $1.556 million to forecast 2013 labor expenses. The 2010 recorded number of FTEs working in the SOC was 13.1. SCE states that the number of FTEs working in the SOC in 2011 will be 17 based on the annualized recorded hours year-to-date through February 2011.[64] SCE forecasts a staff of 29 FTEs in 2013 to operate the SOC. As SCE states, the number of FTEs working in the SOC in 2011 will be 17 based on the annualized recorded hours year-to-date through February 2011. Therefore, DRA's labor expense recommendation for 2013 should provide sufficient funding for approximately 34 FTEs which is five FTEs more than the 29 FTEs that SCE forecasted.

To forecast the non-labor expenses, DRA recommends taking the year-to-date February 2011 recorded non-labor cost of $259,325 and annualizing these two

[63] SCE's response to DRA-SCE-208-SWC, questions 1.a. and 1.b.

[64] SCE's response to DRA-SCE-208-SWC, question 1.a.

months of recorded costs to $2.541 million to forecast 2013 non-labor expenses. DRA's recommendation is reasonable given that the monthly 2010 and the monthly year-to-date February 2011 non-labor expenses and telecommunications expenses show a decrease from 2010 to 2011.

Finally, DRA takes issue with PEV and HAN related expenses for the reasons explained in the discussion for FERC Account 901, and recommends a $1.192 million adjustment.

E. FERC Account 903 – Customer Records and Collections

FERC Account 903 includes all labor and non-labor expenses activities involved with processing customer applications for service, receiving payments, conducting customer credit activities, producing and delivering bills, and receiving and resolving customer inquires. The following table provides the recorded expenses for 2005 to 2009 and SCE's and DRA's forecast for 2012 and 2013 for FERC Account 903 as disaggregated into the six functional subaccounts.

Table 10-13
FERC Account 903
2005-2009 Recorded and 2012 & 2013 Forecasts[65]
(in Thousands of 2009 Dollars)

FERC Subaccount	2005	2006	2007	2008	2009	SCE 2012	DRA 2012	SCE 2013	DRA 2013
903.100-Postage	18,335	19,501	19,854	20,949	21,798	21,341	21,341	21,518	21,518
903.200-Credit	18,499	17,231	17,642	17,833	16,995	17,815	16,995	11,662	10,292
903.300-Payment Svc.	10,348	9,392	9,224	8,888	9,603	9,836	9,836	9,673	9,673
903.500-Billing	17,486	19,156	18,166	17,360	17,170	17,902	17,170	21,364	15,668
903.700-ESP Svc	956	908	954	1,047	966	1,188	1,188	1,188	1,188
903.800-Cust. Comm. Org.	35,734	36,414	38,140	40,108	39,485	47,020	39,485	50,558	38,095
903 Total	101,358	102,602	103,980	106,185	106,017	115,102	106,015	115,963	96,434

The discussion that follows focuses on the accounts where DRA has differences with SCE's TY 2012 forecast and 2013 forecast.

65 Exhibit SCE-4, Volume 2, pp. 114 and 116

1. FERC Subaccount 903.200-Credit

The Credit Services function captures all costs associated with providing credit and collection services to SCE's customers for both active and closed accounts. Credit Administration and Field Services are the primary organizations recording expenses to FERC Subaccount 903.200.[66] Table 10-14 provides the recorded expenses for 2005 to 2009 for FERC Subaccount 903.200.

Table 10-14
FERC Sub-Account 903.200
2005-2009 Recorded Expenses[67]
(in Thousands of 2009 Dollars)

FERC Account 903.200	2005	2006	2007	2008	2009
Labor	13,193	12,354	13,301	13,961	13,425
Non-Labor	5,301	4,877	4,341	3,872	3,570
Total	18,499	17,231	17,642	17,833	16,995

Table 10-15 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 903.200.

Table 10-15
FERC Account 903.200
2012 and 2013 Forecasted Expenses[68]
(in Thousands of 2009 Dollars)

FERC Account 903.200	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	13,425	14,180	13,425	755	8,441	7,721	720
Non-Labor	3,570	3,635	3,570	65	3,221	2,571	650
Total	16,995	17,815	16,995	820	11,662	10,292	1,370

66 Exhibit SCE 4, Volume, p. 145

67 Exhibit SCE-4, Volume 2, p. 146

68 Exhibit SCE-4, Volume 2, p. 146

a. SCE's 2012 Test Year (Business as Usual) for FERC Account 903.200

SCE is requesting $17.815 million, an increase of $820,000 above 2009 recorded expenses, for FERC Subaccount 903.200 for TY 2012. SCE used 2009 recorded expenses of $12.062 million and made five test year adjustments to forecast TY 2012 expenses.[69]

The first TY 2012 adjustment is an increase of $311,000 for the customer growth forecast of 1.83 percent from 2009 to 2012.[70]

The second TY 2012 adjustment is an increase of $321,000 to support Field Service Representative (FSR) after hour service reconnections.[71]

The third TY 2012 adjustment is an increase of $74,000 for Field Services personnel to deliver final call notices in person to special needs customers.[72]

The fourth TY 2012 adjustment is an increase of $57,000 for one additional employee to support the mandated Red Flag alerts for customer verification and fraud prevention activities, given the expected 25 percent increase in credit alerts activities due to the economic environment.[73]

The fifth TY 2012 adjustment is for an increase of $57,000 for one additional employee to support the monitoring and reviewing of deposit guarantors to support expected increased volumes.

b. DRA's 2012 Test Year (Business as Usual) for FERC Account 903.200

DRA recommends a TY 2012 forecast of $16.995 million which is $820,000 or 5 percent less than SCE's request for FERC Subaccount 903.200. DRA is

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[69] Exhibit SCE-4, Volume 2, p. 149

[70] Exhibit SCE-4, Volume 2, p. 148

[71] Exhibit SCE-4, Volume 2, p. 149

[72] Exhibit SCE-4, Volume 2, p. 149

[73] Exhibit SCE-4, Volume 2, p. 149

recommending the use of the 2009 recorded expenses as the base to forecast TY 2012.

First, DRA takes issue with SCE's TY 2012 adjustment of a $311,000 increase to reflect a cumulative customer growth of 1.83 percent for 2009 through 2012. SCE has not demonstrated that the expenses in FERC Subaccount 903.200 are directly proportionate to the customer growth rate. The recorded expenses for FERC Subaccount 903.200 were at the highest recorded expenses of $18.499 million in 2005 and declined to the lowest recorded expenses of $16.995 million in 2009. Past recorded data shows that recorded expenses in FERC Subaccount 903.200 have declined despite recorded annual customer growth during 2005 to 2009.

Second, DRA takes issue with SCE's TY 2012 adjustment of a $321,000 increase to support FSR after hour service reconnections. The number of field service credit disconnects and credit reconnects has declined from a high of 928,729 in 2008 to a low of 753,904 in 2010 which is the lowest number of credit disconnects and credit reconnects in six years as shown by the following table. As the numbers of field service credit disconnects and credit reconnects decline, the number of potential FSR after hour service reconnections will decrease. Also, SCE will have the ability to remotely reconnect service for over 93 percent of SCE's customers.[74] Table 10-16 provides the field service orders completed in 2005 to 2010 for credit disconnections and reconnections.

SCE implemented customer service disconnection protections as ordered in CPUC Rulemaking 10-02-005 during 2010 and 2011. These customer service disconnection protections will expire upon the effective date of the 2012 GRC.[75] DRA recommends that SCE continues to offer these protections because they have demonstrably lowered disconnections of SCE's customers.

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[74] Exhibit SCE-4, Volume 2, p. 129

[75] D.10-07-048, Ordering Paragraph 15

Table 10-16
Field Service Orders Completed in 2005 to 2010
Credit / Disconnects / Reconnects[76]

2005	2006	2007	2008	2009	2010
868,753	784,339	836,852	928,729	910,237	753,904[77]

Third, DRA takes issue with SCE's TY 2012 adjustment of a $74,000 increase for Field Services personnel to deliver final call notices in person to special needs customers. SCE is already performing this function and the numbers of credit disconnects and credit reconnects have declined from 2008 to 2010.

Fourth, DRA takes issue with SCE's TY 2012 adjustment of a $57,000 increase to reflect the need for one additional employee to support the mandated Red Flag alerts for customer verification and fraud prevention activities. SCE has a program in place that provides SCE's telephone representatives the capability to run a "soft" credit inquiry and identification check while taking a turn-on request from new residential customers applying for service. In 2008, SCE developed a program that identifies and detects relevant warning signs for potential identity theft. SCE saw a 25 percent increase in 2009 above the alerts received in 2008.[78] In 2009, SCE received over 36,000 alerts. However, the number of alerts received in 2010 decreased to 31,037.[79] The embedded recorded cost in 2008 and 2009 should be sufficient to cover this activity and recommends a $57,000 adjustment.

Fifth, DRA takes issue with SCE's adjustment of a $57,000 increase to support the monitoring and reviewing of deposit guarantors. SCE anticipates that 26 percent of the customers who require reconnection will take advantage of the option

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[76] Exhibit SCE-4, Volume 2, p. 38 and SCE's Response to DRA-SCE-115-SWC, Question 7

[77] SCE states that 2010 recorded volume of credit/disconnects/reconnects was impacted by the disconnect moratorium initiated in January 2010.

[78] Exhibit SCE-4, Volume 2, p. 66

[79] SCE's response to DRA-SCE-220-SWC, question 3.a.

for a qualified guarantor to secure payment in the event of default in lieu of paying a cash deposit based on the number of residential reconnects by 2012.[80] SCE has used the deposit guarantor program primarily for customers establishing credit. SCE had 734 customers in 2008, 495 customers in 2009, and 455 customers in 2010 who used deposit guarantors to establish credit.[81] The number of SCE's customers who have used deposit guarantors to establish credit has decreased since 2008. SCE has embedded expenses to perform this function and does not require an additional employee to support the monitoring and reviewing of deposit guarantors. The recorded number of SCE's customers who have used deposit guarantors from 2005 to 2010 for establishment of credit is provided in the following table.

Table 10-17
Customers Using Deposit Guarantors[82]
Recorded 2005 to 2010

2005	2006	2007	2008	2009	2010
64	67	131	734	495	455

c. SCE's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 903.200

SCE is requesting $11.662 million, a decrease of $5.333 million from 2009 recorded expenses for the 2013 forecast for FERC Account 903.200.[83] SCE used the 2009 recorded expenses and made the following adjustments.

The first 2013 forecast adjustment is a $6.703 million decrease to reflect a productivity savings from the Edison SmartConnect remote service switch (RSS).[84]

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[80] Exhibit SCE-4, Volume 2, p. 149 and Workpapers to Exhibit SCE-4, Volume 2, Chapter IV, p. 168

[81] SCE's response to DRA-SCE-220-SWC, question 4.b.

[82] SCE’s Response to DRA-SCE-220-SWC, question 4.b.

[83] Exhibit SCE-4, Volume 2, p. 151

The second 2013 forecast adjustment is an increase of $281,000 for customer growth of 2.73 percent from 2009 to 2013.[85]

The third 2013 forecast adjustment is an increase of $321,000 to support FSR after hour service reconnections.[86]

The fourth 2013 forecast adjustment is an increase of $74,000 for Field Service personnel to deliver final call notices in person to special needs customers.[87]

The fifth 2013 forecast adjustment is an increase of $57,000 to reflect the need for one additional employee to support the mandated Red Flag alerts given the expected 25 percent increase in credit alerts activities due to the economic environment.[88]

The sixth 2013 forecast adjustment is for an increase of $57,000 for one additional employee to support the monitoring and reviewing of deposit guarantors to support expected increased volumes.[89]

The seventh 2013 forecast adjustment is an increase of $580,000 to reflect increased alerts and notifications to customers as SCE expects that 25 percent of customers currently receiving credit, billing and payment notices today will take advantage of this new electronic alerts offering.[90]

(continued from previous page)

[84] Exhibit SCE-4, Volume 2, p. 150

[85] Exhibit SCE-4, Volume 2, p. 150

[86] Exhibit SCE-4, Volume 2, p. 150

[87] Exhibit SCE-4, Volume 2, p. 151

[88] Exhibit SCE-4, Volume 2, p. 151

[89] Exhibit SCE-4, Volume 2, p. 151

[89] Exhibit SCE-4, Volume 2, p. 151

[90] Exhibit SCE-4, Volume 2, p. 151

d. DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 903.200

DRA is recommending a 2013 forecast of $10.292 million which is $1.370 million or 12 percent less than SCE's forecast for FERC Account 903.200. DRA is using the 2009 recorded expenses as the base to forecast 2013 expenses.

First, DRA accepts SCE's first 2013 adjustment of a $6.703 million decrease to reflect savings from Edison SmartConnect RSS.

Second, DRA takes issue with SCE's proposed increase of $281,000 for customer growth of 2.73 percent from 2009 to 2013 for the same reasons as stated above for TY 2012.

Third, DRA takes issue with SCE's proposed increase of $321,000 to support FSR after hour service reconnections for the same reasons as stated above for TY 2012.

Fourth, DRA takes issue with SCE's proposed increase of $74,000 for Field Service personnel to deliver final call notices in person to special needs customers for the same reasons as stated above for TY 2012.

Fifth, DRA takes issue with SCE's proposed increase of $57,000 to reflect the need for one additional employee to support the mandated Red Flag alerts given the expected 25 percent increase in credit alerts activities due to the economic environment for the same reasons as stated above for TY 2012.

Sixth, DRA takes issue with SCE's proposed increase of $57,000 for one additional employee to support the monitoring and reviewing of deposit guarantors to support expected increased volumes for the same reasons as stated above for TY 2012.

Seventh, DRA takes issue with SCE's proposed increase of $580,000 to reflect increased alerts and notifications to customers. First, SCE is speculating that 25 percent of its customers who currently receive credit, billing and payment notices today will take advantage of new electronic alerts offerings such as SMS text, email, and voice messaging. Second, SCE currently has systems with the ability to send electronic alerts and notifications so costs should be embedded in recorded expenses.

2. FERC Subaccount 903.500 – Billing

FERC Subaccount 903.500 records the operating costs for the Billing group. Table 10-18 provides the recorded expenses for 2005 to 2009 for FERC Subaccount 903.500.

Table 10-18
FERC Sub-Account 903.500
2005-2009 Recorded Expenses[91]
(in Thousands of 2009 Dollars)

FERC Account 903.500	2005	2006	2007	2008	2009
Labor	15,656	15,583	14,969	15,688	15,567
Non-Labor	1,830	3,573	3,197	1,672	1,603
Total	17,486	19,156	18,166	17,360	17,170

Table 10-19 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 903.500.

Table 10-19
FERC Account 903.500
2012 and 2013 Forecasted Expenses[92]
(in Thousands of 2009 Dollars)

FERC Account 903.500	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	15,567	15,900	15,567	333	19,435	14,065	5,370
Non-Labor	1,603	2,002	1,603	399	1,929	1,603	326
Total	17,170	17,902	17,170	732	21,364	15,668	5,696

a. SCE's 2012 Test Year (Business as Usual) for FERC Account 903.500

SCE is requesting $17.902 million, an increase of $732,000 above 2009 recorded expenses, for FERC Subaccount 903.500 for TY 2012. SCE used 2009

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91 Exhibit SCE-4, Volume 2, p. 158

92 Exhibit SCE-4, Volume 2, p. 157

recorded expenses of $17.170 million and made three test year adjustments to forecast TY 2012 expenses.[93]

The first TY 2012 adjustment is an increase of $314,000 for customer growth of 1.83 percent from 2009 to 2012.[94]

The second TY 2012 adjustment is an increase of $365,000 to reflect additional non-labor expenses in support of an enlarged bill format and a Braille billing option. SCE expects to support 1,000 customers for enlarged format and 1,000 customers for the Braille bill.[95]

The third TY 2012 adjustment is $53,000 increase for one additional employee to support ongoing rate analysis and billing inquiries due to the introduction of PEV's in SCE's service territory.[96]

b. DRA's 2012 Test Year (Business as Usual) for FERC Account 903.500

DRA is recommending a TY 2012 forecast of $17.170 million which is $732,000 or four percent less than SCE's request for FERC Account 903.500. DRA is recommending using the 2009 recorded expenses to forecast TY 2012.

First, DRA takes issue with SCE’s TY 2012 adjustment of $314,000 increase to reflect a cumulative customer growth of 1.83 percent for 2009 through 2012. SCE has not demonstrated that the expenses in FERC Account 903.500 are directly proportionate to the customer growth rate. The recorded expenses for FERC Account 903.500 were at the highest recorded expenses of $19.156 million in 2006 but declined to the lowest recorded expenses of $17.170 million in 2009. Past recorded data shows that recorded expenses in FERC Account 903.500 have declined despite recorded annual customer growth during 2006 to 2009. SCE also

[93] Exhibit SCE-4, Volume 2, p. 160

[94] Exhibit SCE-4, Volume 2, p. 160

[95] Exhibit SCE-4, Volume 2, p. 160

[96] Exhibit SCE-4, Volume 2, p. 160

states that the Billing group is directly impacted by customer growth as more bills will be generated to new customers, creating additional routine operational work in billing process oversight, exception and manual processing.[97] However, the recorded number of billing exceptions shows that it does not necessarily correspond with the customer growth rate. For example, the total number of billing exceptions has declined from a high of 2.305 million in 2007 to a low of 1.913 million in 2009 despite the growth in customers. The following table provides the billing exceptions for 2005 to 2010.

Table 10-20
Billing Exceptions for 2005 to 2010[98]
(Amounts in 000s)

Exception Type	2005	2006	2007	2008	2009	2010
System-Generated Exceptions	814	1,205	1,244	844	861	1,010
Special Billing Exceptions	114	181	180	172	154	176
Direct Access Exceptions	8	7	9	7	19	13
Interval Usage Exceptions	116	152	160	152	141	123
Meter Order Processing Exceptions	82	75	97	68	68	70
Returned Mail Exceptions	531	548	615	695	670	657
Total Billing Exceptions	1,665	2,168	2,305	1,938	1,913	2,049

Second, DRA takes issue with SCE's proposed increase of $365,000 to reflect additional non-labor expenses in support of enlarged bill format and Braille billing option. SCE began offering customers the enlarged bill format in November 2008.[99] SCE did not offer the Braille billing option during 2005 to 2010.[100] DRA supports SCE's offering of the enlarged bill format and Braille billing option. However, SCE has not shown that additional funding will be needed in 2012 based on the recorded numbers of people receiving the enlarged bill format since SCE began offering this billing option in 2008. The number of customers receiving

[97] Exhibit SCE-4, Volume 2, p. 54

[98] SCE's response to DRA-SCE-115-SWC, question 10

[99] SCE's response to DRA-SCE-220-SWC, question 1.a.

[100] SCE's response to DRA-SCE-220-SWC, question 1.f.

enlarged bill format was six in 2008, 76 in 2009, and 146 in 2010. SCE states that the costs for the enlarged bill format are not recorded or tracked separately from other billing functions. Currently, the print bill is manually enlarged on a color copy machine and then mailed to the customer. SCE calculates that the annual expense for providing customers with the enlarged bill format was $50 in 2008, $3,750 in 2009, and $7,200 in 2010.[101]

SCE expects that 1,000 customers will request the enlarged bill format and 1,000 customers will request the Braille bill in 2012. The enlarged bill format forecast is based on the Customer Service System's profile count of 1,002 customers who indicated that they have a sight impairment condition as of December 2010. SCE expects that as outreach and communication efforts are increased to make customers aware of the enlarged bill format, more customers are expected to request the large font bill option.[102] SCE states that "SCE's forecast of 1,000 customers requesting the Braille billing option is supported by information from the Braille Institute of America which estimates that 4.8 percent of the U.S. population is considered blind and that only 10 percent of those considered blind have the ability to read Braille. Applying these statistics to SCE's 4.9 million customers, the estimated number of SCE customers considered blind and able to read a Braille bill is approximately 23,500 customers (4.9 million x 4.8% x 10%). SCE then assumed that only 5 percent of its estimated Braille readers would take advantage of Braille billing option resulting in a forecast of 1,000 customers (23,500 x 5%)."[103] SCE states that based on the Customer Service System profile count, only 1,002 customers indicated that they have a sight impairment condition as of December 2010 which would seem to include customers with a sight impairment condition as well as customers who are blind. DRA concludes that there would be fewer than 1,000 customers who would request enlarged bill format and fewer than

[101] SCE's response to DRA-SCE-220-SWC, question 1.e.

[102] SCE's response to DRA-SCE-220-SWC, question 1.g.

[103] SCE's response to DRA-SCE-220-SWC, question 1.h.

1,000 customers who would request the Braille bill option. SCE has offered the enlarged bill format for over two years and 146 customers have requested the enlarged bill format. Therefore, SCE does not need additional funding for the enlarged bill format and Braille bill option in 2012.

Third, DRA takes issue with SCE's proposed increase of $53,000 for one additional employee to support ongoing rate analysis and billing inquires due to the introduction of PEVs for the reasons discussed above in connection with FERC Account 901.

c. SCE's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 903.500

SCE is requesting $21.364 million, an increase of $4.194 million above 2009 recorded expenses, for FERC Account 903.500 for its 2013 forecast.[104] SCE used 2009 recorded expenses of $17.170 million and made three test year adjustments to forecast 2013 expenses.[105]

The first 2013 forecast adjustment is a decrease of $1.5 million to reflect productivity savings in Edison SmartConnect operations due to accurate billing data, accurate completion of on and off orders, and improved data validations.[106]

The second 2013 forecast adjustment is $4.938 million increase for 77 additional employees to support new rates that will utilize interval metering data due to the implementation of Edison SmartConnect meters.[107]

The third 2013 forecast adjustment is a $428,000 increase for customer growth of 2.73 percent from 2009 to 2013.[108]

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[104] Exhibit SCE-4, Volume 2, p. 162

[105] Exhibit SCE-4, Volume 2, p. 160

[106] Exhibit SCE-4, Volume 2, p. 161

[107] Exhibit SCE-4, Volume 2, p. 161

[108] Exhibit SCE-4, Volume 2, p. 162

The fourth 2013 forecast adjustment is an increase of $277,000 to reflect additional non-labor expenses in support of an enlarged bill format and a Braille billing option. SCE expects to support 1,000 customers for enlarged format and 1,000 customers for the Braille bill.[109]

The fifth 2013 forecast adjustment is $53,000 increase for one additional employee to support ongoing rate analysis and billing inquiries due to the introduction of PEV's in SCE's service territory.[110]

d. DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 903.500

DRA is recommending a 2013 forecast of $15.668 million which is $5.696 million or 27 percent less than SCE's request for FERC Account 903.500. DRA is recommending using the 2009 recorded expenses as a base to forecast 2013 expenses.

First, DRA accepts SCE's 2013 forecast adjustment for a decrease of $1.502 million.

Second, DRA takes issue with SCE's adjustment for an increase of $4.938 million for additional 77 FTEs to support new rates that will utilize interval metering data due to the implementation of the SmartConnect meters. SCE states that the Meter Data Management System (MDMS) provides all of the validation, editing, and estimating necessary to support customer usage calculations necessary to generate an accurate bill. SCE claims to expect billing usage analysis to increase in complexity as a result of advanced tariffs and programs that use interval usage data available with SmartConnect meters.[111] SCE planned, developed, and implemented the MDMS to meet SCE's specifications and requirements. The MDMS is an automated system that should generate accurate bills without much

[109] Exhibit SCE-4, Volume 2, p. 162

[110] Exhibit SCE-4, Volume 2, p. 162

[111] Exhibit SCE-4, Volume 2, p. 48

manual interference. DRA objects to SCE's request for 77 additional FTEs to support the MDMS and recommends an adjustment of $4.938 million.

Third, DRA takes issue with SCE's proposed increase of $428,000 for customer growth of 2.73 percent from 2009 to 2013 for the same reasons as discussed above for TY 2012.

Fourth, DRA takes issue with SCE's proposed increase of $277,000 to reflect additional non-labor expenses in support of enlarged bill format and Braille billing option for the same reasons as discussed above for TY 2012.

Fifth, DRA takes issue with SCE's proposed increase of $53,000 for one additional employee to support ongoing rate analysis and billing inquiries due to the introduction of PEV's in SCE's service territory for the same reasons as discussed above for TY 2012.

3. FERC Subaccount 903.800 – Customer Communication Organization (CCO)

FERC Subaccount 903.800 records the operating costs of the CCO within Customer Service Operations, as well as the support-related costs of several other organizations such as Corporate Communications, Information Technology, and Operations Support.[112] Table 10-21 provides the recorded expenses for 2005 to 2009 for FERC Subaccount 903.800.

Table 10-21
FERC Sub-Account 903.800
2005-2009 Recorded Expenses[113]
(in Thousands of 2009 Dollars)

FERC Account 903.800	2005	2006	2007	2008	2009
Labor	29,381	29,955	30,200	32,038	30,914
Non-Labor	6,353	6,459	7,940	8,070	8,571
Total	35,734	36,414	38,140	40,108	39,485

[112] Exhibit SCE-4, Volume 2, p. 166

[113] Exhibit SCE-4, Volume 2, p. 167

Table 10-22 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 903.800.

Table 10-22
FERC Account 903.800
2012 and 2013 Forecasted Expenses[114]
(in Thousands of 2009 Dollars)

FERC Account 903.800	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	30,914	37,355	30,914	6,441	40,627	29,572	11,055
Non-Labor	8,571	9,665	8,571	1,094	9,932	8,523	1,409
Total	39,485	47,020	39,485	7,535	50,559	38,095	12,464

a. SCE's 2012 Test Year (Business as Usual) for FERC Account 903.800

SCE is requesting $47.020 million, an increase of $7.535 million above 2009 recorded expenses, for FERC Subaccount 903.800 for TY 2012.[115] SCE used 2009 recorded expenses as the base for the TY 2012 forecast and makes the following adjustments.[116]

The first TY 2012 adjustment is an increase of $723,000 for customer growth of 1.83 percent from 2009 to 2012.[117]

The second TY 2012 adjustment is an increase of $2.666 million to reflect the call volume growth that exceeds expected customer growth. SCE states that its historical call volume from 2005 to 2009 is trending at a rate of 3.232 percent annually. SCE is forecasting an additional increase in call volume above the customer growth of 2 percent per year for TY 2012.[118]

[114] Exhibit SCE-4, Volume 2, p. 167

[115] Exhibit SCE-4, Volume 2, p. 170

[116] Exhibit SCE-4, Volume 2, p. 168

[117] Exhibit SCE-4, Volume 2, p. 169

[118] Exhibit SCE-4, Volume 2, pp. 169 to 170

The third TY 2012 adjustment is an increase of $3 million to reflect longer call handle times. SCE states that based on the historical average, its call handle time is increasing 1.7 percent annually. SCE states that factoring in the new inquiries related to rates, programs, and emerging markets, which are more complex transactions and will take longer to resolve, SCE forecasts that its average call handle time will increase to 2.1 percent annually when averaged from 2009 to 2012.[119]

The fourth TY 2012 adjustment is an increase of $1.797 million for the competitive wage program to adjust the wages of CCO personnel to attract and retain qualified employees.[120]

The fifth TY 2012 adjustment is a decrease of $651,000 due to call deflection and productivity savings in the CCO as customers choose to communicate with SCE through other means than a phone call.[121]

b. DRA's 2012 Test Year (Business as Usual) for FERC Account 903.800

DRA is recommending a TY 2012 forecast of $39.485 million which is $7.535 million or 16 percent less than SCE's request for FERC Account 903.800. DRA is recommending using the 2009 recorded expenses to forecast TY 2012 expenses.

First, DRA takes issue with SCE's TY 2012 adjustment of a $723,000 increase to reflect a cumulative customer growth of 1.83 percent for 2009 through 2012. SCE has not demonstrated that the expenses in FERC Account 903.800 are directly proportionate to the customer growth rate. The recorded expenses for FERC Account 903.800 were at the highest recorded expense level of $40.108 million in 2008 but declined to $39.485 million in 2009 despite customer growth. The recorded expenses declined from 2008 to 2009 despite an increase in total customer contacts and an increase in transaction activity level of the CCO during this period.

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[119] Exhibit SCE-4, Volume 2, p. 170

[120] Exhibit SCE-4, Volume 2, p. 170

[121] Exhibit SCE-4, Volume 2, p. 170

The following table provides the recorded activity levels of the CCO for 2005 to 2010.

Table 10-23
Functions & Activity Levels of the CCO[122]
2005 to 2010

Function	2005	2006	2007	2008	2009	2010
Inbound Handled Calls	12,706,937	13,435,722	13,543,785	14,200,179	14,478,255	14,567,225
Channel Services Orders Processing	143,839	122,833	142,925	190,909	248,819	276,789
Inbound Correspondence	613,430	579,371	540,452	466,087	466,952	471,343
Teletypewriter (TTY)	631	717	491	324	83	120
Total Customer Contacts	13,464,837	14,138,643	14,227,653	14,857,499	15,194,109	15,315,477
Outbound Correspondence	197,986	285,957	228,781	208,818	236,725	208,861
Outbound Brochures	905,512	564,093	468,410	497,034	515,160	365,498
Billing Inquiry Investigations Completed	76,612	101,629	86,985	85,382	98,166	86,388
Same Party In Investigations	6,316	8,033	9,116	11,497	12,218	9,432
Transaction Activity Level	1,186,426	959,712	793,292	802,731	862,269	670,179

Second, DRA takes issue with SCE's proposed $2.666 million increase to reflect the call volume growth that exceeds expected customer growth. SCE states that the call volume from 2005 to 2009 is trending at a rate of 3.232 percent annually. The numbers of inbound handled calls have increased since 2005, but the historical recorded costs for the CCO have decreased from $40.108 million in 2008 to $39.485 million in 2009. Some of the inbound calls can also be handled by CSBU’s Interactive Voice Response System. Therefore, DRA recommends an adjustment of $2.666 million.

Third, DRA takes issue with SCE's proposed increase of $3 million to support longer call handle times. DRA reviewed SCE's average handle times which shows that average handle times have declined from 278 seconds in 2008 to 270 seconds in 2009. The recorded average handle times increased to 273 seconds or 1.1 percent from 2009 to 2010 which is still less than the 2.1 percent forecasted by SCE. Although recorded 2005 to 2008 average call handle times shows a steady increase, the average call handle times can also decrease as shown by the recorded 2008 to

122 SCE's response to DRA-SCE-115-SWC, question 13

2009 average call handle times. The following table provides the CCO's average handle time in seconds for 2005 to 2010.

Table 10-24
SCE's Average Call Handle Time[123]
Recorded 2005 to 2010 and Forecast 2012 to 2013
(In Seconds)

	2005	2006	2007	2008	2009	2010	Forecast 2012	Forecast 2013
Average Call Handle Time	248	259	266	278	270	273	287	289

Fourth, DRA takes issue with SCE's proposed increase of $1.797 million for SCE's competitive wage program for the CCO. Any wage increases for CCO's personnel will be provided in the labor escalation as discussed in Exhibit DRA-4.

Fifth, DRA will use the 2009 recorded expenses to forecast TY 2012 without reducing the forecast by the $651,000 due to call deflection in the CCO and productivity savings. DRA is recommending the Commission not to apply the $651,000 reduction. This will accommodate any increases in CCO expenses due to an increase in call volumes or longer call handle times.

c. SCE's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 903.800

SCE is requesting $48.462 million, an increase of $11.073 million above 2009 recorded expenses, for FERC Account 903.800 for 2013.[124] SCE used 2009 recorded expenses as the base for the 2013 forecast and makes the following adjustments.

The first 2013 forecast adjustment is a $1.390 million reduction due to implementation of the Edison SmartConnect program. In 2013, the CCO expects to receive fewer customer phone calls regarding inaccurate bills and service

[123] SCE's Response to DRA-SCE-115-SWC, Question 14

[124] Exhibit SCE-4, Volume 2, p. 172

reconnection follow-up due to more timely and accurate services enabled by Edison SmartConnect.[125]

The second 2013 forecast adjustment is a $2.116 million increase to support increased customer call volume in the CCO for calls about service reconnection and new customer inquiries related to interval usage, web tools, more complex rates and other Edison SmartConnect related programs and services.[126]

The third 2013 forecast adjustment is an increase of $1.039 million for customer growth of 2.73 percent from 2009 to 2013.[127]

The fourth 2013 forecast adjustment is a $2.993 million increase to reflect the call volume growth that exceeds expected customer growth. SCE forecast an additional call volume above customer growth of 1.9 percent per year for 2013.[128]

The fifth 2013 forecast adjustment is a $3.282 million increase to reflect longer call handle times which SCE forecasts will increase annually at 1.8 percent when averaged from 2009 to 2013.[129]

The sixth 2013 forecast adjustment is an increase of $4.193 million for SCE's competitive wage program for CCO personnel.[130]

The seventh 2013 forecast adjustment is a decrease of $1.160 million due to call deflection and productivity savings in the CCO.[131]

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[125] Exhibit SCE-4, Volume 2, p. 171

[126] Exhibit SCE-4, Volume 2, p. 171

[127] Exhibit SCE-4, Volume 2, p. 171

[128] Exhibit SCE-4, Volume 2, p. 172

[129] Exhibit SCE-4, Volume 2, p. 172

[130] Exhibit SCE-4, Volume 2, p. 172

[131] Exhibit SCE-4, Volume 2, p. 172

d. DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 903.800

DRA is recommending a 2013 forecast of $38.095 million which is $10.367 million or 21 percent less than SCE's request for FERC Account 903.800. DRA is recommending using the 2009 recorded expenses as the base to forecast 2013.

First, DRA accepts a decrease of $1.390 million due to the implementation of the Edison SmartConnect program to forecast 2013 expenses.

DRA takes issue with SCE's 2013 forecast adjustments number two to adjustment number six for the same reasons as discussed above for the TY 2012 forecast.

DRA is recommending the Commission not apply the $1.160 million reduction adjustment to forecast 2013 expenses. This will accommodate any increases in CCO expenses due to an increase in call volumes or longer call handle times.

F. FERC Account 905 - Miscellaneous Expense

FERC Account 905 captures all of the Customer Accounts expense not reflected in or specific to the activities identified with FERC Accounts 901 through 904. This includes four specific activities; Account 905.100 includes all telephone expenses recorded by SCE's Call Centers; Account 905.300 includes all customer billing policy adjustments; Consumer Affairs expenses are recorded in Account 905.800; and Market Research expenses are recorded in Account 905.900.[132]

FERC Account 905 is disaggregated into four functional subaccounts which are presented in the following table.

[132] Exhibit SCE-4, Volume 2, p. 180

Table 10-25
FERC Account 905
2005-2009 Recorded and 2012 & 2013 Forecasts[133]
(in Thousands of 2009 Dollars)

FERC Subaccount	2005	2006	2007	2008	2009	SCE 2012	DRA 2012	SCE 2013	DRA 2013
905.100-Telephone Bills	4,036	3,717	3,862	3,067	3,393	3,700	3,700	3,656	3,656
905.300-Policy Adj.	836	660	662	582	526	726	526	726	526
905.800-Consumer Affairs	1,059	1,028	998	1,163	1,249	1,463	1,099	1,463	1,099
905.900-Market Research & Comm	5,039	6,187	6,040	4,474	7,062	8,645	7,000	10,091	7,000
Total	10,970	11,592	11,562	9,286	12,230	14,534	12,325	15,936	12,281

The discussion that follows focuses on the accounts where DRA has differences with SCE's TY 2012 forecast and 2013 forecast.

1. FERC Subaccount 905.300-Policy Adjustments

FERC Subaccount 905.300 records direct expenses associated with adjusting customer bills.[134] Table 10-26 provides the recorded expenses for 2005 to 2009 for FERC Subaccount 905.300.

Table 10-26
FERC Sub-Account 905.300
2005-2009 Recorded Expenses[135]
(in Thousands of 2009 Dollars)

FERC Account 905.300	2005	2006	2007	2008	2009
Labor	0	0	0	0	0
Non-Labor	836	660	662	582	526
Total	836	660	662	582	526

[133] Exhibit SCE-4, Volume 2, p. 181

[134] Exhibit SCE 4, Volume, p. 188

[135] Exhibit SCE-4, Volume 2, p. 146

Table 10-27 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 905.300.

Table 10-27
FERC Account 905.300
2012 and 2013 Forecasted Expenses[136]
(in Thousands of 2009 Dollars)

FERC Account 905.300	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	0	0	0	0	0	0	0
Non-Labor	526	726	526	200	726	526	200
Total	526	726	526	200	726	526	200

a. SCE's/DRA's 2012 Test Year (Business as Usual) and SCE's/DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 905.300

SCE is requesting $726,000 which is a $200,000 increase from 2009 recorded expenses for FERC Account 905.300.[137] SCE used 2009 recorded expenses as the base to forecast TY 2012 and 2013 forecast expenses.[138] SCE is requesting an increase of $200,000 for SCE's Service Guarantee program for both missed appointments and timely and accurate first bills for both TY 2012 and 2013.[139]

DRA is recommending $526,000 which is $200,000 or 28 percent less than SCE's request for both TY 2012 and 2013 forecast for FERC Account 905.300. DRA recommends using the 2009 recorded expenses to forecast TY 2012 and 2013. DRA recommends that the payments to customers as a result of SCE not meeting its commitments to individual customers should continue to be paid by the

[136] Exhibit SCE-4, Volume 2, p. 189

[137] Exhibit SCE-4, Volume 2, p. 191

[138] Exhibit SCE-4, Volume 2, p. 194

[139] Exhibit SCE-4, Volume 2, p. 191

shareholders and not the ratepayers to reimburse the inconvenienced customer. Decision 09-03-025 states that SCE shareholders should continue to pay for the credits of the service guarantee programs.[140]

2. FERC Subaccount 905.800 - Consumer Affairs

FERC Account 905.800 records the operations of SCE's Consumer Affairs which handles customer inquiries and complaints, and communicates and administers special programs and services for critical care, and disabled customers.[141] Table 10-28 provides the recorded expenses for 2005 to 2009 for FERC Subaccount 905.300.

Table 10-28
FERC Sub-Account 905.800
2005-2009 Recorded Expenses[142]
(in Thousands of 2009 Dollars)

FERC Account 905.800	2005	2006	2007	2008	2009
Labor	931	928	922	1,017	1,105
Non-Labor	128	100	76	146	144
Total	1,059	1,028	998	1,163	1,249

[140] D.09-03-025, p. 108

[141] Exhibit SCE 4, Volume, p. 192

[142] Exhibit SCE-4, Volume 2, p. 193

Table 10-29 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 905.800.

Table 10-29
FERC Account 905.800
2012 and 2013 Forecasted Expenses[143]
(in Thousands of 2009 Dollars)

FERC Account 905.800	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	1,105	1,300	980	320	1,300	980	320
Non-Labor	144	163	119	44	163	119	44
Total	1,249	1,463	1,099	364	1,463	1,099	364

b. SCE's/DRA's 2012 Test Year (Business as Usual) and SCE's/DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 905.800

SCE is requesting $1.463 million which is a $214,000 increase from 2009 recorded expenses for FERC Account 905.800 for both TY 2012 and 2013.[144] SCE used 2009 recorded expenses as the base to forecast TY 2012 and 2013 forecast expenses.[145] SCE is requesting an increase of $214,000 to support increased outreach efforts to special needs customers and to handle increased complaint volumes for both TY 2012 and 2013.[146]

DRA is recommending $1.099 million which is $364,000 or 25 percent less than SCE's request for both the 2012 and 2013 forecast for FERC Account 905.800. DRA recommends using the five-year average of recorded expenses for the years 2005 to 2009. The 2005 to 2009 recorded expenses show fluctuations. The recorded expenses were at a low of $998,000 in 2007 and a high of $1.249 million in

143 Exhibit SCE-4, Volume 2, p. 193

144 Exhibit SCE-4, Volume 2, p. 194

145 Exhibit SCE-4, Volume 2, p. 194

146 Exhibit SCE-4, Volume 2, p. 191

2009. The functions, such as the outreach to special needs customers and the handling of complaint volumes, that are recorded in this account are activities that SCE routinely performs. The five-year average provides an appropriate method to forecast TY 2012 and 2013 expenses for FERC Sub-account 905.800.

3. FERC Subaccount 905.900 - Market Research & Communications

FERC Subaccount 905.900 records the operations of SCE's Market Research and Communication functions which researches, collect, analyzes, and reports customer and industry information to develop and deliver programs, services and general information to customers.[147] Table 10-30 provides the recorded expenses for 2005 to 2009 for FERC Subaccount 905.900.

Table 10-30
FERC Sub-Account 905.900
2005-2009 Recorded Expenses[148]
(in Thousands of 2009 Dollars)

FERC Account 905.900	2005	2006	2007	2008	2009
Labor	1,156	1,244	1,674	2,193	2,278
Non-Labor	3,883	4,943	4,366	2,281	4,784
Total	5,039	6,187	6,040	4,474	7,062

[147] Exhibit SCE 4, Volume, p. 196

[148] Exhibit SCE-4, Volume 2, p. 197

Table 10-31 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 905.900.

Table 10-31
FERC Account 905.900
2012 and 2013 Forecasted Expenses[149]
(in Thousands of 2009 Dollars)

FERC Account 905.900	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	2,278	2,278	1,709	569	2,559	1,709	850
Non-Labor	4,784	6,367	5,291	1,076	7,532	5,291	2,241
Total	7,062	8,645	7,000	1,645	10,091	7,000	3,091

a. SCE's 2012 Test Year (Business as Usual) for FERC Account 905.900

SCE is requesting $8.645 million which is a $1.583 million increase from 2009 recorded expenses for FERC Account 905.900.[150] SCE used 2009 recorded expenses as the base to forecast TY 2012 forecast expenses and added incremental adjustments for TY 2012.[151]

The first TY 2012 adjustment is an increase of $1.240 million to reflect the impact of Dynamic Pricing.[152]

The second TY 2012 adjustment is an increase of $151,000 for SCE.com web accessibility, including PDF remediation.[153]

The third TY 2012 adjustment is an increase of $150,000 to fund ongoing User Experience Enhancements to SCE.com to improve service capabilities on

[149] Exhibit SCE-4, Volume 2, p. 197

[150] Exhibit SCE-4, Volume 2, p. 200

[151] Exhibit SCE-4, Volume 2, p. 198

[152] Exhibit SCE-4, Volume 2, p. 199

[153] Exhibit SCE-4, Volume 2, p. 199

SCE.com for billing payment, and program enrollments; add new informational sections to address customer needs and interest, add more capabilities to keep customers informed through notifications and alerts; and a mobile web presence.[154]

The fourth TY 2012 adjustment is an increase of $42,000 to fund improved monitoring of the web site.[155]

b. DRA's 2012 Test Year (Business as Usual) for FERC Account 905.900

DRA is recommending a TY 2012 forecast of $7.0 million which is $1.645 million or 19 percent less than SCE's request for FERC Account 905.900.

First, DRA recommends using the five-year average of recorded expenses (2005 to 2009) of $5.760 million as the base to forecast TY 2012.

Second, DRA accepts SCE's request for a $1.240 million increase to reflect the Dynamic Pricing impact.

Third, DRA takes issue with SCE's proposed $150,000 increase to fund ongoing User Experience Enhancements to SCE.com. SCE has embedded recorded costs during 2005 to 2009 to operate and update its website and has not shown why it should not receive additional funding.

Fourth, DRA takes issue with SCE's proposed $42,000 increase to fund improved monitoring of the web site. SCE has embedded recorded costs during 2005 to 2009 to operate and update its website and has not shown why it should receive additional funding.

c. SCE's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 905.900

SCE is requesting $10.091 million which is $3.029 million above 2009 recorded expenses for FERC Account 905.900. SCE used 2009 recorded expenses

[154] Exhibit SCE-4, Volume 2, p. 200

[155] Exhibit SCE-4, Volume 2, p. 200

as the base to forecast 2013 forecast expenses and added incremental adjustments for 2013.[156]

The first 2013 forecast adjustment is a $603,000 increase to provide customer communications post-deployment of Edison SmartConnect operations. Of the $603,000, $518,000 is for the Dynamic Pricing efforts and $85,000 is included in the usage information and budget management tools efforts.[157]

The second 2013 forecast adjustment is an increase of $928,000 to enable customers to adopt and utilize energy usage information and budget management tools.[158]

The third 2013 forecast adjustment is an increase of $1.758 million to support the introduction of Dynamic Pricing rates.[159]

The fourth 2013 forecast adjustment is an increase of $151,000 for SCE.com web accessibility, including PDF remediation.[160]

The fifth 2013 forecast adjustment is an increase of $150,000 to fund ongoing User Experience Enhancements to SCE.com to improve service capabilities on SCE.com for billing payment, and program enrollments; add new informational sections to address customer needs and interest, add more capabilities to keep customers informed through notifications and alerts; and a mobile web presence.[161]

The sixth 2013 forecast adjustment is an increase of $42,000 to fund improved monitoring of the web site.[162]

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[156] Exhibit SCE-4, Volume 2, p. 198

[157] Exhibit SCE-4, Volume 2, p. 201

[158] Exhibit SCE-4, Volume 2, p. 201

[159] Exhibit SCE-4, Volume 2, p. 202

[160] Exhibit SCE-4, Volume 2, p. 202

[161] Exhibit SCE-4, Volume 2, p. 202

[162] Exhibit SCE-4, Volume 2, p. 202

d. DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 905.900

DRA is recommending $7 million which is $1.645 million or 19 percent less than SCE's request for the 2013 forecast for FERC Account 905.900.

First, DRA recommends using the five-year average of recorded expenses (2005 to 2009) of $5.760 million as the base to forecast 2013 expenses.

Second, DRA takes issue with SCE's proposed $603,000 increase to provide customer communications post-deployment of Edison SmartConnect operations. SCE states, “the impact of SmartConnect meters and their associated systems for ongoing operations will require changes to how we serve and communicate with our customers.”[163] SCE has developed and implemented different programs to communicate with its customers over the years. The costs for education and outreach activities should be embedded in 2005 to 2009 recorded costs. SCE should not receive additional funding to communicate with its customers in addition to the requested funding for Dynamic Pricing.

Third, DRA takes issue with SCE's proposed increase of $928,000 to enable customers to adopt and utilize energy usage information and budget management tools. Again, SCE has developed and implemented different programs to communicate with its customers over the years. The costs for education and outreach activities should be embedded in 2005 to 2009 recorded costs. The type of information that SCE communicates to its customers will change over time. SCE should not receive additional funding to communicate with its customers in addition to the requested funding for Dynamic Pricing.

Fourth, DRA accepts the increase of $1.240 million to support the introduction of the Dynamic Pricing.

Fifth, DRA takes issue with SCE's proposed increase of $151,000 for SCE.com web accessibility, including PDF remediation. SCE has embedded recorded costs during 2005 to 2009 to operate and update its website and has not shown why it should receive additional funding.

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[163] Exhibit SCE-4, Volume 2, p. 201

Sixth, DRA takes issue with SCE's proposed $150,000 increase to fund ongoing User Experience Enhancements to SCE.com. SCE has embedded recorded costs during 2005 to 2009 to operate and update its website and has not shown why it should receive additional funding.

Seventh, DRA takes issue with SCE's proposed $42,000 increase to fund improved monitoring of the web site. SCE has embedded recorded costs during 2005 to 2009 to operate and update its website and has not shown why it should receive additional funding.

G. FERC Account 586-Meter Expense

FERC Account 586 is comprised of FERC Account 586.100 and FERC Account 586.400. The following table provides the recorded expenses for 2005 to 2009 and SCE's and DRA's forecast for 2012 and 2013 for FERC Account 586 as disaggregated into the two functional subaccounts.

Table 10-32
FERC Account 586
2005-2009 Recorded and 2012 & 2013 Forecasts[164]
(in Thousands of 2009 Dollars)

FERC Subaccount	2005	2006	2007	2008	2009	SCE 2012	DRA 2012	SCE 2013	DRA 2013
586.100	17,213	16,791	17,264	17,839	17,663	18,474	18,474	8,238	8,238
586.400	9,599	10,081	10,077	8,940	9,856	11,196	9,856	11,334	9,375
Total	26,812	26,872	27,341	26,779	27,519	29,670	28,330	19,572	17,613

The discussion that follows focuses on the accounts where DRA has differences with SCE's TY 2012 and 2013 forecasts.

1. FERC Account 586.400 - Test and Inspect Meters

FERC Account 586.400 captures all expenses related to the operation, inspection, and testing of meters and associated metering equipment.[165] SCE used 2009 recorded expenses and added the adjustments to forecast TY 2012 and

[164] Exhibit SCE-4, Volume 2, pp. 114 and 116

[165] Exhibit SCE-4, Volume 2, p. 215

2013.[166] Table 10-33 provides the recorded expenses for 2005 to 2009 for FERC Account 586.400.

Table 10-33
FERC Account 586.400
2005-2009 Recorded Expenses[167]
(in Thousands of 2009 Dollars)

FERC Account 586.400	2005	2006	2007	2008	2009
Labor	6,253	6,711	6,794	5,999	7,279
Non-Labor	3,346	3,370	3,283	2,941	2,577
Total	9,599	10,081	10,077	8,940	9,856

Table 10-34 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 586.400.

Table 10-34
FERC Account 586.400
2012 and 2013 Forecasted Expenses[168]
(in Thousands of 2009 Dollars)

FERC Account 586.400	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	7,279	8,237	7,279	958	7,984	6,569	1,415
Non-Labor	2,577	2,959	2,577	382	3,350	2,806	544
Total	9,856	11,196	9,856	1,340	11,334	9,375	1,959

a. SCE's 2012 Test Year (Business as Usual) for FERC Account 586.400

SCE is requesting $11.196 million which is an increase of $1.340 million above 2009 recorded expenses for FERC Account 586.400. SCE used 2009 recorded expenses and added the adjustments to forecast TY 2012.

[166] Exhibit SCE-4, Volume 2, p. 217

[167] Exhibit SCE-4, Volume 2, p. 217

[168] Exhibit SCE-4, Volume 2, p. 216

The first TY 2012 adjustment is an increase of $180,000 for customer growth of 1.83 percent from 2009 to 2012.[169]

The second TY 2012 adjustment is an increase of $564,000 for the PEV program. The Meter Services Organization (MSO) expects an increase in meter installations related to the PEV program.[170]

The third TY 2012 adjustment is an increase of $596,000 for the HAN program. The MSO anticipates an increase in the number of meter testing and inspections as a result of the HAN-enabled customer devices that was not part of the SmartConnect deployment.[171]

b. DRA's 2012 Test Year (Business as Usual) for FERC Account 586.400

DRA is recommending $9.856 million which is $1.340 million or 12 percent less than SCE's TY 2012 request for FERC Account 586.400. DRA recommends using 2009 recorded expenses to forecast TY 2012 expenses.

First, DRA takes issue with SCE's proposed $180,000 customer growth of 1.83 percent from 2009 to 2012. During 2005 to 2009, the recorded expenses declined from a high of $10.081 million in 2006 to a low of $8.940 million in 2008. The recorded expenses then increased to $9.856 million in 2009. Past recorded data shows no correlation between Test and Inspect meter expenses and customer growth.

Second, DRA takes issue with SCE's proposed $564,000 increase for the PEV program. At the end of 2010, SCE had 47 customers who have requested a second meter installation for PEV readiness.[172] DRA does not find that meter installations due to PEV readiness will be a significant factor in 2012.

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[169] Exhibit SCE-4, Volume 2, p. 219

[170] Exhibit SCE-4, Volume 2, p. 219

[171] Exhibit SCE-4, Volume 2, p. 219

[172] SCE's response to DRA-SCE-112-SWC, question 1.a.

Third, DRA takes issue with SCE's proposed $596,000 increase for the HAN program for the same reasons discussed above in connection with FERC Account 901.

c. SCE's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 586.400

SCE is requesting $11.334 million which is an increase of $1.478 million above 2009 recorded expenses for FERC Account 586.400. SCE used 2009 recorded expenses and added the adjustments to forecast 2013.

The first 2013 adjustment is a $1.828 million decrease due to the implementation of Edison SmartConnect.[173]

The second 2013 adjustment is a $1.079 million increases to support MSO operations post Edison SmartConnect deployment.[174]

The third 2013 adjustment is a $219,000 increase for customer growth of 2.73 percent from 2009 to 2013.[175]

The fourth 2013 adjustment is an increase of $268,000 for the MSO Quality Management System.[176]

The fifth 2013 adjustment is an increase of $821,000 increase for the PEV program.[177]

The sixth 2013 adjustment is an increase of $919,000 for the HAN program. The MSO anticipates an increase in the number meter testing and inspections as a

[173] Exhibit SCE-4, Volume 2, p. 220

[174] Exhibit SCE-4, Volume 2, p. 220

[175] Exhibit SCE-4, Volume 2, p. 221

[176] Exhibit SCE-4, Volume 2, p. 221

[177] Exhibit SCE-4, Volume 2, p. 221

result of the HAN-enabled customer devices that was not part of the SmartConnect deployment.[178]

d. DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 586.400

DRA is recommending $9.375 million which is $1.959 million or 17 percent less than SCE's TY 2012 request for FERC Account 586.400. DRA is recommending using 2009 recorded expenses to forecast 2013 expenses.

First, DRA accepts SCE’s 2013 adjustment of a $1.828 million decrease due to the implementation of Edison SmartConnect.

Second, DRA accepts SCE’s 2013 adjustment of a $1.079 million increase to support MSO operations post Edison SmartConnect deployment.

Third, DRA takes issue with SCE's proposed $219,000 increase for customer growth of 2.73 percent from 2009 to 2013. Past recorded data shows that recorded expenses have not been increasing despite recorded annual customer growth during 2005 to 2009.

Fourth, DRA accepts a $268,000 increase for the MSO Quality Management System.

Fifth, DRA takes issue with SCE's proposed $821,000 increase for the PEV program. At the end of 2010, SCE had 47 customers who have requested a second meter installation for PEV readiness.[179] SCE has not shown that meter installations due to PEV readiness will be a significant factor or cost in 2012.

Sixth, DRA takes issue with SCE's proposed $919,000 increase for the HAN program for the same reasons discussed in FERC Account 901.

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[178] Exhibit SCE-4, Volume 2, p. 221

[179] SCE's response to DRA-SCE-112-SWC, question 1.a.

H. FERC Account 587-Customer Installation Expense

FERC Account 587 is comprised of FERC Account 587.200, FERC Account 587.500, and FERC Account 587.800. The following table provides the recorded expenses for 2005 to 2009 and SCE's and DRA's forecast for 2012 and 2013 for FERC Account 587 disaggregated into the three functional subaccounts.

Table 10-35
FERC Account 587
2005-2009 Recorded and 2012 & 2013 Forecasts[180]
(in Thousands of 2009 Dollars)

FERC Subaccount	2005	2006	2007	2008	2009	SCE 2012	DRA 2012	SCE 2013	DRA 2013
587.200	2,784	2,905	3,501	2,806	2,905	2,905	2,905	4,813	2,905
587.500	3,701	4,292	3,941	3,616	2,770	3,118	3,118	375	375
587.800	1,938	2,160	2,383	2,095	2,298	2,340	2,340	2,361	2,361
Total	8,423	9,357	9,825	8,517	7,973	8,363	8,363	7,549	5,641

The discussion that follows focuses on the accounts where DRA has differences with SCE's TY 2012 and 2013 forecasts.

1. FERC Account 587.200 – Energy Theft

FERC Account 587.200 captures all expenses for activities required to collect revenues that would otherwise be lost as a result of energy theft and billing exceptions caused by irregularities in meter registration.[181] SCE used 2009 recorded expenses and added one adjustment to forecast TY 2012 and 2013.[182] Table 10-36 provides the recorded expenses for 2005 to 2009 for FERC Account 587.200.

[180] Exhibit SCE-4, Volume 2, pp. 114 and 116

[181] Exhibit SCE-4, Volume 2, p. 222

[182] Exhibit SCE-4, Volume 2, p. 223

Table 10-36
FERC Account 587.200
2005-2009 Recorded Expenses[183]
(in Thousands of 2009 Dollars)

FERC Account 587.200	2005	2006	2007	2008	2009
Labor	2,303	2,420	2,773	2,350	2,584
Non-Labor	481	485	728	456	321
Total	2,784	2,905	3,501	2,806	2,905

Table 10-37 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 587.200. DRA does not take issue with SCE's 2012 forecast.

Table 10-37
FERC Account 587.200
2012 and 2013 Forecasted Expenses[184]
(in Thousands of 2009 Dollars)

FERC Account 587.200	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	2,584	2,584	2,584	0	4,189	2,584	1,605
Non-Labor	321	321	321	0	624	321	303
Total	2,905	2,905	2,905	0	4,813	2,905	1,908

a. SCE's/DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 587.200

SCE is requesting $4.813 million which is an increase of $1.908 million above 2009 recorded expenses for FERC Account 587.200. SCE used 2009 recorded expenses and added the adjustments to forecast 2013.

The only 2013 adjustment SCE proposes is a $1.908 million increase due to the post-deployment operational requirements of the Edison SmartConnect program. The MSO Revenue Protection function expects that Edison SmartConnect meter installation will uncover additional energy theft and result in an increase in the

183 Exhibit SCE-4, Volume 2, p. 223

184 Exhibit SCE-4, Volume 2, p. 222

number of investigations and meter tampering cases. SCE is requesting to add 22 FTEs and associated non-labor expenses.[185]

DRA is recommending a 2013 forecast of $2.905 million which is $1.908 million or 40 percent less than SCE's request for FERC Account 587.200. DRA takes issue with SCE's proposed $1.908 million increase due SCE's assumption of additional energy theft cases. This assumption is speculative. SCE has not provided evidence that the SmartConnect system will detect an increase in the number of investigations and meter tampering cases. SCE's forecast is based on unsupported assumptions of an increase in investigations and meter tempering cases.[186] SCE has embedded recorded expenses for theft investigations. The number of revenue protection investigators/energy theft personnel has declined since 2007 as shown by the following table, and the current staffing is consistent with the average number of positions over the past five years. The current staff is adequate to address energy theft cases and SCE has not supported a need to increase current staffing. The following table provides the FTE headcount for revenue protection investigators/energy theft for 2005 to 2009.

Table 10-38
FERC Account 587.200
Revenue Protection Investigators/Energy Theft FTEs
2005-2009[187]

	2005	2006	2007	2008	2009
Meter Services	20.0	21.6	24.1	23.3	21.7
Revenue Services	9.6	8.9	10.9	7.5	10.6
TDBU	0.1	0.1	0.1	0.1	0.1
Total FTEs	29.7	30.6	35.1	30.9	32.4

[185] Exhibit SCE-4, Volume 2, p. 225

[186] SCE's response to DRA-SCE-52-SWC, question 5.b.

[187] SCE's response to DRA-SCE-52-SWC, question 5.a.

I. FERC Account 908-Customer Assistance Expenses

FERC Account 908 is comprised of FERC Account 908.600, FERC Account 908.610, FERC Account 908.620, FERC Account 908.630, FERC Account 908.630, and FERC 908.640. The following table provides the recorded expenses for 2005 to 2009 and SCE's and DRA's forecast for 2012 and 2013 for FERC Account 908 as disaggregated into the five functional subaccounts.

Table 10-39
FERC Account 908
2005-2009 Recorded and 2012 & 2013 Forecasts[188]
(in Thousands of 2009 Dollars)

FERC Subaccount	2005	2006	2007	2008	2009	SCE 2012	DRA 2012	SCE 2013	DRA 2013
908.600	14,243	14,435	14,907	14,441	14,640	15,534	15,079	15,610	15,079
908.610	1,846	1,631	1,998	1,815	1,945	2,110	1,945	2,312	1,945
908.620	3,177	3,039	3,217	3,274	3,499	3,499	3,499	3,941	3,941
908.630	2,126	2,618	2,794	2,296	2,477	2,477	2,477	2,477	2,477
908.640	8,193	9,474	8,749	8,538	8,614	14,262	8,614	16,435	9,750
Total	29,585	31,197	31,665	30,364	31,175	37,882	31,614	40,778	33,192

The discussion that follows focuses on the accounts where DRA has differences with SCE's TY 2012 and 2013 forecasts.

1. FERC Account 908.600 – Customer Care-Account Management

FERC Account 908.600 captures all expenses for the Account Management organization. The Account Management function provides basic customer services to 689,000 non-residential service accounts that have more complex issues that cannot be practically addressed or resolved by simple phone communication or by mail.[189] SCE used 2009 recorded expenses and added the adjustments to forecast

[188] Exhibit SCE-4, Volume 2, pp. 114 and 116

[189] Exhibit SCE-4, Volume 3, p. 107

TY 2012 and 2013.[190] Table 10-40 provides the recorded expenses for 2005 to 2009 for FERC Account 908.600.

Table 10-40
FERC Account 908.600
2005-2009 Recorded Expenses[191]
(in Thousands of 2009 Dollars)

FERC Account 908.600	2005	2006	2007	2008	2009
Labor	10,764	11,006	11,238	11,008	10,892
Non-Labor	3,479	3,429	3,669	3,433	3,748
Total	14,243	14,435	14,907	14,441	14,640

Table 10-41 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 908.600.

Table 10-41
FERC Account 908.600
2012 and 2013 Forecasted Expenses[192]
(in Thousands of 2009 Dollars)

FERC Account 908.600	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	10,892	11,698	11,291	407	11,785	11,291	494
Non-Labor	3,748	3,836	3,788	48	3,825	3,788	37
Total	14,640	15,534	15,079	455	15,610	15,079	531

a. SCE's Test Year 2012 (Business as Usual) for FERC Account 908.600

SCE is requesting $15.534 million which is an increase of $894,000 above 2009 recorded expenses for FERC Account 908.600.[193] SCE used 2009 recorded expenses and added the adjustments to forecast TY 2012.

190 Exhibit SCE-4, Volume 3, p. 108

191 Exhibit SCE-4, Volume 3, p. 108

192 Exhibit SCE-4, Volume 3, p. 107

193 Exhibit SCE-4, Volume 3, p. 109

The first TY 2012 adjustment is an increase of $309,000 for three FTEs to support the PEV program.

The second TY 2012 adjustment is an increase of $439,000 for ten FTEs to support the anticipated increase in the number of inquiries by small, non-residential customers as Dynamic Pricing is implemented.

The third TY 2012 adjustment is an increase of $147,000 for two FTEs to support Outage Communications for large business and public agency customers.

b. DRA's Test Year 2012 (Business as Usual) for FERC Account 908.600

DRA is recommending $15.079 million which is $455,000 or three percent less than SCE's request for TY 2012 for FERC Account 908.600. DRA is recommending using the 2009 recorded expenses as the base to forecast TY 2012.

First, DRA takes issue with SCE's proposed increase of $309,000 to support the PEV program for the reasons stated above in connection with FERC Account 901.

Second, DRA is recommending the acceptance of an increase of $439,000 to support the Dynamic Pricing program.

Third, DRA takes issue with SCE's proposed increase of $147,000 to support Outage Communications for large business and public agency customers. Outage Communications should be a routine activity and should be embedded in recorded expenses. Also, the 2005 to 2009 recorded expenses show little fluctuation. DRA is recommending that SCE not receive additional funding for Outage Communication activities.

c. SCE's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 908.600

SCE is requesting $15.610 million which is an increase of $970,000 above 2009 recorded expenses for forecast 2013 for FERC Account 908.600. SCE used 2009 recorded expenses and added adjustments to forecast 2013.

The first 2013 forecast adjustment is an increase of $385,000 for four FTEs to support the PEV program.

The second 2013 forecast adjustment is an increase of $439,000 for ten FTEs to support the anticipated increase in the number of inquiries by small, non-residential customers as Dynamic Pricing is implemented.

The third 2013 forecast adjustment is an increase of $147,000 for two FTEs to support Outage Communications for large business and public agency customers.

d. DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 908.600

DRA is recommending $15.079 million which is $531,000 or three percent less than SCE's request for 2013 forecast for FERC Account 908.600 for the same reasons as discussed above in connection with TY 2012.

2. FERC Account 908.610 – Customer Care-Energy Centers

FERC Account 908.610 captures all expenses for SCE's two Energy Centers.[194] SCE used 2009 recorded expenses and added one adjustment to forecast TY 2012 and 2013.[195] Table 10-42 provides the recorded expenses for 2005 to 2009 for FERC Account 908.610.

Table 10-42
FERC Account 908.610
2005-2009 Recorded Expenses[196]
(in Thousands of 2009 Dollars)

FERC Account 908.610	2005	2006	2007	2008	2009
Labor	959	753	788	942	901
Non-Labor	887	878	1,210	873	1,044
Total	1,846	1,631	1,998	1,815	1,945

[194] Exhibit SCE-4, Volume 3, p. 120

[195] Exhibit SCE-4, Volume 3, p. 122

[196] Exhibit SCE-4, Volume 3, p. 122

Table 10-43 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 908.610.

Table 10-43
FERC Account 908.610
2012 and 2013 Forecasted Expenses[197]
(in Thousands of 2009 Dollars)

FERC Account 908.610	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	901	1,018	901	117	1,165	901	264
Non-Labor	1,044	1,092	1,044	48	1,147	1,044	103
Total	1,945	2,110	1,945	165	2,312	1,945	367

a. SCE's/DRA's Test Year 2012 (Business as Usual) for FERC Account 908.610

SCE is requesting $2.110 million which is an increase of $165,000 above 2009 recorded expenses for TY 2012 for FERC Account 908.610.[198] SCE is requesting an increase of $165,000 for three additional employees to support the existing Energy Centers.[199]

DRA is recommending $1.945 million which is $165,000 or eight percent less than SCE's request for TY 2012 for FERC Account 908.610. DRA takes issue with SCE's proposed $165,000 for three additional employees to support the existing Energy Centers. SCE states that although labor and non-labor expenses fluctuated over the five year historical period, the last two years were comparable and reflected current operating requirements, as supplemental employees were replaced by full-time SCE positions.[200] The five-year average of recorded expenses is $1.847 million which is close to the recorded expenses of $1.815 million in 2008 and $1.945

[197] Exhibit SCE-4, Volume 3, p. 107

[198] Exhibit SCE-4, Volume 3, p. 123

[199] Exhibit SCE-4, Volume 3, p. 123

[200] Exhibit SCE-4, Volume 3, p. 122

million in 2009. Therefore, DRA recommends using 2009 recorded expenses to forecast TY 2012.

b. SCE's/DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 908.610

SCE is requesting $2.312 million which is an increase of $366,000 above 2009 recorded expenses for its 2013 forecast for FERC Account 908.610.[201] SCE added the following adjustments to 2009 recorded expenses. The first 2013 adjustment is an increase of $165,000 for three additional FTEs.[202] The second 2013 adjustment is an increase of $202,000 for three additional FTEs for a third Energy Center.[203]

DRA is recommending $1.945 million which is $367,000 or 16 percent less than SCE's 2013 forecast for FERC Account 908.610. First, DRA takes issue with SCE's proposed increase of $165,000 for three additional FTEs at the existing Energy Centers for the same reasons as discussed above in connection with the TY 2012. Second, DRA takes issue with SCE's proposed increase of $202,000 for three additional FTEs for a third Energy Center. DRA is recommending that SCE not be allowed to establish a third Energy Center. SCE has two Energy Centers called the Customer Technology Application Center (CTAC) and the Agricultural Technology Application Center (AGTAC). SCE states that the seminar offerings at CTAC are in such high demand that frequently more than 50 percent of seminars have a waitlist.[204] This information is based only on three months of data on CTAC's Seminars/Workshops for April to June 2010.[205] A review of the CTAC

[201] Exhibit SCE-4, Volume 3, p. 124

[202] Exhibit SCE-4, Volume 3, p. 124

[203] Exhibit SCE-4, Volume 3, p. 124

[204] Exhibit SCE-4, Volume 3, p. 49

[205] Workpapers to Exhibit SCE-4, Volume 3, Chapter I-III, pp. 155 to 156

waitlist shows that the actual numbers of people attending the seminars were less than the registered attendees.

A review of the 2005 to 2009 lists of AGTAC and CTAC seminars and workshops show Energy Center personnel participates in seminars and workshops at off-site locations such as the Black History Month and Asian Pacific American Heritage Month Events which contributed to the growth of seminar attendance since 2005. Also, the increased number of seminars and workshops offered at the Energy Center and at off-site locations such as community colleges and community centers contributed to the growth of seminar attendance since 2005.[206]

SCE has considered alternatives to a third Energy Center such as web-based on-demand seminar presentment; "on location" seminars at various locations in SCE's service territory; and a mobile Energy Center. SCE is in the development stage to establish web based on-demand seminar presentment that will provide on-demand access to training and education for customers at their own convenience. SCE is considering expanding the "on location" seminars at various sites throughout SCE's service territory such as community colleges and community centers. The Mobile Energy Center could host seminars and workshops as well as house the necessary displays and equipment.[207]

The existing two Energy Centers have made seminars and workshops available for SCE's customers through on-site and off-site locations. Also, the alternatives considered by SCE will allow SCE to offer seminars and workshops to customers without the need for a third Energy Center. DRA recommends that funding for a third Energy Center should not be authorized.

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[206] SCE's response to DRA-SCE-70-SWC, question 1

[207] SCE's response to DRA-SCE-70-SWC, questions 2.d.

3. FERC Account 908.640 – Customer Care-Account Management

FERC Account 908.640 captures all expenses for the Program Management function which researches, develops, manages, communicates, and measures customer care programs.[208] SCE used 2009 recorded expenses and added adjustments to forecast TY 2012 and 2013.[209] Table 10-44 provides the recorded expenses for 2005 to 2009 for FERC Account 908.640.

Table 10-44
FERC Account 908.640
2005-2009 Recorded Expenses[210]
(in Thousands of 2009 Dollars)

FERC Account 908.640	2005	2006	2007	2008	2009
Labor	3,420	3,721	3,466	4,083	4,030
Non-Labor	4,773	5,753	5,283	4,455	4,584
Total	8,193	9,474	8,749	8,538	8,614

Table 10-45 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 908.640.

Table 10-45
FERC Account 908.640
2012 and 2013 Forecasted Expenses[211]
(in Thousands of 2009 Dollars)

FERC Account 908.640	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	4,030	4,692	4,030	662	5,254	4,405	849
Non-Labor	4,584	9,570	4,584	4,986	11,181	5,345	5,836
Total	8,614	14,262	8,614	5,648	16,435	9,750	6,685

[208] Exhibit SCE-4, Volume 3, p. 111

[209] Exhibit SCE-4, Volume 3, p. 112

[210] Exhibit SCE-4, Volume 3, p. 112

[211] Exhibit SCE-4, Volume 3, p. 111

a. SCE's Test Year 2012 (Business as Usual) for FERC Account 908.640

SCE is requesting $14.262 million which is an increase of $5.648 million above 2009 recorded expenses for TY 2012 for FERC Account 908.640.[212] SCE used 2009 recorded expenses as the base and added adjustments to forecast TY 2012 expenses.

The first TY 2012 adjustment is an increase of $155,000 for the SCE Energy Manager.[213] SCE EnergyManager® is a suite comprised of both free and fee-based services that serves as the primary on-line delivery platform for energy information and tools for SCE's largest commercial and industrial customers.[214]

The second TY 2012 adjustment is an increase of $2.160 million for the development, marketing, customer education and outreach of the Dynamic Pricing programs.[215]

The third TY 2012 adjustment is an increase of $2.698 million for the PEV Program to market and communicate SCE PEV programs.[216]

The fourth TY 2012 adjustment is an increase of $292,000 for program administration to support an anticipated increase in costs to administer the Medical Baseline program, and the Energy Assistance Fund.[217]

The fifth 2012 adjustment is an increase of $343,000 for Web Accessibility, User Experience Enhancements, and SCE.com Monitoring activities.[218]

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[212] Exhibit SCE-4, Volume 3, p. 114

[213] Exhibit SCE-4, Volume 3, p. 113

[214] Exhibit SCE-4, Volume 2, p. 31

[215] Exhibit SCE-4, Volume 3, p. 113

[216] Exhibit SCE-4, Volume 3, p. 114

[217] Exhibit SCE-4, Volume 3, p. 114

[218] Exhibit SCE-4, Volume 3, p. 114

b. DRA’s Test Year 2012 (Business as Usual) for FERC Account 908.640

DRA is recommending $8.614 million which is $5.648 million or 39.6 percent less than SCE's TY 2012 request for FERC Account 908.640. DRA is recommending using 2009 recorded expenses as a base to forecast TY 2012 expenses. A review of 2005 to 2009 recorded expenses shows that the five years of recorded expenses were at a relatively consistent level.

First, DRA takes issue with SCE's proposed $155,000 increase for the SCE EnergyManager®. SCE has embedded cost for SCE EnergyManager® which was launched in 2001 and has not shown why it should receive additional funding.

Second, DRA takes issue with SCE’s proposed $2.160 million increase for the Dynamic Pricing programs. DRA recommended incremental funding in FERC Accounts 905.900 and 908.600 for SCE’s Dynamic Pricing programs which should be sufficient for TY 2012 and 2013 to implement this program. As DRA discussed below in connection with SCE's Dynamic Pricing capital project, SCE has minimum activity on this project which may indicate that Dynamic Pricing in itself is more complicated than anticipated and therefore would impact SCE’s schedule to implement Dynamic Pricing.

Third, DRA takes issue with SCE's proposed $2.698 million increase for the PEV program's marketing and communication. DRA is recommending the disallowance of additional funding of the PEV program for the reasons stated above in connection with FERC Account 901.

Fourth, DRA takes issue with SCE's proposed increase of $292,000 for program administration to support an anticipated increase in costs to administer the Medical Baseline program, and the Energy Assistance Fund. The Medical Baseline program and the Energy Assistance Fund are existing programs with embedded recorded costs. The following table shows that medical baseline applications and renewals process for 2006 to 2010 were at a high of 47,057 applications processed in 2009 but dropped to 44,946 applications processed in 2010. SCE has not shown why it should receive additional funding for these activities.

Table 10-46
Medical Baseline Applications and Renewals Processed[219]
(2006 to 2010)

Year	Enrollments & Renewals
2006	22,483
2007	28,655
2008	35,421
2009	47,057
2010	44,946

Fifth, DRA takes issue with SCE's proposed increase of $343,000 for Web Accessibility, User Experience Enhancements, and SCE.com Monitoring activities. SCE has embedded recorded costs during 2005 to 2009 to operate and update its website and has not shown why it should receive additional funding.

c. SCE’s 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 908.640

SCE is requesting $16.435 million which is an increase of $7.821 million above 2009 recorded expenses for 2013 forecast for FERC Account 908.640.[220] SCE used 2009 recorded expenses as the base and added adjustments to forecast 2013 expenses.

The first 2013 forecast adjustment is an increase of $2.222 million for energy information and budget management tools comprised of $155,000 for SCE EnergyManager®, $1.136 million for Edison SmartConnect Enabled Energy Information and Budget Management Tools, and $931,000 for related marketing and communication efforts.[221]

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[219] SCE’s response to DRA-SCE-115-SWC, question 20

[220] Exhibit SCE-4, Volume 3, p. 117

[221] Exhibit SCE-4, Volume 2, p. 115

The second 2013 forecast adjustment is an increase of $860,000 for the SCE Dynamic Pricing programs.[222]

The third 2013 forecast adjustment is an increase of $4.104 million to prepare customers for emerging markets and technologies comprised of $2.769 million for the PEV program and $1.335 million for the HAN program.[223]

The fourth 2013 forecast adjustment is an increase of $292,000 for program administration to support an anticipated increase in costs to administer the Medical Baseline program, and the Energy Assistance Fund.[224]

The fifth 2013 forecast adjustment is an increase of $343,000 for Web Accessibility, User Experience Enhancements, and SCE.com Monitoring activities.[225]

d. DRA's 2013 Forecast (Edison SmartConnect Fully Deployed) for FERC Account 908.640

DRA is recommending $9.750 million which is $6.685 million or 40.7 percent less than SCE's 2013 forecast for FERC Account 908.640. DRA uses 2009 recorded expenses as a base to forecast 2013 expenses.

First, DRA accepts an increase of $1.136 million for Edison SmartConnect Enabled Energy Information and Budget Management Tools.

Second, DRA takes issue with SCE's proposed $155,000 adjustment for SCE EnergyManager® for the same reasons as above for TY 2012.

Third, DRA takes issue with SCE's proposed increase of $931,000 for Edison SmartConnect Enabled Energy Info related marketing and communication efforts. A review of 2005 to 2009 recorded expenses shows that the five years of recorded expenses were at a relatively consistent level. The embedded recorded expenses

[222] Exhibit SCE-4, Volume 3, p. 116

[223] Exhibit SCE-4, Volume 3, p. 116

[224] Exhibit SCE-4, Volume 3, p. 116

[225] Exhibit SCE-4, Volume 3, p. 114

include activities such as marketing and communication efforts. Different outreach and marketing campaigns occur throughout the years and are embedded in recorded expenses.

Fourth, DRA takes issue with SCE's proposed increase of $860,000 for Dynamic Pricing programs as discussed above in connection with TY 2012.

Fifth, DRA takes issue with SCE's proposed increase of $2.769 million for a PEV program for the same reasons as stated above in connection with FERC Account 901.

Sixth, DRA takes issue with SCE's proposed increase of $1.335 million for the HAN program for the same reasons as stated above in connection with FERC Account 901.

Seventh, DRA takes issue with SCE's proposed increase of $292,000 for Program Administration for Medical Baseline and Energy Assistance Fund for the same reasons as stated above for TY 2012.

Eighth, DRA takes issue with SCE's proposed increase of $343,000 for Web Accessibility, User Experience Enhancements, and SCE.com Monitoring for the same reasons as stated above for TY 2012.

J. FERC Account 916.600 – Customer Care-Program Management/Rate Communications

FERC Account 916.600 captures all expenses for the Program Management function for Rate Communication activity.[226] SCE expects to continue at the 2009 recorded expense level for TY 2012 and 2013.[227] Table 10-47 provides the recorded expenses for 2005 to 2009 for FERC Account 916.600.

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[226] Exhibit SCE-4, Volume 3, p. 117

[227] Exhibit SCE-4, Volume 3, pp. 119 and 120

Table 10-47
FERC Account 916.600
2005-2009 Recorded Expenses[228]
(in Thousands of 2009 Dollars)

FERC Account 916.600	2005	2006	2007	2008	2009
Labor	76	197	254	226	285
Non-Labor	178	238	151	486	1,173
Total	254	435	405	712	1,458

Table 10-48 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 916.600.

Table 10-48
FERC Account 916.600
2012 and 2013 Forecasted Expenses[229]
(in Thousands of 2009 Dollars)

FERC Account 916.600	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	285	285	196	89	285	196	89
Non-Labor	1,173	1,173	434	739	1,173	434	739
Total	1,458	1,458	630	828	1,458	630	828

1. SCE's/DRA's Test Year 2012 and 2013 Forecast for FERC Account 916.600

SCE is requesting $1.458 million which is the 2009 recorded expenses and SCE expects to continue at the same activity for 2012 and 2013 for FERC Account 916.600.[230]

DRA is recommending $630,000 which is $828,000 or 56 percent less than SCE's requests for TY 2012 and 2013 for FERC Account 916.600. DRA recommends using the five-year average of 2005 to 2009 recorded expenses to

[228] Exhibit SCE-4, Volume 3, p. 112

[229] Exhibit SCE-4, Volume 3, pp. 119 and 120

[230] Exhibit SCE-4, Volume 3, p. 120

forecast TY 2012 and 2013 expenses. DRA's recommendation is $828,000 or 56 percent less than SCE's request for TY 2012 and 2013. The 2009 recorded expenses included additional expenses as a result of communication preparations to inform General Service (GS-1) customers about a shift in their rates from a flat energy charge to seasonal pricing in effective 2010.[231] A breakdown of the recorded expenses in the following table shows that the recorded labor expenses were relatively consistent for 2007 to 2009. The majority of the increase in 2009 was for customer communications including factsheets, brochures, and letters. DRA recommends using the five-year average of recorded expenses to forecast 2012 and 2013 expenses so that the effect of one-time events such as the GS-1 customer communication in 2009 can be lessened.

Table 10-49
FERC Account 916.600
2007 to 2009[232]
(in Thousands of 2009 Dollars)

Description	2007	2008	2009
Labor: SCE labor	254	225	284
Non-Labor: Contingent Workers-expenses associated with hiring a technical writer to support rate communication materials.	48	96	40
Employee Related expenses (i.e. mileage/training)	8	7	10
Procurement & materials	13	8	21
Customer Communications (i.e. factsheets, brochures, letters-expenses such as research, planning, creative development, postage, & production)	82	376	1,103
Non-labor total	151	487	1,174
Grand Total	**405**	**712**	**1,458**

231 Exhibit SCE-4, Volume 3, p. 119

232 SCE's response to DRA-SCE-71-SWC, Question 1.a.

K. FERC Account 920 – Local Public Affairs

FERC Account 920 captures all expenses for the Local Public Affairs (LPA) function. SCE says its LPA function deals with (1) managing the licensing of new transmission and substation projects; (2) performing Public Involvement activities on new transmission, substation, subtransmission, and distribution licensing and construction projects; (3) encouraging energy efficiency programs by local and regional governments; and (4) local and regional governments in their capacities as regulators of the Company's operations at the local level, as intermediaries between the Company and end-use customers and as customers in their own right.[233] SCE used the 2009 recorded expenses as the base to forecast TY 2013 and 2013 expenses.[234] Table 10-50 provides the recorded expenses for 2005 to 2009 for FERC Account 920.

Table 10-50
FERC Account 920
2005-2009 Recorded Expenses[235]
(in Thousands of 2009 Dollars)

FERC Account 920	2005	2006	2007	2008	2009
Labor	7,556	6,842	7,027	7,407	8,549
Non-Labor	1,570	1,580	1,827	1,783	2,347
Total	9,126	8,422	8,854	9,190	10,896

[233] Exhibit SCE-4, Volume 3, p. 135

[234] Exhibit SCE-4, Volume 3, p. 138

[235] Exhibit SCE-4, Volume 3, p. 112

Table 10-51 presents SCE's and DRA's 2012 and 2013 forecasts for FERC Account 920.

Table 10-51
FERC Account 920
2012 and 2013 Forecasted Expenses[236]
(in Thousands of 2009 Dollars)

FERC Account 920	2009 Recorded	SCE Forecast 2012	DRA Forecast 2012	2012 Difference SCE>DRA	SCE Forecast 2013	DRA Forecast 2013	2013 Difference SCE>DRA
Labor	8,549	10,030	7,476	2,554	10,030	7,476	2,554
Non-Labor	2,347	2,594	1,821	773	2,594	1,821	773
Total	10,896	12,624	9,297	3,327	12,624	9,297	3,327

1. SCE's Test Year 2012 and 2013 Forecast for FERC Account 920

SCE is requesting $12.624 million which is $1.728 million above 2009 recorded expenses for the TY 2012 and 2013 forecasts for FERC Account 920.[237] SCE used 2009 recorded expenses as the base and added the following adjustments to forecast TY 2012 and 2013 expenses.

The first adjustment is an increase of $1.151 million for an increase in public involvement and regional support.[238]

The second adjustment is an increase of $577,000 for project licensing support.[239]

[236] Exhibit SCE-4, Volume 3, p. 136

[237] Exhibit SCE-4, Volume 3, p. 138

[238] Exhibit SCE-4, Volume 3, p. 138

[239] Exhibit SCE-4, Volume 3, p. 139

2. DRA's Test Year 2012 and 2013 Forecast for FERC Account 920

DRA recommends $9.297 million which is $3.327 million or 26 percent less than SCE's TY 2012 and 2013 requests for FERC Account 920. DRA recommends using the five-year average of 2005 to 2009 recorded expenses to forecast TY 2012 and 2013 expenses. DRA's recommendation is $3.327 million or 26 percent less than SCE's request. The recorded expenses show fluctuations from a low of $8.422 million in 2006 to a high of $10.896 million in 2009. Historical recorded expenses serves as a good indicator of future expenses for Local Public Affairs. SCE provides examples of LPA work regarding major transmission line relocations will increase LPA's workload. However, some of these projects are projects have been ongoing since 2005. For example, SCE has been participating in the I-710 Freeway Expansion since 2007; the potential need for a new 500kV line from the Hinson to Mesa substations since 2008; and the planning of the Renewable Energy Initiative (RETI) since 2007.[240] Also, the number of major transmission and substation projects that involve LPA increased from one in 2005 to twelve in 2009 as shown in the following table. Therefore, the historical recorded expenses provide a good indication of the LPA activity level in 2012 and 2013.

Table 10-52
Local Public Affairs
Number of Major Transmission & Substation Projects that Involved LPA[241]
(2005 to 2009)

	2005	2006	2007	2008	2009
Number of Major Transmission & Substation Projects that Involved LPA	1	2	4	9	12

240 SCE's response to DRA-SCE-73-SWC, questions 1 and 2

241 SCE's response to DRA-SCE-73-SWC, questions 3.c.

IV. DISCUSSION / ANALYSIS OF CSBU CAPITAL EXPENDITURES

CSBU's capital expenditure forecast includes the capital needs of the Meter Services, Energy Center, Call Center, Revenue Services, and Business Customer Division. CSBU is also requesting eight capitalized software projects.[242]

SCE requests $69.824 million in 2010, $72.744 million in 2011, and $75.141 million in TY 2012.[243] DRA recommends $50.768 million for 2010, $40.159 million in 2011, and $37.462 million in 2012 for CSBU capital expenditures. Table 10-53 compares DRA's and SCE's 2010-2012 forecasts of CSBU capital expenditures:

Table 10-53
CSBU Capital Expenditures for 2010-2012
(In Millions of Nominal Dollars)

Description	DRA Recommended			SCE Proposed[244]		
	2010	2011	2012	2010	2011	2012
Structure & Improvements	2.931[245]	1.295	2.235	2.125	1.295	5.735
Office Furniture & Equipment	0.671[246]	0.752	0.752	4.699	4.527	2.100
Specialized Equipment	6.301[247]	1.212	0.975	1.450	1.212	0.975
Meters	15.552[248]	11.900	8.500	25.657	24.310	23.321
Capitalized Software	25.313[249]	25.000	25.000	35.893	41.400	43.010
TOTAL	50.768	40.159	37.462	69.824	72.744	75.141

[242] Exhibit SCE-4, Volume 4, p. 1; Workpapers to Exhibit SCE-4, Volume 4, Chapter III, pp. 12, 229, 233, 234, 235, 283, 289, 312, 319, and 389

[243] Exhibit SCE-4, Volume 4, p. 3

[244] Exhibit SCE-4, Volume 4, p. 3

[245] SCE's response to DRA-SCE-226-SWC, question 1

[246] SCE's response to DRA-SCE-76-SWC, question 4

[247] SCE's response to DRA-SCE-226-SWC, question 2

[248] SCE's response to DRA-SCE-112-SWC, question 1.a.

[249] SCE's response to DRA-SCE-92-SWC, questions 5 to 8

Table 10-54 presents SCE's CSBU's forecast for capital expenditures for 2010 through 2014.

Table 10-54
Customer Service Business Unit's Capital Requirements
SCE's Forecast for 2010 to 2014[250]
(Nominal $ million)

Description	2010	2011	2012	2013	2014
Structure & Improvements	2.125	1.295	5.735	2.645	2.210
Office Furniture & Equipment	4.699	4.527	2.100	4.739	4.445
Specialized Equipment	1.450	1.212	0.975	2.430	1.795
Meters	25.657	24.310	23.321	32.309	32.393
Capitalized Software	35.893	41.400	43.010	50.646	31.876
TOTAL	69.824	72.744	75.141	92.769	72.719

DRA will address each category of capital expenditures forecasted for 2010 to 2012 where DRA has differences with SCE's forecasts in the following sections. DRA addresses capital expenditure issues for 2013 and 2014 in Exhibit DRA-21, Post Test Year Ratemaking.

A. Structures & Improvements

SCE is requesting $2.125 million in 2010, $1.295 million in 2011, and $5.735 million in 2012 for capital expenditures for Structure and Improvements.[251] SCE is requesting $3.5 million in 2012 to establish a third Energy Center, either in Orange County or in an eastern SCE service region.[252] The remainder of the 2012 capital expenditures request is to upgrade and retrofit projects for the existing two Energy Centers.

DRA is recommending $2.931 million in 2010, $1.295 million in 2011, and $2.235 million in 2012 for capital expenditures of structures and improvements.

[250] Exhibit SCE-4, Volume 4, p. 1; Workpapers to Exhibit SCE-4, Volume 4, Chapter III, pp. 12, 229, 233, 234, 235, 283, 289, 312, 319, and 389

[251] Exhibit SCE-4, Volume 4, p. 4

[252] Exhibit SCE-4, Volume 4, p. 5

DRA is recommending the 2010 recorded capital expenditures for structures and improvements. DRA accepts the $1.295 million as requested by SCE for 2011.

DRA takes issue with SCE's proposed request of $3.50 million in 2012 to establish a third Energy Center. As discussed in Chapter 1, FERC Account 908.610, DRA concludes that the existing two Energy Centers have made seminars and workshops available for SCE's customers through on-site and off-site locations. Also, DRA concludes that the alternatives considered by SCE will allow SCE to offer seminars and workshops to customers without the need for a third Energy Center.

B. Office Furniture and Equipment

SCE is requesting $4.699 million in 2010, $4.527 million in 2011, and $2.100 million in 2012.[253] SCE's forecast was developed based on expected furniture and equipment needs for employee growth, forecast remodels of SCE buildings that contain CSBU employees, expected ergonomic furniture needs by CSBU employees, and an assessment of the condition of existing furniture and equipment.[254]

DRA is recommending $671,000 in 2010, $752,000 in 2011, and $752,000 in 2012 for capital expenditures of office furniture and equipment. DRA used SCE's 2010 recorded capital expenditures of $671,000 for office furniture and equipment for 2010. DRA used the 2005 to 2009 five-year average of capital expenditures for office furniture and equipment of $752,000 to forecast 2011 and 2012 capital expenditures which is consistent with SCE's 2010 recorded capital expenditures of $671,000 for office furniture and equipment.

[253] Exhibit SCE-4, Volume 4, p. 7

[254] Exhibit SCE-4, Volume 4, p. 6

C. Meter Capital Requirements

SCE is requesting $25.657 million 2010, $24.310 million in 2011, and $23.321 million in 2012. [255] The following table provides SCE's meter capital forecast for 2010 to 2012.

Table 10-55
Meter Capital Expenditure Forecast[256]
SCE's Forecast 2010 to 2012
(Nominal $ Million)

Type of Work	SCE Forecast 2010		SCE Forecast 2011		SCE Forecast 2012	
	Volume	Cost	Volume	Cost	Volume	Cost
Routine-Legacy						
Growth	29,799	$3.975	35,527	$4.486	46,393	$5.547
Replacement	108,946	14.112	110,035	14.578	111,135	14.946
Subtotal	138,745	18.088	145,562	19.064	157,529	20.493
Non-Routine						
Infrastructure		5.0		5.0		5.0
RTEM Meter Replacement	1,525	2.106	1,525	2.106	1,525	2.106
Safety/Access	11,185	1.946	11,185	1.946	11,185	1.946
Meter Leasing	25	0.151	25	0.151	25	0.151
ERP Benefit		(0.174)		(0.239)		
2nd Meter Installation for EV Readiness	300	0.134	3,204	1.426	4,578	2.049
HAN Readiness						0.083
SmartConnect Capital Benefits		(1.595)		(5.145)		(8.508)
Subtotal	13,035	7.569	15,939	5.246	17,313	2.829
TOTAL	**151,780**	**$25.657**	**161,501**	**$24.310**	**174,842**	**$23.321**

SCE states that its metering capital estimates for the 2009 GRC period (2009 to 2011) were forecasted under the "business as usual" assumption (i.e. without Edison SmartConnect). SCE forecasted the 2012 meter capital expenditure estimates based on business as usual.[257] The 2010 to 2012 forecast for meter capital are based on the quantities of the historical new growth installation rates and

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[255] Exhibit SCE-4, Volume 4, p. 11

[256] Exhibit SCE-4, Volume 4, p. 13

[257] Exhibit SCE-4, Volume 4, p. 10

the historical replacement rates of legacy electromechanical meters installed prior to the SmartConnect deployment.[258]

SCE continues to install legacy meters during the SmartConnect deployment period for the following reasons:

- The SCE districts (geographic areas) where the SmartConnect meter and communication network has not yet been deployed and the SmartConnect communication system is not yet functional.
- In cases where a customer chooses to go on a time-of-use (TOU) rate in an area where the Edison SmartConnect communication is not yet functional, the ability to obtain TOU data through the Meter Data Management System has not yet been established and the only alternative for obtaining TOU data is through the established legacy metering processes.
- For the small percentage of accounts for which the Edison SmartConnect meter form is not yet available.[259]

The revenue requirement for the Edison SmartConnect metering capital additions is being recovered through the Edison SmartConnect Balancing Account.[260] SCE states that the 2012 capital revenue requirement associated with the Edison SmartConnect meters should continue to be recovered through the ESCBA to be consistent with the Edison SmartConnect Settlement Agreement adopted in D.08-09-039.

SCE states that to avoid double recovery, SCE's approach, consistent with D.08-09-039, is to return the incremental capital benefits to ratepayers, as SCE will not have to install legacy meters (because Edison SmartConnect meters are being used instead). As Edison SmartConnect meters are being installed, these capital benefits are passed through to ratepayers through the Base Revenue Requirement

[258] Exhibit SCE-4, Volume 4, p. 10

[259] SCE's response to DRA-SCE-193-SWC, question 7

[260] Exhibit SCE-4, Volume 4, p. 9

Balancing Account (BRRBA) and include the elimination of routine legacy meter replacements as well as safety access and leased meter installations. SCE forecasts capital benefits of $1.6 million in 2010 and $5.1 million in 2011. SCE is also forecasting $8.5 million in meter capital benefits in 2012.[261]

The following table provides the recorded meter capital expenditures for 2008 to 2010.

Table 10-56
Recorded Meter Capital Expenditure[262]
SCE's Forecast 2008 to 2010
(Nominal $ Million)

Type of Work	Recorded 2008		Recorded 2009		Recorded 2010	
	Volume	Cost	Volume	Cost	Volume	Cost
Routine-Legacy						
Growth	46,085	4.701	32,217	2.609	25.636	2.703
Replacement	67,972	16.973	61,827	18.400	55,921	13.249
Subtotal	114,057	21.674	94,044	21.009	81,557	15.952
Non-Routine						
Infrastructure			450	0.167	210	0.143
RTEM Meter Replacement						
Safety/Access	31,570	2.243	45,590	2.631	21,134	1.052
Meter Leasing	1	0.001	5	0.002	3	0.001
ERP Benefit						
2nd Meter Installation for EV Readiness	5	0.002	31	0.014	8	0.004
HAN Readiness						
SmartConnect Capital Benefits						
Subtotal	31,576	2.246	46,076	2.814	21,355	1.200
TOTAL	**145,633**	**$23.920**	**140,120**	**$23.824**	**102,912**	**$17.152[263]**

DRA is recommending $15.552 million for 2010, $11.90 million for 2011, and $8.50 million in 2012 for meter capital expenditures. SCE forecasts capital benefits of $1.6 million in 2010, $5.1 million in 2011, and $8.5 in 2012. SCE had recorded meter capital expenditures of $17.152 million for 2010 (SmartConnect capital

[261] Exhibit SCE-4, Volume 4, p. 11

[262] SCE's response to DRA-SCE-112-SWC, question 1.a.

[263] SmartConnect capital benefits have not been deducted.

benefits have not been deducted). DRA is recommending $15.552 million for 2010 meter capital expenditures by accepting SCE's recorded meter capital expenditures of $17.152 million for 2010 and reducing it by the Edison SmartConnect capital benefits of $1.6 million.

To forecast SCE's meter capital expenditures for 2011 and 2012, DRA reduced the 2010 recorded capital expenditures of $17 million by the Edison SmartConnect capital benefits of $5.1 million for 2011 and $8.5 million for 2012. The following table provides comparison of DRA's and SCE's meter capital expenditures for 2010 to 2012.

Table 10-57
Comparison of DRA's and SCE's Meter Capital Expenditures for 2010-2012
(In Millions of Nominal Dollars)

Description	DRA Recommended			SCE Proposed[264]		
	2010	2011	2012	2010	2011	2012
Metering Equipment	17.152[265]	17.000	17.000	27.251	29.454	31.828
SmartConnect Capital Benefits	1.600	5.100	8.500	1.595	5.145	8.508
Total	15.552	11.900	8.500	25.657	24.310	23.321

DRA's recommendations for the 2010 to 2012 meter capital expenditures forecasts are reasonable. During 2010 to 2012, SCE is receiving capital-related revenue requirement for electromechanical (legacy) meters recovered through the "business as usual" GRC forecast as well as receiving capital-related revenue requirement for SmartConnect meters recovered through the ESCBA. First, DRA takes into account the fact that some legacy meters can be re-used and eliminates the need to purchase new legacy meters during 2010 to 2012. SCE itself states:

> "Some legacy meters could be reused for routine legacy meter growth and replacement during 2009 to 2012. However, SCE is using new or recycled meters from existing meter inventory for routine legacy meter

264 Exhibit SCE-4, Volume 4, p. 13

265 SCE's response to DRA-SCE-112-SWC, question 1.a.

growth and replacement, and is salvaging the meters that are being replaced by Edison SmartConnect meters…All newly purchased legacy meters are placed in the legacy meter inventory and all new and replacement legacy meters come out of existing inventory. SCE does not track how many of the 25,636 legacy meters installed for routine customer growth in 2010 or the 55,921 legacy meters installed for routine replacement in 2010 were newly purchased or how many came from the existing meter inventory. Existing legacy meter inventory includes some reused meters; however, none of the legacy replaced with Edison SmartConnect meters are returned to the existing meter inventory. The existing legacy meter inventory is being depleted as the Edison SmartConnect deployment process continues."[266]

Second, SCE provided the invoices to support approximately $2.349 million or 15 percent of the $15.952 million of the routine legacy meter costs recorded in 2010.[267] SCE claims that it does not track how many of the 25,636 legacy meters installed for routine customer growth in 2010 or the 55,921 legacy meters installed for routine replacement in 2010 were newly purchased or how many came from the existing meter inventory. DRA's recommends a forecast of $15.552 million for 2010, $11.90 million for 2011, and $8.50 million in 2012 for meter capital expenditures.

D. Capitalized Software

SCE is requesting $33.883 million in 2010, $41.400 million in 2011, and $43.010 million in 2012, $50.646 million in 2013, and $31.876 million in 2014 for a total of $200.815 million for CSBU capitalized software projects.[268] SCE is proposing the following CSBU Capital System Projects:

- Alerts and Notifications
- Interactive Voice Response-Advanced Speech Recognition
- Customer Relationship Management

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[266] SCE's response to DRA-SCE-224-SWC, questions 1.a. and 1.d.

[267] SCE's response to DRA-SCE-224-SWC, question 1.e.

[268] Workpapers to Exhibit SCE-4, Volume 4, Chapter III, pp. 12, 229, 233, 234, 235, 283, 289, 312, 319, and 389

- Enhanced Meter and Usage Capabilities
- HAN Support and Troubleshooting; and
- Plug-in Electric Vehicles

The following table provides 2010 recorded capital expenditures and SCE's 2010 to 2014 forecast for the CSBU capitalized software projects.

Table 10-58
CSBU-Capitalized Software
Recorded 2010 and Forecast 2011 to 2014[269]
(Nominal $ Thousands)

Project	2010 Forecast	2010 Recorded [270]	2011 Forecast	2012 Forecast	2013 Forecast	2014 Forecast	Total Forecast
Alerts & Notifications	0		0	9,330	6,780	3,750	19,860
Interactive Voice Response	0		3,7909	4,380	0	0	8,170
CRM Blueprinting	2,300	2,278	0	0	0	0	2,300
CRM Phase 1	24,190	19,910	20,610	0	0	0	44,800
CRM Phase 2	0		0	3,000	8,000	9,000	20,000
Enhanced Meter & Usage Capabilities	0		0	0	31,466	17,126	48,592
HAN	0		0	8,300	0	0	8,300
PEV	0		0	2,000	4,400	2,000	8,400
Intelligent Bar Code	3,663	3,070	0	0	0	0	3,663
Dynamic Pricing	3,730	55	17,000	16,000	0	0	36,730
Total	33,883	25,313	41,400	43,010	50,646	31,876	200,815

DRA is recommending $25.313 million in 2010, $25 million in 2011, and $25 million 2012 for capital expenditures of capitalized software. DRA is recommending $25.313 million for 2010 capital expenditures for CSBU capitalized software projects based on SCE's 2010 recorded capitalized software expenditures. SCE recorded 74 percent of its forecasted capital expenditures for 2010. DRA recommends using the 2010 recorded capital expenditures for capitalized software projects to forecast 2011 and 2012 capital expenditures.

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[269] Workpapers to Exhibit SCE-4, Volume 4, Chapter III, pp. 12, 229, 233, 234, 235, 283, 289, 312, 319, and 389

[270] SCE's response to DRA-SCE-92-SWC, questions 5 to 8

DRA's recommendation for the 2011 and 2012 forecasts of capitalized software projects is based on DRA's review of some of SCE's proposed capitalized software projects. Also, some of SCE's proposed capitalized software projects are the result of the Edison SmartConnect program and SCE has spent approximately 42 percent of the total authorized funding for the Edison SmartConnect program as of December 31, 2010.[271]

DRA discusses the capitalized software projects that DRA has differences with SCE below. Although DRA does not discuss some of CSBU's capitalized software projects requested in 2011 and 2012, this does not necessarily mean that DRA approves of those capital projects.

1. Alerts & Notifications Project

DRA takes issue with SCE's Alerts and Notifications project. SCE is requesting $9.330 million in 2012 for the project. SCE claims that the Alerts and Notifications project will automate the delivery of information to help customers manage their bills and payments; prepare for planned outages; and adopt a smart energy lifestyle through Dynamic Pricing, demand response and energy efficiency programs.[272] SCE claims that its customer base is becoming more dependent on electronic means of information exchange with SCE and that this project will implement an integrated, automated method for SCE to send electronic communications to customer through various channels, one-way or two-way (e.g. inbound response or inquiry from customers). SCE states that its current system of electronic alerts and notifications meets its regulatory or business requirements today but wants a more effective approach.[273]

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[271] Edison SmartConnect, Quarter Program Update, March 25, 2011, p. 6 shows that SCE spent $690 million of the $1.634 billion authorized in D.08-09-039.

[272] Exhibit SCE-4, Volume 4, p. 20

[273] Exhibit SCE-4, Volume 4, p. 20

Currently, SCE has the following Alerts and Notification systems:

- The Varolii/Outage Notification Communications (ONC) system which is an in-house application that SCE developed with the Varolii Corporation. The messages can be delivered by email, voice, pager/Short Message Service (SMS) and fax. This system manages the event notifications for Demand Bidding Program, Critical Peak Pricing Program, Base Interruptible Program, and Agricultural Pumping and Interruptible Program. This system also sends messages to customer groups that are notified of rotating outages such as medical baseline customers, public affairs stakeholders, major customers with demand greater than 300 kW, subtransmission customers, and qualified net generator customers. The Varolii/ONC system was implemented in 2008 as a component of the Demand Bidding program for the Advanced Metering OIR. This system cost $321,000 in 2003 for the initial implementation and an additional $209,000 in upgrades during subsequent years. The annual vendor service contract is estimated to be $182,500.
- First Call is an outsourced vendor service that is the backup to Varolii/ONC system in case of system failure since 2001 on an as-needed basis. This system has email, pager, and text capabilities.
- SCE.com has an application within MyAccount capability to notify customers when their bill is ready and when their payment has been received. There is a plan to expand it to include Unplanned Outage Notification in 2011 for business customers only. The “Bill-ready” notification was implemented in 2004 as part of the SCE.com MyAccount redesign effort and costs $1 million. The “Payment Received” notification was implemented in 2009 and cost $719,000 in 2009.
- The Interactive Voice Response (IVR) has been integrated with the Customer Service System (CSS) to facilitate outbound calls for credit collections. The IVR is also integrated with the CSS which receives information from the Outage Management System to facilitate outbound calls for power outage status and outage restoration. The IVR system tracks planned outage schedules and manages communication to customers

including post cards, in-field communication door hangers, day-before reminder and cancellation calls. The IVR system was first implemented in 1995 at an approximate cost of $177,000 and has been upgraded through the years.[274]

SCE states, “Currently, SCE is using some electronic alerts and notifications. These systems have been built over time to support existing programs and services. However, because the systems were created separately and at different times, for various purposes, little coordination occurs between these systems today. Current systems are not integrated or scalable for the volume of electronic alerts and notifications expected in the near future, and may not support new technologies such as SMS texting.”[275] However, SCE has not performed any studies or analyses on the current systems managing alerts and notifications to support this statement.[276] SCE’s current systems meet SCE’s regulatory or business requirement today. SCE is speculating that its current systems cannot handle future needs without any analyses on its current systems. The Varolii/ONC system since 2003, the SCE.com since 2004, and the IVR since 1995 have performed the electronic alerts and notifications requirements. SCE has not justified its request for $9.330 million in 2012 for the Alerts and Notifications project.

2. Dynamic Pricing Project

DRA is recommending the recorded capital expenditures of $55,000 for 2010 for the Dynamic Pricing Project. SCE had forecasted $3.730 million in 2010 for the Dynamic Pricing Project. SCE is requesting $17 million in 2011 and $16 million in 2012 for this project.

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[274] SCE’s response to DRA-SCE-92-SWC, questions 1.a. to 1.c.

[275] Exhibit SCE-4, Volume 4, p. 20

[276] SCE’s response to DRA-SCE-92-SWC, question 1.d.

DRA recommends no funding in 2011 and 2012 for the Dynamic Pricing capital project. SCE has no support for SCE's request for $17 million in 2011 and $16 million in 2012. SCE has not issued any Request for Proposals as of January 2011 to external vendors or worked with external vendor to perform work for the Dynamic Pricing project in 2010.[277]

SCE's minimum activity on the Dynamic Pricing capital project may indicate that its schedule to implement Dynamic Pricing may be delayed. SCE has not filed a request for an extension of time to implement Dynamic Pricing. However, Pacific Gas and Electric Company filed a Request for Extension of Time to Implement Time-Varying Pricing per D.10-02-032 on April 21, 2011. This shows that a comparable utility requiring additional time to implement Dynamic Pricing may indicate that Dynamic Pricing in itself is more complicated than anticipated, and therefore would also impact SCE's Dynamic Pricing implementation schedule.

3. Home Area Network Support & Troubleshooting Project

SCE is requesting $8.3 million in capital expenditures for the HAN project in 2012. SCE states that the focus of this project is two-fold. First, this project will be delivered as part of SCE's Edison SmartConnect project. Second, this project will design and implement new system functionality that was not envisioned at the time of the Edison SmartConnect business case.[278]

DRA takes issue with the $8.3 million in capital expenditures for the HAN project in 2012 and recommends no ratepayer funding. DRA is recommending no HAN expenses because SCE states that the implementation of the PCT program has been postponed due to an unanticipated delay in the Advanced Load Control System (ALCS) technology, and the provisions of IHDs, which has been postponed due to a delay in the adoption of the Smart Energy Profile 2.0 HAN national

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[277] SCE's response to DRA-SCE-96-SWC, questions 1.c. and 1.d.

[278] Exhibit SCE-4, Volume 4, p. 54

standard.[279] SCE has proposed to modify ESCBA so that costs authorized in D. 08-09-039 for HAN functionalities related to the PCT program remain in operation for purposes of recording authorized costs through 2014 because these costs are expected to be incurred in 2013 and 2014. SCE states that the implementation of the PCT program has been postponed due to an unanticipated delay in the Advanced Load Control System (ALCS) technology, and the provisions of IHDs, which has been postponed due to a delay in the adoption of the Smart Energy Profile 2.0 HAN national standard (see DRA's discussion above in connection with FERC Account 901).[280]

4. Plug-In Electric Vehicles Support Systems

SCE is requesting $2.0 million of capital expenditures for the PEV project in 2012. SCE states that to support the forecasted enrollment rates for PEVs, SCE claims it must make upgrades to SCE.com, Electric Service Planning's Design Manager System, and MSO's Field Automated Test System.[281]

DRA takes issue with the $2.0 million of capital expenditures for the PEV project in 2012. DRA's discussion for FERC Account 901 discusses DRA's reasons for objecting to SCE's requested PEV costs. For example, based on the 100 PEVs in SCE's service area as of February 2011, DRA concludes that SCE's forecast of 21,090 PEVs in its service area by the end of 2012 is unlikely. Also, SCE already has embedded costs for PEV Readiness recorded in 2009.

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[279] Exhibit SCE-4, Volume 1, p. 30

[280] Exhibit SCE-4, Volume 1, p. 30

[281] Exhibit SCE-4, Volume 4, p. 64

V. DISCUSSION / ANALYSIS OF OTHER OPERATING REVENUES AND GAINS/LOSSES ON SALE OF PROPERTY

The following table compares DRA's and SCE's TY2012 forecasts of CSBU-related Other Operating Revenues (OOR) and Gains/Losses on Sale of Property:

Table 10-59
CSBU Other Operating Revenues and Gains/Losses on Sale of Property for TY2012
(In Thousands of Dollars)

Description (a)	DRA Recommended (b)	SCE Proposed[282] (c)	Amount DRA>SCE (d=b-c)	Percentage DRA>SCE (e=d/c)
FERC Account 450	22,288	21,620	668	3%
FERC Account 451	19,806	15,166	4,640	30.5%
FERC Account 454	0	0	0	0%
FERC Account 456	129	129	0	0%
FERC Account 456.945/6	168	168	0	0%
FERC Account 456.456.924	700	700	0	0%
FERC Account 456.995-Off-Grid Photovoltaic	0	0	0	0%
Total CSBU OOR	**43,091**	**37,783**	**5,308**	**14%**
Gains/(Loss) on Sale of Property	**1,788**	**713**	**1,075**	**151%**

A. Other Operating Revenues

SCE is forecasting $37.783 million in TY 2012 for Other Operating Revenues (OOR) for Customer Service Operations based on SCE's proposed service fees, compared to $59.014 million per year based on the fees authorized in its 2009 GRC. SCE states that the proposed decrease in OOR is primarily the result of the Edison SmartConnect system's capability to remotely disconnect and reconnect electric service for most residential customers which eliminates the need for a field visit in most instances.[283] SCE states that the field visit/service order is a major component of the present day cost to provide new service connections, service

[282] Exhibit SCE-4, Volume 4, p. 90

[283] Exhibit SCE-4, Volume 4, p. 89

transfers, and credit related disconnections and reconnections. The costs and cost savings that result from the use of the RSS affect FERC Accounts 451.200 through 451.600.[284]

DRA is recommending a forecast of $43.091 million of CSBU OOR which is $5.308 million or 14 percent above SCE's forecast for CSBU OOR for TY 2012. DRA does not oppose SCE's proposed decrease in OOR as a result of the Edison SmartConnect system's capability to remotely disconnect and reconnect electric service for most residential customers which eliminates the need for a field visit in most instances.

In order for SCE's new proposed service fee rates to be effective, the Commission's 2012 GRC decision needs to authorize the new service fees. The 2006 GRC D.06-05-016 was adopted on May 11, 2006 and the 2009 GRC decision D.09-03-025 was adopted on March 12, 2009. Based on the adoption dates of the 2006 GRC and the 2009 GRC, DRA anticipates that the Commission will not likely adopt a decision for the 2012 GRC before the first quarter of 2012. Until the Commission adopts the 2012 GRC decision, SCE will be charging service fees authorized from the 2009 GRC decision.

The 2012 OOR forecast based on the currently authorized fees will remain in effect for the first quarter of 2012 and SCE will collect service fees based on these currently authorized fees. DRA forecasts that SCE will collect 25 percent of SCE's 2012 OOR forecast based on the currently authorized fees during the first quarter of 2012 and that SCE will collect 75 percent of SCE's 2012 OOR forecast based on SCE's proposed service fees at the lower rates during the remaining three quarters of 2012. Therefore, DRA is recommending a forecast of $43.091 million of CSBU OOR for TY 2012.

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[284] Exhibit SCE-4, Volume 4, pp. 91 to 92

The following table provides a comparison of SCE's and DRA's forecasts for CSBU OOR.

Table 10-60
SCE's and DRA's Forecasts for CSBU OOR
2009
(Nominal $000)

Description	SCE 2012 Forecast based on currently authorized rates[285]	SCE 2012 Forecast based on Proposed new fees[286]	DRA	DRA>SCE
450.100-Late Payment Charge-Non-Residential	9,998	8,898	9,173	275
450.150-Late Payment-Residential	14,294	12,722	13,115	393
450.200-Collection Agency Interest	0	0	0	0
Subtotal 450	**24,292**	**21,620**	**22,288**	**668**
451.110-Returned Check Charge	1,417	1,260	1,299	39
451.120-Lender Verification Revenue	0	0	0	0
451.200-Reconnection Charge	7,031	n/a	1,758	1,758
451.250-Service Establishment Charge	17,719	n/a	4,430	4,430
451.300-Connection Charge-Residential	0	9,267	6,950	(2,317)
451.310-Connection Charge-Non-Residential	0	4,186	3,140	(104)
451.320-Connection Charge-at Pole	0	69	52	(17)
451.600-Field Assignment Charge	7,172	n/a	1,793	1,793
451.780-Misc. Revenue-Recovery Unauthorized Use Non-Energy	385	385	385	0
Subtotal 451	**33,724**	**15,166**	**19,806**	**4,640**
454.100-Meter Leasing	0	0	0	0
Subtotal 454	**0**	**0**	**0**	**0**
456.401-Direct Access Services	127	127	127	0
456.402-Direct Access Service Charge	0	0	0	0
456.948-Service Fee-Optimal Billing Period	1	1	1	0
456.412-Community Choice Aggregation	0	0	0	0
456.415-Manufactured Home Billing Service	2	2	2	0
Subtotal 456	**129**	**129**	**129**	**0**
TOTAL Customer Service Operations	**58,146**	**36,915**	**42,223**	**5,308**
456.945/6-SCE Energy Manager	168	168	168	0
456.456.924-Energy Related Services (ERS)	700	700	700	0
456.995-Off-Grid Photovoltaic	0	0	0	0
TOTAL CS&I	**868**	**868**	**868**	**0**
TOTAL CSBU OOR	**59,014**	**37,783**	**43,091**	**5,308**

[285] Exhibit SCE-4, Volume 4, p. 90

[286] Exhibit SCE-4, Volume 4, p. 90

B. Gains/Losses on Sale of Property

SCE states that the gains and losses on minor sales of property are allocated between customers and shareholders pursuant to Commission policy. The sales are for non-operating property originating in FERC Accounts 101 or 105 and transferred to FERC Account 121 prior to sale. Gains and losses on major sales such as divestiture of power plants and the sale of Edison Pipeline & Terminal Company facilities are treated individually at the Commission and are not included in the 2012 GRC filing. The allocation of the gains and losses on the sales included in the 2012 GRC filing are based on a two step process: (1) the amount of time the property was included in rate base; and (2) whether or not the property was depreciable.[287]

SCE is forecasting $713,000 of gains on minor sales of property for TY 2012. SCE proposes to use a three-year recorded average to estimate annual customer gains/losses. The forecast for gains/losses is part of the calculation of the total Other Operating Revenue found in Exhibit SCE-10, Volume 1, Part 8.[288] The following tables provide the two step process to calculate the gains/losses on minor sales of property by using a three-year average.

Table 10-61
Allocation of Gains/Losses Using a 3-Year Average[289]
Customer/Shareholder

Year	Gain/(Loss) Customer $	%	Gain/(Loss) Shareholder $	%	Gain/(Loss) Total $
2007	818,043	100.0%		0.0%	818,043
2008	64,531	102.2%	(1,407)	-2.2%	63,125
2009	1,706,412	93.7%	114,205	6.3%	1,820,617
Total	**2,588,986**		**112,798**		**2,701,784**

[287] Exhibit SCE-10, Volume 2, p. 17

[288] Exhibit SCE-10, Volume 2, p. 17

[289] Exhibit SCE-10, Volume 2, p. 17

Table 10-62
Allocation of Customer Gains/Losses Using a 3-Year Average[290]
Depreciable/Non-Depreciable

	Customer Gain/(Loss)				
	Depreciable Assets		Non-Depreciable Assets		
Year	$	%	$	%	Total
2007	819,540	100.2%	(1,497.73)	-0.2%	818,043
2008	20,357	31.5%	44,174.44	68.5%	64,531
2009	383,944	22.5%	1,322,468.29	77.5%	1,706,412
Total	1,223,841	47.3%	1,365,145	52.7%	2,588,986
3 Year Average	407,947	51.4%	455,048	48.6%	862,995
Allocation	100%		67%		
Allocated Gain/(Loss)	**407,947**		**304,882**		**712,829**

DRA is forecasting $1.788 million of gains on minor sales of property for TY 2012 which is $1.075 million or 151 percent above SCE's forecast. DRA proposes using a five-year recorded average to estimate annual customer gains/losses. DRA's recommendation is consistent with SCE recorded gains on minor sales of property of $1.706 million in 2009.[291] The following tables provide the two step process to calculate the gains/losses on minor sales of property by using a five-year recorded average.

[290] Exhibit SCE-10, Volume 2, p. 18

[291] Exhibit SCE-10, Volume 2, p. 71

Table 10-63
Allocation of Gains/Losses Using a 5-Year Average[292]
Customer/Shareholder

Year	Gain/(Loss) Customer $	%	Gain/(Loss) Shareholder $	%	Gain/(Loss) Total $
2005	6,723,314	58.3%	4,811,561	41.7%	11,534,875
2006	3,513,615	95.2%	176,838	4.8%	3,690,453
2007	818,043	100.0%	----	0.0%	818,043
2008	64,531	102.2%	(1,407)	-2.2%	63,125
2009	1,706,412	93.7%	114,205	6.3%	1,820,617
Total	**12,825,914**		**5,101,198**		**17,927,112**

Table 10-64
Allocation of Customer Gains/Losses Using a 5-Year Average[293]
Depreciable/Non-Depreciable

	Customer Gain/(Loss)				
	Depreciable Assets		Non-Depreciable Assets		
Year	$	%	$	%	Total
2005	(171,483)	-2.6%	6,894,796	102.6%	6,723,314
2006	---	0%	3,513,615	100.0%	3,513,615
2007	819,540	100.2%	(1,497.73)	-0.2%	818,043
2008	20,357	31.5%	44,174.44	68.5%	64,531
2009	383,944	22.5%	1,322,468.29	77.5%	1,706,412
Total	1,052,358	8.2%	11,773,556	91.8%	12,825,914
5 Year Average	210,472	30.3%	2,354,711	69.7%	2,565,183
Allocation	100%		67%		
Allocated Gain/(Loss)	**210,472**		**1,577,675**		**1,788,128**

292 SCE's response to DRA-SCE-30-SWC, question 1.b.

293 SCE's response to DRA-SCE-30-SWC, question 1.c.

VI. COST RECOVERY OF RETIRED METERS

A. Background

SCE filed Application (A.) 07-07-026 seeking authorization of its Advanced Metering Infrastructure (AMI) deployment activities and associated cost recovery mechanism on July 31, 2007.[294] As a result of A.07-07-026, Decision (D) 08-09-039 resolved that Application and approved a settlement proposed by SCE and DRA to allow $1.63 billion in ratepayer funding for SCE's proposed Advanced Metering Infrastructure (AMI) Project from 2008 through 2012.[295] The settlement adopted SCE's proposal by which SCE will recover the costs of deployment through a balancing account mechanism, with the revenue requirement allocated among customer classes according to the proposed distribution allocator SCE proposed in A. 07-07-026.[296]

SCE began deployment of its SmartConnect meter program in 2008 to all metered accounts in its service territory with demands less than 200 kW (approximately 5.3 million meters) and anticipates that its SmartConnect meter program will be fully deployed by the end of 2012.[297] SCE established the Edison SmartConnect balancing account (ESCBA) to record SmartConnect-related costs and benefits.[298]

As SCE deploys its SmartConnect meters through its service territory, SCE must retire the replaced legacy electromechanical (legacy) meters. If the legacy meters had not been replaced and retired by SCE's SmartConnect meters, then the

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[294] D.08-09-039, p. 5

[295] D.08-09-039, p. 2

[296] D.08-09-039, p.13

[297] Exhibit SCE-4, Volume 1, p. 1

[298] Exhibit SCE-4, Volume 1, p. 1

legacy meters would continue to remain in service. Decision 08-09-039 does not specifically address the ratemaking for the retired legacy meters. SCE continues to deduct the original cost of the legacy meters from both plant in service balance and the depreciation reserve balance after the meters are retired and removed from useful service. Therefore, the undepreciated balance of the legacy meters is currently being amortized over the estimated remaining life of the legacy meters. The unamortized balance being included as an element of rate base and earning the full authorized rate of return. This would mean that there would be no effect on rate base compared to what would occur if the legacy meters had continued to be used and useful and were not replaced by SCE's SmartConnect meters.

In Pacific Gas and Electric Company's (PG&E's) General Rate Case Application 09-12-020, the issue of future recovery associated with legacy meters which are no longer used and useful was litigated. The Proposed Decision (PD) in A. 09-12-020 did not speculate as to why parties did not choose to litigate the ratemaking of the retired legacy meters in either of PG&E's earlier AMI proceedings. The fact is that the ratemaking for the retired legacy meters is important and relevant, and the Commission likely did not fully understand and consider the ramifications in PG&E's AMI proceedings.[299]

The issue that SCE's retired legacy meters are no longer used and useful also applies in SCE's SmartConnect meter deployment and this current GRC. Similar to PG&E's AMI proceedings, no party specifically addressed the future ratemaking treatment associated with the retirement of the legacy meters in SCE's AMI proceeding.

SCE's legacy meters are no longer used and useful and should not receive a return on these meters. DRA recommends that these legacy meters are no longer used and useful and should be excluded from rate base and excluded from earning a rate of return. DRA's recommendation is supported by prior Commission decisions.

[299] Proposed Decision for A.09-12-20, p. 40

In D.84-09-089, the Commission stated:

> "Over the years, this Commission has closely adhered to the "used and useful" principle, which requires that utility property be actually in use and providing service in order to be included in the utility's ratebase. We have regularly applied this principle to exclude from ratebase any construction work in progress, and have removed from ratebase plant which has ceased to be used and useful."[300]

In D.85-08-046, the Commission focused on who should bear the burden of unrecovered costs in the Humboldt Bay plant retirement and, in rejecting PG&E's attempt to bring other power plants that may have operated for longer and intended into consideration, the Commission stated:

> "With respect to PG&E's equity argument, we observe that plants which have exceeded their estimated useful lives have been fully depreciated. Thus, the shareholder already has recovered his entire investment and a fair return on that investment from the ratepayer. The ratepayer who has paid for the entire plant is entitled to receive any additional benefit from the plant's continued operation. In the case of a premature retirement, the ratepayer typically still pays for all of the plant's direct cost even though the plant did not operate as long as was expected. The shareholder recovers his investment but should not receive any return on the undepreciated plant. This is a fair division of risks and benefits."[301]

In D.85-12-108 regarding SD&E's proposal to store power plants that could no longer be operated economically, the Commission determined that as to those plants likely to remain retired, there should be a sharing of the burden, stating:

> "The specific ratemaking treatment for these plants will essentially follow the suggestion of UCAN. The UCAN position is that the undepreciated balance of the prematurely retired plants be amortized over five years with no return earned. The FEA recommended a longer period – nine years of three rate cases. We find that the UCAN has shown that the two rate case periods or about five years provides

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300 Proposed Decision to A.09-12-020, p. 49

301 Proposed Decision to A.09-12-020, pp. 46 and 47

an appropriate sharing of the burden between the ratepayers and shareholders."[302]

In D.92-12-057, the case of the Geysers Unit 15 premature retirement, the Commission relied on the Humboldt Bay plant retirement as a precedent in ruling that PG&E could not offset the shorter life of Unit 15 against other plants having a longer life, using rules of group accounting. The Commission did offer that PG&E could raise the group accounting argument later, if it could make a stronger showing. The Commission also states, ". . . We once again endorse our longstanding regulatory principle that shareholders should earn a return only on used and useful plant …" PG&E was authorized a four-year amortization for the remaining net plant cost, with no return on the unamortized balance.[303]

The recorded plant balance for the legacy meters as of December 31, 2010 was $321.814 million.[304] The depreciation reserve for the legacy meters as of December 31, 2010 is $13.115 million.[305] Therefore, the net plant balance (plant balance less depreciation reserve) on December 31, 2010, was $308.699 million.

B. DRA's Primary Recommendation

DRA recommends that the net plant balance of $308.699 million be amortized over six years with no rate of return, resulting in a rate recovery of the undepreciated portion of the legacy meters at six equal amounts of $52.041 million for each year from 2012 to 2017 after the gross up for franchise fees and uncollectibles.

DRA also recommends that the rate recovery of the undepreciated portion of the legacy meters over the six-year amortization should not receive escalation or

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[302] Proposed Decision to A.09-12-020, p. 46

[303] Proposed Decision to A.09-12-020, p. 47

[304] SCE's response to DRA-SCE-193-SWC, question 1

[305] SCE's response to DRA-SCE-193-SWC, question 4

attrition increases. This is because the amortization was developed separately from the base margin revenues.

C. DRA's Alternate Position

If the Commission believes SCE should receive some rate of return on the undepreciated legacy meters, then DRA recommends using an annual interest rate of 4.5 percent over an amortization period of six years beginning in 2012 and ending in 2017. The rate of return of 4.5 percent is the five-year average forecasts (2012 to 2016) of the 5-Year U.S. Treasury Note Yield which closely corresponds to DRA's proposed six year amortization period.[306] The following discussion highlights past Commission decisions that support a reduced rate of return on the unamortized balance:

- **D.92-08-036** – The Commission adopted a settlement between SCE, SDG&E and DRA which allowed a 48 month amortization of remaining investment in San Onofre Nuclear Generating Station Unit 1 (SONGS 1). After shutdown of SONGS 1, the remaining unamortized investment was allowed to earn a rate of return, which after taxes, was fixed at the then current authorized embedded cost of debt.[307]
- **D.95-12-063** – Regarding electric industry restructuring, the Commission determined that transition cost recovery for remaining net investment should be at a reduced rate of return. The Commission noted that "Allowing recovery of remaining net investment associated with SONGS 1 plant at the embedded cost of debt was reasonable at the time, given the risks faced by the utilities under the then-current regulatory structure. However, today's decision decreases the risk associated with recovery of remaining net investment (now part of transition costs), due to imposition

[306] March 2011 IHS Global Insight, U.S. Economic Outlook Financial Markets, Table 1, Interest Rates, Money, and Financial Variables, p. 19.

[307] Proposed Decision to A.09-12-020, pp. 42 and 43

of a nonbypassable charge on distribution system customers (as described in greater detail below) which decreases utility business risk. We will adopt 90% of the embedded cost of debt as a reasonable rate of return on the equity portion of the net book value to reflect the reduced risk. We will set the return on the debt portion of net book value at the embedded cost of debt."[308]

- **D.97-11-074** – Regarding electric restructuring, the Commission stated, "In allowing the recovery of generation plant-related transition costs, we have, in effect, allowed the utilities to recover costs of plants that may no longer be used and useful in the new competitive marketplace."[309]
- **D.96-01-011** – Consistent with D.95-12-063, the Commission adopted the same recovery of 90% of the embedded cost of debt as a reasonable rate of return on the equity portion of the net book value regarding Incremental Cost Incentive Pricing (ICIP) pricing for SONGS 2 and 3. The Commission noted, "In D.95-12-063, we propose a general policy for stranded cost recovery. There we decided that while use of debt-return is appropriate for the debt component of a stranded investment, a return of 90% of the debt return is appropriate for the non-debt (i.e., equity) share of the stranded investment. . ."[310]

DRA recommends that the net plant balance of $308.699 million be amortized over 72 months at an annual interest rate of 4.5 percent which yields equal amounts of $4.9 million per month for six years. Therefore, DRA's alternative recommendation results in a rate recovery of the undepreciated portion of the legacy

[308] Proposed Decision to A.09-12-020, pp. 43

[309] Proposed Decision to A.09-12-020, pp. 43

[310] Proposed Decision to A.09-12-020, pp. 43 and 44

meters at equal amounts of $59.479 million for each year from 2012 to 2017 after the gross up for franchise fees and uncollectibles.

DRA also recommends that the rate recovery of the undepreciated portion of the legacy meters over the six-year amortization should not receive escalation or attrition increases. This is because the amortization was developed separately from the base margin revenues.