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|----------------|---|--------------------|
| Docket         | : | <u>A.10-11-015</u> |
| Exhibit Number | : | <u>DRA-11</u>      |
| Commissioner   | : | <u>Simon</u>       |
| ALJ            | : | <u>Darling</u>     |
| Witness        | : | <u>Chia</u>        |



**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**

Operations Support Business Unit Costs

San Francisco, California  
May 11, 2011

## TABLE OF CONTENTS

|      |   |    |
|------|---|----|
| I.   | INTRODUCTION .....  | 1  |
| II.  | SUMMARY OF RECOMMENDATIONS.....   | 1  |
| III. | DISCUSSION / ANALYSIS OF EXPENSES .....                                   | 4  |
|      | A. Adjusted Recorded Expenses for Operations Support .....                | 4  |
|      | B. Corporate Environment, Health & Safety.....                            | 5  |
|      | 1. FERC Accounts 920/921- Corporate Environment,<br>Health & Safety ..... | 5  |
|      | a. Labor Expenses.....  | 7  |
|      | b. Non-Labor Expenses .....   | 9  |
|      | 2. FERC Account 923-Corporate Environment, Health &<br>Safety .....       | 10 |
|      | 3. FERC Account 925-Corporate Environment, Health &<br>Safety .....       | 11 |
|      | a. Labor Expenses.....  | 12 |
|      | b. Non-Labor Expenses .....   | 13 |
|      | C. Corporate Resources .....  | 16 |
|      | 1. FERC Accounts 920/921- Corporate Resources .....                       | 16 |
|      | 2. FERC Accounts 931 - Rents.....   | 21 |
|      | D. Corporate Security.....  | 23 |
|      | E. Operations Support Services.....                                       | 27 |
|      | F. Supplier Diversity and Development.....                                | 30 |
|      | G. Transportation Services .....  | 31 |
| IV.  | DISCUSSION / ANALYSIS OF CAPITAL EXPENDITURES .....                       | 34 |
|      | A. Corporate Resources Additional Facilities.....                         | 37 |
|      | B. Alhambra Data Center.....  | 40 |
|      | C. Customer Energy Center .....   | 41 |
|      | D. Service Center Modernization .....                                     | 41 |
|      | E. Energy Efficiency.....   | 42 |
|      | F. Critical Infrastructure Protection Physical Security Project .....     | 43 |
|      | G. Onboard Technology.....  | 44 |

1                                   **OPERATIONS SUPPORT BUSINESS UNIT COSTS**

2   **I.       INTRODUCTION**

3               This exhibit presents the analyses and recommendations of the Division of  
4   Ratepayer Advocates (DRA) regarding the forecasts of Southern California Edison  
5   Company (SCE or Edison) of Operations Support Business Unit (OSBU) expenses  
6   for Test Year (TY) 2012, and capital expenditures for 2010 through 2012.

7               SCE’s OSBU provides support and resources for SCE’s business operations  
8   and functions, and its employees do not generally interact directly with SCE’s  
9   customers. The OSBU manages and maintains buildings, offices, yards, land, and  
10   land rights throughout SCE’s service territory.

11   **II.       SUMMARY OF RECOMMENDATIONS**

12              The following summarizes DRA’s recommendations associated with OSBU’s  
13   A&G expenses:

- 14              • DRA recommends a forecast of \$5.202 million which is \$2.078  
15                million or 28.5 percent less than SCE’s forecast for FERC Accounts  
16                920 and 921 for Corporate Environment, Health and Safety  
17                (CEH&S) for TY 2012.
- 18              • DRA is recommending \$302,000 which is \$1.201 million or 80  
19                percent less than SCE’s request for FERC Account 923 for CEH&S.
- 20              • DRA is recommending \$2.745 million which is \$1.427 million or 34  
21                percent less than SCE’s request for FERC Account 925 for CEH&S.
- 22              • DRA is recommending \$27.390 million which is \$4.470 million or 14  
23                percent less than SCE’s request for FERC Accounts 920 and 921  
24                for Corporate Resources.
- 25              • DRA recommends \$12.130 million which is \$3.684 million or 23  
26                percent less than SCE’s request for TY 2012 for FERC Account  
27                931.
- 28              • DRA recommends a forecast of \$11.970 million for TY 2012 which  
29                is \$10.103 million or 46 percent less than SCE’s request for FERC  
30                Accounts 920 and 921 for Corporate Security.

- 1 • DRA recommends a TY 2012 forecast of \$4.466 million which is
- 2 \$7.452 million or 63 percent less than SCE's request for FERC
- 3 Accounts 920 and 921 for Operations Support Services.
- 4 • DRA is recommending a TY 2012 forecast of \$1.955 million which
- 5 is \$1.345 million or 41 percent less than SCE's request for FERC
- 6 Accounts 920 and 921 for Supplier Diversity and Development.
- 7 • DRA recommends a TY 2012 forecast of \$127.7 million for TSD's
- 8 O&M chargeback costs which is \$10.7 million or 7.7 percent less
- 9 than SCE's forecast.

10 Table 11-1 compares DRA's and SCE's TY2012 forecasts of OSBU's A&G  
 11 expenses:

12 **Table 11-1**  
 13 **OSBU Expenses for TY2012**  
 14 **(In Thousands of 2009 Dollars)**

| Business Line                                    | FERC Acct | DRA Recommended (b) | SCE Proposed <sup>1</sup> (c) | Amount SCE>DRA (d=c-b) | Percentage SCE>DRA (e=d/b) |
|--|-----------|---------------------|-------------------------------|------------------------|----------------------------|
| Corp. Environment, Health, & Safety              | 920/921   | 5,202               | 7,280                         | 2,078                  | 40%                        |
|  | 923       | 302                 | 1,503                         | 1,201                  | 398%                       |
|  | 925       | 2,745               | 4,172                         | 1,427                  | 52%                        |
|  | Sub-Total | 8,249               | 12,955                        | 4,706                  | 57%                        |
| Corporate Resources                              | 920/921   | 27,390              | 31,860                        | 4,470                  | 16%                        |
|  | 931       | 12,130              | 15,814                        | 3,684                  | 30%                        |
|  | 935       | 7,838               | 7,838                         | 0                      | 0%                         |
|  | Sub-Total | 47,358              | 55,512                        | 8,154                  | 17%                        |
| Corporate Security                               | 920/921   | 11,970              | 22,073                        | 10,103                 | 84%                        |
|  | 923       | 94                  | 94                            | 0                      | 0%                         |
|  | Sub-Total | 12,064              | 22,167                        | 10,103                 | 84%                        |
| Operations Support Services                      | 920/921   | 4,466               | 11,918                        | 7,452                  | 167%                       |
| Real Properties                                  | 920/921   | 6,200               | 6,200                         | 0                      | 0%                         |
| Supplier Diversity                               | 920/921   | 1,955               | 3,300                         | 1,345                  | 69%                        |
|  | 923       | 473                 | 473                           | 0                      | 0%                         |
|  | Sub-Total | 2,428               | 3,773                         | 1,345                  | 55%                        |
| <b>TOTAL A&amp;G Exp.</b>                        |           | <b>80,765</b>       | <b>112,525</b>                | <b>31,760</b>          | <b>39%</b>                 |
| Transportation Services Dept. Chargeback Expense |           | 127,700             | 138,400                       | 10,700                 | 8.4%                       |

<sup>1</sup> Exhibit SCE-9, Volume 2, pp. 4 and 152

1 The following summarizes DRA's recommendations associated with OSBU's  
2 capital expenditures:

- 3 • DRA is recommending \$162.429 million in 2010, \$89 million in  
4 2011, and \$89 million in 2012 for OSBU's capital expenditures.

5 Table 11-2 provides a comparison of SCE's and DRA's forecasts of OSBU's  
6 capital expenditures for 2010 to 2012.

7 **Table 11-2**  
8 **OSBU's Capital Projects**  
9 **Comparison of SCE's and DRA's Forecasts, 2010 to 2012**  
10 **(Nominal \$000)**

| <b>Year<br/>(a)</b> | <b>DRA<br/>Recommended<br/>(b)</b> | <b>SCE Proposed<br/>(c)</b> | <b>Amount<br/>SCE&gt;DRA<br/>(d=c-b)</b> | <b>Percentage<br/>SCE&gt;DRA<br/>(e=d/b)</b> |
|---------------------|------------------------------------|-----------------------------|--|--|
| <b>2010</b>         | 162,429                            | 224,961                     | 62,532                                   | 38%  |
| <b>2011</b>         | 89,000                             | 204,748                     | 115,748                                  | 130%   |
| <b>2012</b>         | 89,000                             | 202,496                     | 113,496                                  | 128%   |

1 **III. DISCUSSION / ANALYSIS OF EXPENSES**

2 SCE is requesting a total of \$112.525 million in 2012, which is \$27.925 million  
 3 or 33 percent above 2009 recorded expenses for OSBU's Administrative and  
 4 General (A&G) expenses. DRA recommends \$80.765 million, which is \$31.760  
 5 million or 39 percent less than SCE's request in 2012 for OSBU's A&G expenses.

6 **A. Adjusted Recorded Expenses for Operations Support**

7 Table 11-3 presents the recorded adjusted Administrative and General (A&G)  
 8 expenses of Operations Support for 2005 to 2009 and SCE's forecast for 2012.

9 **Table 11-3**  
 10 **Operations Support**  
 11 **Administrative & General Expenses**  
 12 **2005-2009 Recorded Adjusted Expenses and 2012 Forecast<sup>2</sup>**  
 13 **(in Thousands of 2009 Dollars)**

| Business Line                          | FERC Acct | 2005          | 2006          | 2007          | 2008          | 2009          | 2012           |
|--|-----------|---------------|---------------|---------------|---------------|---------------|----------------|
| Corp. Environment,<br>Health, & Safety | 920/921   | 6,020         | 6,397         | 6,540         | 5,117         | 5,202         | 7,280          |
|  | 923       | 0             | 38            | 677           | 301           | 494           | 1,503          |
|  | 925       | 1,624         | 2,980         | 4,296         | 2,730         | 2,745         | 4,172          |
|  | Sub-Total | 7,644         | 9,415         | 11,513        | 8,148         | 8,441         | 12,955         |
| Corporate Resources                    | 920/921   | 15,213        | 15,251        | 17,687        | 23,877        | 26,347        | 31,860         |
|  | 931       | 3,681         | 6,388         | 7,948         | 8,248         | 10,548        | 15,814         |
|  | 935       | 7,597         | 8,339         | 8,936         | 8,844         | 7,838         | 7,838          |
|  | Sub-Total | 26,491        | 29,978        | 34,571        | 40,969        | 44,733        | 55,512         |
| Corporate Security                     | 920/921   | 9,367         | 9,326         | 11,069        | 11,101        | 11,970        | 22,073         |
|  | 923       | 0             | 91            | 107           | 107           | 94            | 94             |
|  | Sub-Total | 9,367         | 9,417         | 11,176        | 11,208        | 12,064        | 22,167         |
| Operations Support<br>Services         | 920/921   | 1,882         | 1,807         | 2,658         | 4,466         | 11,918        | 11,918         |
| Real Properties                        | 920/921   | 1,068         | 997           | 1,161         | 8,266         | 5,491         | 6,200          |
| Supplier Diversity                     | 920/921   | 1,809         | 2,292         | 2,215         | 1,979         | 1,480         | 3,300          |
|  | 923       | 0             | 0             | 0             | 205           | 473           | 473            |
|  | Sub-Total | 1,809         | 2,292         | 2,215         | 2,184         | 1,953         | 3,773          |
| <b>TOTAL</b>                           |           | <b>48,261</b> | <b>53,906</b> | <b>63,294</b> | <b>75,241</b> | <b>84,600</b> | <b>112,525</b> |

<sup>2</sup> Exhibit SCE-9, Volume 2, p. 4, Table II-1

1           **B. Corporate Environment, Health & Safety**

2           SCE’s Corporate Environment, Health and Safety (CEH&S) is responsible for  
3 anticipating, identifying, analyzing, and coordinating compliance with environmental,  
4 health, and safety requirements. SCE is requesting \$12.955 million for TY 2012,  
5 which is \$4.514 million above 2009 recorded expenses for CEH&S.<sup>3</sup> Table 11-4  
6 presents the 2005 to 2009 recorded expenses and forecast for TY 2012 for CEH&S  
7 which are recorded in FERC Accounts 920, 921, 923, and 925. The discussion that  
8 follows focuses on the FERC Accounts where DRA has differences with SCE’s TY  
9 2012 forecasts for CEH&S.

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**Table 11-4**  
**Corporate Environment, Health & Safety**  
**FERC Accounts 920/921, 923 and 925**  
**2005-2009 Recorded Expenses & Forecast TY2012<sup>4</sup>**  
**(in Thousands of 2009 Dollars)**

|           | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>SCE<br/>2012</b> | <b>DRA<br/>2012</b> | <b>Difference<br/>SCE&gt;DRA</b> |
|-----------|-------------|-------------|-------------|-------------|-------------|---------------------|---------------------|----------------------------------|
| Labor     | 4,155       | 4,635       | 5,092       | 5,015       | 5,390       | 7,411               | 5,390               | 2,021                            |
| Non-Labor | 3,489       | 4,780       | 6,421       | 3,133       | 3,051       | 5,544               | 2,859               | 2,685                            |
| Total     | 7,644       | 9,415       | 11,513      | 8,148       | 8,441       | 12,955              | 8,249               | 4,706                            |

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**1. FERC Accounts 920/921- Corporate Environment,  
Health & Safety**

CEH&S uses FERC Accounts 920/921 to record labor and non-labor related  
expenses for developing and implementing programs and policies to comply with  
federal, state, and local environmental, health, and safety requirements.<sup>5</sup> The  
following table presents the recorded expenses for 2005 to 2009 and forecast for TY  
2012 for FERC Accounts 920 and 921.

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<sup>3</sup> Exhibit SCE-9, Volume 2, p. 5

<sup>4</sup> Exhibit SCE-9, Volume 2, p. 5, Figure III-2

<sup>5</sup> Exhibit SCE-9, Volume 2, p. 16

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**Table 11-5**  
**Corporate Environment, Health & Safety**  
**FERC Accounts 920 and 921**  
**2005-2009 Recorded Expenses & Forecast TY2012<sup>6</sup>**  
**(in Thousands of 2009 Dollars)**

|                                    | 2005  | 2006  | 2007  | 2008  | 2009  | SCE<br>2012 | DRA<br>2012 | Difference<br>SCE>DRA |
|------------------------------------|-------|-------|-------|-------|-------|-------------|-------------|-----------------------|
| Labor -<br>FERC<br>Acct 920        | 3,355 | 3,561 | 3,432 | 3,064 | 3,308 | 4,788       | 3,308       | 1,480                 |
| Non-<br>Labor-<br>FERC<br>Acct 921 | 2,665 | 2,836 | 3,108 | 2,053 | 1,894 | 2,492       | 1,894       | 598                   |
| Total                              | 6,020 | 6,397 | 6,540 | 5,117 | 5,202 | 7,280       | 5,202       | 2,078                 |

7 SCE is requesting \$7.280 million which is \$2.078 million or 39.9 percent  
8 above 2009 recorded expenses for FERC Accounts 920 and 921.<sup>7</sup> SCE provides  
9 three reasons for CEH&S's additional funding request.

10 First, SCE forecasts additional funding to address new environmental, health  
11 and safety regulatory requirements impacting both existing and new or replacement  
12 facilities and infrastructure such as above-ground storage tank regulations,  
13 construction storm water management regulations, and air quality regulations.  
14 Second, SCE forecasts additional staffing to meet the business needs from new and  
15 increased operations and maintenance associated with completed capital projects.  
16 Third, SCE forecast an increased number of environmental assessments and other  
17 related services to support expanded operations, infrastructure replacement, and  
18 new transmission and generation facilities.<sup>8</sup>

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<sup>6</sup> Exhibit SCE-9, Volume 2, p. 18, Figure III-3

<sup>7</sup> Exhibit SCE-9, Volume 2, p. 19

<sup>8</sup> Exhibit SCE-9, Volume 2, p. 20

1 DRA recommends a forecast of \$5.202 million which is \$2.078 million or 28.5  
2 percent less than SCE's forecast for FERC Accounts 920 and 921 for CEH&S for TY  
3 2012. DRA recommends using the 2009 recorded amounts to forecast CEH&S's  
4 labor expenses of \$3.308 million recorded in FERC Account 920 and non-labor  
5 expenses of \$1.894 million recorded in FERC Account 921.

6 **a. Labor Expenses**

7 SCE is requesting labor expenses of \$4.788 million which is an increase of  
8 \$1.480 million or 45 percent above 2009 labor expenses. DRA recommends using  
9 the 2009 recorded labor expenses to forecast TY 2012 labor expenses. DRA  
10 recommends \$3.308 million which is \$1.480 million or 31 percent less than SCE's  
11 request for labor expenses recorded in FERC Account 920 for CEH&S.

12 First, DRA reviewed the historical recorded expenses. CEH&S labor  
13 expenses recorded in FERC Account 920 remained stable at a high of \$3.561 million  
14 in 2006 to a low of \$3.064 million in 2008. CEH&S labor has remained stable even  
15 though SCE states that the number of environmental projects supported by CEH&S,  
16 both capital and Operation and Maintenance (O&M), has increased from less than  
17 100 in 2005 to 1,281 in 2009.<sup>9</sup> SCE states that about 98 percent of the increase in  
18 environmental projects represents Transmission and Distribution Business Unit  
19 (TDBU) work.

20 Second, CEH&S should not receive funding for additional staff because  
21 SCE's TDBU has its own dedicated environmental staff to perform environmental  
22 assessments and other duties as well as in CEH&S.<sup>10</sup>

23 Third, some of the environmental regulations that SCE requests additional  
24 staffing to comply with were adopted prior to 2009 and activities associated with  
25 these regulations should be embedded in recorded expenses. Some of the  
26 regulations are as follows:

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<sup>9</sup> Exhibit SCE-9, Volume 2, p. 20

<sup>10</sup> SCE's response to DRA-SCE-121-SWC, Question 3.d.

- 1 • The amendment to the California Aboveground Petroleum Storage  
2 Act (ASPA) was implemented before January 1, 2008 and SCE is in  
3 compliance with the regulation.<sup>11</sup>
- 4 • The New Source Review Permit Program is a federal Clean Air Act  
5 requirement that has been in effect since 1977. The California Clean  
6 Air Act was adopted in 1988.<sup>12</sup> SCE has processes in place for roles  
7 and responsibilities pertaining to Permits to Construct and Permits to  
8 Operate for each of the air districts.<sup>13</sup>
- 9 • SCE already has a Monitoring Plan to report greenhouse gas  
10 emissions to the U.S. Environmental Protection Agency.<sup>14</sup>
- 11 • SCE has several guidelines and procedures in place for Air Quality  
12 Compliance for Non-Generation and Generation.<sup>15</sup>
- 13 • SCE has had to comply with storm water regulations which are a  
14 subset of the Clean Water Act that was enacted by Congress in  
15 1972.<sup>16</sup>

16 Fourth, DRA takes issue with SCE's request for an increase of \$123,900 to  
17 hire one full-time program/project manager in the biological and archaeological staff  
18 to support environmental compliance for non-capital business unit operations,

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<sup>11</sup> Exhibit SCE-9, Volume 2, p. 10 and SCE's response to DRA-SCE-121-SWC, questions 2.a. and 2.d.

<sup>12</sup> Exhibit SCE-9, Volume 2, p. 21 and SCE's response to DRA-SCE-41-SWC, question 2.a.

<sup>13</sup> SCE's response to DRA-SCE-41-SWC, question 2.b.

<sup>14</sup> Exhibit SCE-9, Volume 2, p. 22 and SCE's response to DRA-SCE-41-SWC, question 3.b.

<sup>15</sup> Exhibit SCE-9, Volume 2, pp. 23 and 24 and SCE's response to DRA-SCE-41-SWC, questions 6.a. and 7.a.

<sup>16</sup> Exhibit SCE-9, Volume 2, p.29 and SCE's response to DRA-SCE-121-SWC, question 7.a.

1 general EH&S oversight, and external liaison functions.<sup>17</sup> DRA recommends no  
2 additional funding because SCE has embedded recorded expenses for staff in the  
3 biological and archaeological department as SCE has employed staff and managers  
4 in this department during 2005 to 2009.<sup>18</sup>

5 **b. Non-Labor Expenses**

6 SCE is requesting \$2.492 million which is an increase of \$598,000 or 32  
7 percent above 2009 recorded non-labor expenses for FERC Account 921 for  
8 CEH&S. DRA recommends using the 2009 recorded non-labor expenses to  
9 forecast non-labor expenses recorded in FERC Account 921 for CEH&S.

10 DRA is recommending \$1.894 million which is \$598,000 or 24 percent less  
11 than SCE's request. DRA takes issue with SCE's request for \$500,000 of non-labor  
12 expenses for environmental studies. SCE is requesting \$500,000 of non-labor  
13 expenses for environmental studies to: (1) support improved models of temperature  
14 and load demands; (2) leverage best practices for achieving company compliance  
15 with environmental regulations; and (3) support maintenance of software tools for  
16 environmental field work and siting decision support.<sup>19</sup>

17 First, CEH&S should not receive funding for an activity that another SCE  
18 business unit is obligated and receives funding to perform. Another business unit of  
19 SCE called Power Supply Business Unit performed temperature and load  
20 forecasting during 2005 to 2009. SCE states that these other business units of SCE  
21 have an operational obligation to perform load forecasting and wind and solar  
22 generation.<sup>20</sup>

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<sup>17</sup> Exhibit SCE-9, Volume 2, p. 27

<sup>18</sup> SCE's response to DRA-SCE-41-SWC, question 11.b.

<sup>19</sup> Exhibit SCE-9, Volume 2, p. 25

<sup>20</sup> SCE's response to DRA-SCE-121-SWC, question 5.b. and 5.c.

1 Second, CEH&S has embedded recorded cost for environmental studies.  
2 CEH&S recorded non-labor expenses of \$1.166 million for the five years of 2005 to  
3 2009, or an average of \$233,000 per year for environmental studies.<sup>21</sup>

4 Third, TDBU Research Development and Demonstration (RD&D) provides  
5 funding for environmental studies.<sup>22</sup>

6 Fourth, since DRA recommends disallowing SCE's request for additional  
7 staffing, additional non-labor expenses associated with these additional staff will not  
8 be needed.

9 **2. FERC Account 923-Corporate Environment, Health &**  
10 **Safety**

11 CEH&S uses FERC Account 923 to record non-labor expenses for discrete  
12 CEH&S projects and materials that require specialized areas of expertise such as  
13 activities that cannot be performed by internal staff in a cost-effective manner. The  
14 following table provides the 2005 to 2009 recorded expenses and TY 2012 forecast.

15 **Table 11-6**  
16 **Corporate Environment, Health & Safety**  
17 **FERC Accounts 923**  
18 **2005-2009 Recorded Expenses & Forecast TY2012<sup>23</sup>**  
19 **(in Thousands of 2009 Dollars)**  
20

|                | 2005 | 2006 | 2007 | 2008 | 2009 | SCE<br>2012 | DRA<br>2012 | Difference<br>SCE>DRA |
|----------------|------|------|------|------|------|-------------|-------------|-----------------------|
| Labor -        | 0    | 0    | 0    | 0    | 0    | 0           | 0           | 0                     |
| Non-<br>Labor- | 0    | 38   | 677  | 301  | 494  | 1,503       | 302         | 1,201                 |
| Total          | 0    | 38   | 677  | 301  | 494  | 1,503       | 302         | 1,201                 |

<sup>21</sup> SCE's response to DRA-SCE-41-SWC, question 10.a.

<sup>22</sup> SCE's response to DRA-SCE-41-SWC, question 10.b.

<sup>23</sup> Exhibit SCE-9, Volume 2, p. 30, Figure III-4

1 SCE is requesting non-labor expenses of \$1.503 million which is an increase  
2 of \$1.009 million or 80 percent over 2009 recorded expenses for FERC Account  
3 923.<sup>24</sup> SCE is requesting \$564,262 of non-labor external services for environmental  
4 and safety compliance-related support.<sup>25</sup> SCE is requesting \$245,000 of non-labor,  
5 non-capital external services for environmental review support within its  
6 Environmental Projects section.<sup>26</sup> SCE is requesting \$200,000 of non-labor to  
7 support developing and maintaining environmental GIS databases.

8 DRA is recommending \$302,000 which is \$1.201 million or 80 percent less  
9 that SCE's request for FERC Account 923 for CEH&S. DRA recommends using the  
10 five-year average of recorded expenses (2005 to 2009) to forecast CEH&S' non-  
11 labor expenses for FERC Account 923. The recorded expenses for FERC Account  
12 923 show that recorded expenses varied significantly during 2005 to 2009. The  
13 recorded expenses in Table 11-6 show a low of \$0 in 2005 and a high of \$677 in  
14 2007. The five-year averages of recorded non-labor expenses provide an  
15 appropriate forecast for funding of activities in this account.

16 **3. FERC Account 925-Corporate Environment, Health &**  
17 **Safety**

18 CEH&S uses FERC Account 925 to record labor and non-labor expenses for  
19 its Corporate Safety section. The following table provides the 2005 to 2009  
20 recorded expenses and TY 2012 forecast.

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<sup>24</sup> Exhibit SCE-9, Volume 2, p. 31

<sup>25</sup> Exhibit SCE-9, Volume 2, p. 32

<sup>26</sup> Exhibit SCE-9, Volume 2, p. 33

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**Table 11-7**  
**Corporate Environment, Health & Safety**  
**FERC Accounts 925**  
**2005-2009 Recorded Expenses & Forecast TY2012<sup>27</sup>**  
**(in Thousands of 2009 Dollars)**

|                | 2005  | 2006  | 2007  | 2008  | 2009  | SCE<br>2012 | DRA<br>2012 | Difference<br>SCE>DRA |
|----------------|-------|-------|-------|-------|-------|-------------|-------------|-----------------------|
| Labor -        | 800   | 1,074 | 1,660 | 1,951 | 2,082 | 2,623       | 2,082       | 541                   |
| Non-<br>Labor- | 824   | 1,906 | 2,636 | 779   | 663   | 1,549       | 663         | 886                   |
| Total          | 1,624 | 2,980 | 4,296 | 2,730 | 2,745 | 4,172       | 2,745       | 1,427                 |

7 SCE is requesting \$4.172 million which is an increase of \$1.427 million or 52  
8 percent over 2009 recorded expenses for FERC Account 925.<sup>28</sup> SCE used 2009  
9 recorded expenses as the base for its TY 2012 forecast.<sup>29</sup>

10 DRA is recommending \$2.745 million which is \$1.427 million or 34 percent  
11 less than SCE's request for FERC Account 925 for CEH&S. DRA recommends using  
12 the 2009 recorded expenses to forecast expenses for TY 2012.

13 **a. Labor Expenses**

14 SCE is requesting \$2.623 million in 2012 which is an increase of \$541,000 or  
15 26 percent over 2009 recorded expenses for labor expense for FERC Account 925.  
16 SCE is requesting an addition of five employees in 2012 to support a proposed  
17 restructuring of the Corporate Safety.<sup>30</sup>

18 DRA is recommending \$2.082 million which is \$541,000 or 21 percent less  
19 than SCE's request for FERC Account 925. DRA recommends using 2009 recorded  
20 labor expenses to forecast TY 2012 labor expenses. DRA's review of recorded  
21 expenses shows that the labor expenses have significantly increased from a low of

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<sup>27</sup> Exhibit SCE-9, Volume 2, p. 34, Figure III-5

<sup>28</sup> Exhibit SCE-9, Volume 2, p. 35

<sup>29</sup> Exhibit SCE-9, Volume 2, p. 35

<sup>30</sup> Exhibit SCE-9, Volume 2, p. 35

1 \$800,000 in 2005 to a high of \$2.082 million in 2009. SCE's labor expenses  
2 stabilized during 2008 at \$1.951 million and 2009 at \$2.082 million.

3 SCE has not shown why it should receive additional funding for additional  
4 staff to implement safety programs and initiatives to maintain compliance and reduce  
5 injuries.<sup>31</sup> SCE has well established company-wide safety programs and has not  
6 shown why it should receive additional funding. As a matter of fact, SCE's  
7 Occupational Safety and Health Administration (OSHA) rates show that the overall  
8 OSHA rates have declined since 2005 as shown in Table 11-8. The 2009 recorded  
9 labor expenses should provide sufficient funds to continue SCE's safety programs.

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**Table 11-8**  
**SCE OSHA Recordable Injuries<sup>32</sup>**  
**2005 to 2010**

| <b>Year</b> | <b>Number of OSHA Recordable Injuries</b> | <b>Overall OSHA Rate</b> |
|-------------|---|--------------------------|
| 2005        | 800                                       | 6.06                     |
| 2006        | 774                                       | 5.60                     |
| 2007        | 750                                       | 5.29                     |
| 2008        | 721                                       | 4.83                     |
| 2009        | 730                                       | 4.60                     |
| 2010        | 750                                       | 4.46                     |

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**b. Non-Labor Expenses**

SCE is requesting an increase of \$935,000 in non-labor expense (\$35,000 for non-labor expense of the additional five employees) over 2009 recorded expenses in 2012. Of the \$935,000, SCE is requesting approximately \$300,000 to support and expand the company-wide Safety Culture program through focus groups, interviews

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<sup>31</sup> Exhibit SCE-9, Volume 2, p. 38

<sup>32</sup> SCE's response to DRA-SCE-233-SWC, question 1

1 and initiatives.<sup>33</sup> SCE is requesting \$600,000 of the \$935,000 non-labor expense to  
2 support participation in the Electric Power Research Institute's (EPRI)  
3 Electromagnetic Field (EMF) Research Program 60A and EPRI's Occupational  
4 Health Research Program.

5 DRA is recommending \$663,000 which is \$886,000 or 57 percent less than  
6 SCE's request for non-labor expenses in FERC Account 925. DRA recommends  
7 using the 2009 recorded non-labor expenses of \$663,000 to forecast TY 2012 non-  
8 labor expenses. DRA's review of historical recorded expenses show that SCE's  
9 non-labor expenses stabilized in 2008 at \$779,000 and in 2009 at \$663,000.

10 First, DRA takes issue with SCE's request of an increase \$400,000 to support  
11 EPRI's EMF research program. SCE's 2005 to 2009 expenses for EPRI were  
12 recorded in SCE's Transmission and Distribution Business Unit's Research,  
13 Development and Demonstration's balancing account and not in CEH&S.<sup>34</sup> DRA  
14 recommends that SCE's funding of EPRI's EMF research continue through TDBU's  
15 RD&D balancing account. The following table provides SCE's recorded TDBU's  
16 balancing account expenses for EPRI during 2005 to 2009.

17 **Table 11-9**  
18 **SCE's EMF Research Expenditures**  
19 **Recorded in TDBU's RD&D Balancing Account**  
20 **2005 to 2009**

| <b>Year</b> | <b>Expenditures</b> |
|-------------|---------------------|
| <b>2005</b> | <b>\$0</b>          |
| <b>2006</b> | <b>389,000</b>      |
| <b>2007</b> | <b>200,000</b>      |
| <b>2008</b> | <b>342,000</b>      |
| <b>2009</b> | <b>339,000</b>      |

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<sup>33</sup> Exhibit SCE-9, Volume 2, p. 36

<sup>34</sup> SCE's response to DRA-SCE-41-SWC, question 18.a.

1 Second, SCE already has embedded recorded expenses for EMF research  
2 recorded in CEH&S accounts.<sup>35</sup> SCE sponsored an EMF research project at UCLA  
3 in 2007 which was recorded in CEH&S accounts.

4 Third, DRA takes issue with SCE's request for an additional \$200,000 in non-  
5 labor expense to support EPRI's heat stress, green chemistry, job exposure matrix  
6 development, and ergonomic research.<sup>36</sup> SCE already has embedded recorded  
7 expenses for EPRI's Occupational Health and Safety (OH&S) research during 2006  
8 to 2009 as presented in the following table.

9 **Table 11-10**  
10 **SCE's Funding of EPRI's OH&S Research<sup>37</sup>**  
11 **2006 to 2009**

| <b>Year</b> | <b>Expenditures</b> |
|-------------|---------------------|
| <b>2006</b> | <b>\$93,757</b>     |
| <b>2007</b> | <b>164,750</b>      |
| <b>2008</b> | <b>170,088</b>      |
| <b>2009</b> | <b>180,946</b>      |

12 Fourth, DRA takes issue with SCE's request for an additional \$300,000 of  
13 non-labor expense to perform follow-up to the Safety Culture Assessments  
14 conducted across SCE in 2007.<sup>38</sup> Again, SCE has well established company-wide  
15 Safety programs and associated expenses are embedded in recorded expenses.

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<sup>35</sup> SCE's response to DRA-SCE-41-SWC, question 18.a.

<sup>36</sup> Exhibit SCE-9, Volume 2, p. 40

<sup>37</sup> SCE's response to DRA-SCE-41-SWC, question 19

<sup>38</sup> Exhibit SCE-9, Volume 2, p. 42

1 **C. Corporate Resources**

2 SCE’s Corporate Resources is responsible for all activities related to  
3 managing SCE buildings, including the planning, design, construction, relocation  
4 management and maintenance of 221 non-electric facilities within its service  
5 territory.<sup>39</sup> Corporate Resources was created in 2009 by combining portions of the  
6 former Corporate Real Estate and Business Resources organizations.<sup>40</sup>

7 SCE is requesting \$55.512 million in TY 2012 which is \$10.779 million 24  
8 percent above 2009 recorded expenses for Corporate Resources.<sup>41</sup> Table 11-11  
9 presents the 2005 to 2009 recorded expenses and forecast for TY 2012 for  
10 Corporate Resources which are recorded in FERC Accounts 920, 921, 931 and 935.  
11 The discussion that follows focuses on the FERC Accounts where DRA has  
12 differences with SCE’s TY 2012 forecasts for Corporate Resources.

13 **Table 11-11**  
14 **Corporate Resources**  
15 **FERC Accounts 920/921, 931 and 935**  
16 **2005-2009 Recorded Expenses & Forecast TY2012<sup>42</sup>**  
17 **(in Thousands of 2009 Dollars)**

|           | 2005   | 2006   | 2007   | 2008   | 2009   | SCE<br>2012 | DRA<br>2012 | Difference<br>SCE>DRA |
|-----------|--------|--------|--------|--------|--------|-------------|-------------|-----------------------|
| Labor     | 8,623  | 8,700  | 8,668  | 11,251 | 13,360 | 16,920      | 13,881      | 3,039                 |
| Non-Labor | 14,187 | 14,890 | 17,955 | 21,470 | 20,825 | 22,778      | 21,347      | 1,431                 |
| Other     | 3,681  | 6,388  | 7,948  | 8,248  | 10,548 | 15,814      | 12,130      | 3,684                 |
| Total     | 26,491 | 29,978 | 34,571 | 40,969 | 44,733 | 55,512      | 47,358      | 8,154                 |

18 **1. FERC Accounts 920/921- Corporate Resources**

19 Corporate Resources records administrative and general costs of managing  
20 SCE buildings and the maintenance of all non-electric facilities. SCE created

<sup>39</sup> Exhibit SCE-9, Volume 2, pp. 44-45

<sup>40</sup> Exhibit SCE-9, Volume 2, p. 52

<sup>41</sup> Exhibit SCE-9, Volume 2, p. 44

<sup>42</sup> Exhibit SCE-9, Volume 2, p. 44, Figure IV-6

1 Corporate Resources in 2009 by combining portions of the former Corporate Real  
 2 Estate (CRE) and Business organizations. Also, CRE underwent an internal  
 3 reorganization in 2007 to 2008. As a result of these reorganizations, SCE states  
 4 that 2008 and 2009 recorded costs serve as the most representative recorded costs  
 5 for the currently-organized Corporate Resources Department.<sup>43</sup> The following table  
 6 provides the recorded and forecast expenses for FERC Accounts 920 and 921 of  
 7 Corporate Resources.

8 **Table 11-12**  
 9 **Corporate Resources**  
 10 **FERC Accounts 920 and 921**  
 11 **2005-2009 Recorded Expenses & Forecast TY2012<sup>44</sup>**  
 12 **(in Thousands of 2009 Dollars)**

|                                    | 2005   | 2006   | 2007   | 2008   | 2009   | SCE<br>2012 | DRA<br>2012 <sup>45</sup> | Difference<br>SCE>DRA |
|------------------------------------|--------|--------|--------|--------|--------|-------------|---------------------------|-----------------------|
| Labor -<br>FERC<br>Acct 920        | 6,408  | 6,571  | 6,642  | 9,564  | 12,710 | 16,270      | 13,231                    | 3,039                 |
| Non-<br>Labor-<br>FERC<br>Acct 921 | 8,805  | 8,680  | 11,045 | 14,313 | 13,637 | 15,590      | 14,159                    | 1,431                 |
| Total                              | 15,213 | 15,251 | 17,687 | 23,877 | 26,347 | 31,860      | 27,390                    | 4,470                 |

13 As of 2009, Corporate Resources are comprised of the following  
 14 departments:

- 15 • Department Management was formed in October 2009 to combine  
 16 portions of the former Corporate Real Estate and former Business  
 17 Resources to accumulate overhead costs at the department  
 18 management level.<sup>46</sup>

<sup>43</sup> Exhibit SCE-9, Volume 2, pp. 52 and 53

<sup>44</sup> Exhibit SCE-9, Volume 2, p. 52, Figure IV-7

<sup>45</sup> DRA's recommended increase is split equally between labor and non-labor expenses.

<sup>46</sup> Exhibit SCE-9, Volume 2, p. 53

- 1 • Facility Asset Management is responsible for the ongoing operation  
2 and maintenance of SCE's 221 buildings such as janitorial,  
3 landscaping, building maintenance and repair work.<sup>47</sup>
- 4 • Engineering and Construction manages the construction and remodel  
5 activities associated with SCE's non-electric buildings.<sup>48</sup>
- 6 • Space Planning & Management has operational responsibility for  
7 relocating employees.<sup>49</sup>
- 8 • Facility Planning provides strategic and operational facility planning  
9 services.<sup>50</sup>
- 10 • Business Resources provides support services to the occupants of the  
11 non-electric facility buildings such as drawing management, corporate  
12 records storage, mailing services, graphics production, corporate travel  
13 management, and meeting/event logistics.<sup>51</sup>
- 14 • Business Services provide support in the areas of vendor and  
15 purchase order management; master data support; reporting for  
16 organizational key performance indicators and metrics; and financial  
17 work order support.<sup>52</sup>

18 DRA is recommending \$27.390 million which is \$4.470 million or 14 percent  
19 less than SCE's request for FERC Accounts 920 and 921 for Corporate Resources.  
20 DRA recommends using 2010 recorded expenses of \$27.390 million because 2010

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<sup>47</sup> Exhibit SCE-9, Volume 2, p. 46

<sup>48</sup> Exhibit SCE-9, Volume 2, p. 47

<sup>49</sup> Exhibit SCE-9, Volume 2, p. 48

<sup>50</sup> Exhibit SCE-9, Volume 2, p. 48

<sup>51</sup> Exhibit SCE-9, Volume 2, p. 49

<sup>52</sup> Exhibit SCE-9, Volume 2, p. 51

1 recorded expenses provides the best representation of expenses and activities of  
2 the current structure of Corporate Resources.

3 SCE states that Corporate Resources was created in 2009 by combining  
4 portions of the former CRE and Business Resources organizations and 2008 and  
5 2009 recorded costs serve as the most representative recorded costs for the  
6 currently-organized Corporate Resources department.<sup>53</sup> Also, CRE had also  
7 significantly modified its organizational structure and budgets when it was  
8 reorganized in 2007 and 2008.<sup>54</sup> Due to these numerous organizational changes,  
9 SCE was unable to provide an exact comparison of the 2005 to 2010 recorded  
10 expenses for Corporate Resources as it is currently organized in 2010. The  
11 following table provides the recorded expenses of FERC Accounts 920 and 921 of  
12 Corporate Resources for 2005 to 2010 broken down by the various Corporate  
13 Resources departments.

14 **Table 11-13**  
15 **Corporate Resources Departments<sup>55</sup>**  
16 **FERC Accounts 920 and 921**  
17 **2005-2010 Recorded / 2012 Forecast**  
18 **(in Thousands of 2009 Dollars)**

| Department                   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010    | SCE's Forecast 2012 |
|------------------------------|--------|--------|--------|--------|--------|---------|---------------------|
| Department Management        | \$0    | \$0    | \$0    | \$0    | \$504  | \$1,061 | \$492               |
| Facilities Asset Management  | 5,538  | 6,090  | 6,352  | 9,538  | 9,584  | 9,437   | 13,933              |
| Engineering and Construction | 2,517  | 2,635  | 4,669  | 4,474  | 3,612  | 1,341   | 2,606               |
| Space Planning & Mgmt        | 0      | 0      | 0      | 846    | 3,318  | 6,383   | 4,602               |
| Facility Planning            | 0      | 0      | 0      | 394    | 380    | 531     | 692                 |
| Business Resources           | 5,651  | 5,578  | 5,265  | 6,974  | 6,464  | 5,911   | 6,730               |
| Business Services            | 1,507  | 948    | 1,397  | 1,643  | 2,485  | 2,726   | 2,805               |
| Total                        | 15,213 | 15,251 | 17,683 | 23,869 | 26,347 | 27,390  | 31,860              |

19 The recorded expenses in FERC Accounts 920 and 921 rose from 2005 to  
20 2009 when SCE started reorganizing Corporate Resources in 2007. The previous

<sup>53</sup> Exhibit SCE-9, Volume 2, pp. 52 & 53

<sup>54</sup> SCE's response to DRA-SCE-124-SWC, question 2.a.

<sup>55</sup> SCE's response to DRA-SCE-124-SWC, question 2.a.

1 structure of Corporate Resources recorded expenses of \$15.213 million in 2005.  
2 Starting in 2008, the recorded expenses of FERC Accounts 920 and 921 rose to  
3 \$23.869 million in 2008. Once Corporate Resources reorganized to its current  
4 structure, the recorded expenses stabilized at \$26.347 million in 2009 and \$27.390  
5 million 2010.

6 One factor for the increase in 2008 and 2009 recorded expenses for  
7 Corporate Resources is the Space Planning and Management department. The  
8 Space Planning and Management department showed a significant increase in  
9 activity during 2005 to 2010. The recorded expenses in the Space Planning and  
10 Management department did not start recording expenses until 2008 when  
11 expenses rose from \$846,000 in 2008 to \$6.383 million in 2010. One reason is that  
12 Corporate Resources did not coordinate all of SCE's employee moves during 2005  
13 to 2009. Prior to 2009, employee moves were performed by SCE's individual  
14 business units which means that recorded expenses for employee moves are  
15 embedded in the 2005 to 2009 recorded expenses of SCE's individual business  
16 units. SCE states that it did not coordinate all employee moves through Corporate  
17 Resources until 2010.<sup>56</sup> SCE has not shown in its testimony that it removed the  
18 embedded recorded expenses for 2005 to 2009 employee moves from SCE's  
19 individual business units before requesting incremental funding for Corporate  
20 Resources for all employee moves for TY 2012.

21 Another reason DRA recommends using 2010 recorded expenses to forecast  
22 TY 2012 expenses is that staffing in Corporate Resources has been consistent: 221  
23 SCE employees in 2009 and 216 SCE employees in 2010.<sup>57</sup> Therefore, the 2010  
24 activity and expense levels of Corporate Resources provide a reasonable method to  
25 forecast TY 2012 expenses and the 2010 recorded expenses provide the best  
26 representation of expenses and activities of the current structure of Corporate  
27 Resources.

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<sup>56</sup> SCE's response to DRA-SCE-124-SWC, question 3.a.

<sup>57</sup> SCE's Response to DRA-SCE-124-SWC, question 1.e.



1 and workshops to customers without the need for a third Energy Center. DRA  
 2 objects to ratepayer funding for a third Energy Center.<sup>61</sup>

3 Second, DRA recommends using 2010 recorded expenses for rent because  
 4 the recorded year-end 2010 number and the forecasted year-end 2012 number of  
 5 SCE employees and contingent workers are very similar. SCE states that it expects  
 6 to add 1,677 additional staff over 2009 recorded levels by year-end 2012 which  
 7 translates to the need for incremental seats and office space.<sup>62</sup> The recorded year-  
 8 end 2010 headcount number is 26,256 and the forecasted year-end 2012 headcount  
 9 number is 26,362 which is a difference of only 106 workers.<sup>63</sup> The following table  
 10 provides SCE's recorded and forecasted number of SCE employees, contingent  
 11 workers, and other support personnel. SCE did not track the number of contingent  
 12 workers prior to 2008 and the number of other support personnel prior to 2009.<sup>64</sup>

13 **Table 11-15**  
 14 **SCE's 2005-2010 Recorded / Forecast 2012**  
 15 **Number of SCE Employees, Contingent Workers, and Other<sup>65</sup>**

|                    | Recorded |        |        |        |        |        | Forecast |
|--------------------|----------|--------|--------|--------|--------|--------|----------|
|                    | 2005     | 2006   | 2007   | 2008   | 2009   | 2010   | 2012     |
| SCE employees      | 14,750   | 15,036 | 15,850 | 16,615 | 17,010 | 18,105 | 18,638   |
| Contingent Workers | N/A      | N/A    | N/A    | 6,803  | 6,939  | 7,306  | 6,183    |
| Other              | N/A      | N/A    | N/A    | N/A    | 746    | 845    | 1,551    |
| Total              | 14,750   | 15,036 | 15,850 | 23,418 | 24,695 | 26,256 | 26,372   |

<sup>61</sup> See DRA's Exhibit DRA-10 for DRA's discussion on a third Energy Center

<sup>62</sup> Exhibit SCE-9, Volume 2, p. 45

<sup>63</sup> SCE's response to DRA-SCE-124-SWC, questions 1.a. and 1.b.

<sup>64</sup> SCE's response to DRA-SCE-124-SWC, questions 1.a. and 1.b.

<sup>65</sup> SCE's response to DRA-SCE-124-SWC, questions 1.a. and 1.b.

1 Third, SCE forecast of additional employees is higher than DRA's forecast  
2 recommendation of additional employees based on recommended O&M expense  
3 levels, administrative and general expenses, and capital projects for TY 2012.

4 Fourth, SCE has several capital projects such as the General Office 5 (GO5)  
5 building and Pomona Innovation 3 building which will accommodate approximately  
6 1,150 employees once they are completed in 2011.<sup>66</sup> SCE closed escrow on GO5  
7 in February 2010 and the Pomona Innovation 3 building lease was also completed in  
8 2010. The rents of these building are embedded in 2010 recorded rent expenses.<sup>67</sup>

#### 9 **D. Corporate Security**

10 SCE is requesting \$22.167 million for TY 2012, which is \$10.103 million or 84  
11 percent above 2009 recorded expenses for Corporate Security.<sup>68</sup> SCE's Corporate  
12 Security Department designs and integrates the strategies, plans, technologies, and  
13 behaviors that prepare SCE to meet known threats, extreme emergencies, and  
14 presently unrecognized vulnerabilities.<sup>69</sup> Table 11-16 presents the 2005 to 2009  
15 recorded expenses and forecast for TY 2012 for Corporate Security which are  
16 recorded in FERC Accounts 920, 921, and 923. The discussion that follows focuses  
17 on FERC Accounts 920 and 921, where DRA has differences with SCE's TY 2012  
18 forecasts for Corporate Security. DRA does not take issue with SCE's forecast for  
19 FERC Account 923.

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<sup>66</sup> Exhibit SCE-9, Volume 3, p.18 to 20

<sup>67</sup> SCE's response to DRA-SCE-131-SWC, question 1

<sup>68</sup> Exhibit SCE-9, Volume 2, p. 70

<sup>69</sup> Exhibit SCE-9, Volume 2, p. 70

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**Table 11-16**  
**Corporate Security**  
**FERC Accounts 920, 921, and 923**  
**2005-2009 Recorded Expenses & Forecast TY2012<sup>70</sup>**  
**(in Thousands of 2009 Dollars)**

|           | 2005  | 2006  | 2007   | 2008   | 2009   | SCE<br>2012 | DRA<br>2012 | Difference<br>SCE>DRA |
|-----------|-------|-------|--------|--------|--------|-------------|-------------|-----------------------|
| Labor     | 3,133 | 3,396 | 3,254  | 3,675  | 4,485  | 9,730       | 4,485       | 5,245                 |
| Non-Labor | 6,234 | 6,021 | 7,922  | 7,533  | 7,579  | 12,437      | 7,579       | 4,858                 |
| Total     | 9,367 | 9,417 | 11,176 | 11,208 | 12,064 | 22,167      | 12,064      | 10,103                |

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For FERC Accounts 920 and 921, SCE is requesting \$22.073 million for TY 2012 which is an increase of \$10.103 million or 84 percent above 2009 recorded expenses for Corporate Security.<sup>71</sup> FERC Accounts 920 and 921 record the administrative and general salaries and office supplies and expenses of Corporate Security. The following table provides the recorded and forecast expenses for FERC Accounts 920 and 921 for Corporate Security.

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**Table 11-17**  
**Corporate Security**  
**FERC Accounts 920 and 921**  
**2005-2009 Recorded Expenses & Forecast TY2012<sup>72</sup>**  
**(in Thousands of 2009 Dollars)**

|           | 2005  | 2006  | 2007   | 2008   | 2009   | SCE<br>2012 | DRA<br>2012 | Difference<br>SCE>DRA |
|-----------|-------|-------|--------|--------|--------|-------------|-------------|-----------------------|
| Labor     | 3,133 | 3,396 | 3,254  | 3,675  | 4,485  | 9,730       | 4,485       | 5,245                 |
| Non-Labor | 6,234 | 5,930 | 7,815  | 7,426  | 7,485  | 12,343      | 7,485       | 4,858                 |
| Total     | 9,367 | 9,326 | 11,069 | 11,101 | 11,970 | 22,073      | 11,970      | 10,103                |

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<sup>70</sup> Exhibit SCE-9, Volume 2, p. 70, Figure V-12

<sup>71</sup> Exhibit SCE-9, Volume 2, p. 73

<sup>72</sup> Exhibit SCE-9, Volume 2, p. 70, Figure V-12

1 SCE states that this projected increase takes into consideration the following:

- 2 • Compliance with North American Electric Reliability Corporation  
3 (NERC)-Mandated Critical Infrastructure Protection, Cyber Security  
4 Regulations;
- 5 • A projected increase of 1,677 employees in the SCE workforce  
6 between recorded 2009 headcount and TY 2012; and,
- 7 • Corporate Commitment to improve business resiliency and  
8 emergency preparedness through program enhancement and capital  
9 investment.

10 DRA recommends a forecast of \$11.970 million for TY 2012 which is \$10.103  
11 million or 46 percent less than SCE's request for FERC Accounts 920 and 921 for  
12 Corporate Security. DRA recommends using the 2009 recorded expenses to  
13 forecast TY 2012. The 2007 to 2009 recorded expenses remained consistent at  
14 approximately \$11 million for FERC Accounts 920 and 921.

15 First, DRA takes issue with SCE's incremental request to comply with the  
16 North American Electric Reliability Corporation's (NERC) Critical Infrastructure  
17 Protection (CIP) standards that SCE anticipated will take effect in 2012.<sup>73</sup> As a  
18 result of the August 2003 Northeast blackout, the Federal Energy Regulatory  
19 Commission certified NERC as the Electric Reliability Organization and directed  
20 NERC to improve the reliability and security of the bulk power system in North  
21 America. FERC adopted a set of cyber security standards for Critical Infrastructure  
22 Protection (CIP) in 2007.<sup>74</sup> FERC has adopted Versions 1 to 3 of NERC CIP  
23 standards. Version 3 of the CIP Standards was approved by FERC in an order dated  
24 March 31, 2010 and became effective October 1, 2010.<sup>75</sup>

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<sup>73</sup> Exhibit SCE-9, Volume 2, p. 75

<sup>74</sup> Meeting between DRA and SCE on February 10, 2011 and presentation

<sup>75</sup> SCE's response to DRA-Verbal-052, question 1

1 SCE states that revisions to CIP standards – Version 4 are imminent, and  
2 new mandates will broaden the impact of such reliability standards on SCE’s  
3 operations.<sup>76</sup> SCE forecasts that about 40 percent of the Corporate Security  
4 expenses are to meet the NERC CIP regulations.<sup>77</sup>

5 First, FERC has not adopted Version 4 of the CIP standards. SCE is in  
6 compliance with the current CIP standards. SCE is speculating as to when CIP  
7 Standards – Version 4 will be approved by FERC and the effective date of the  
8 standards. SCE is also speculating as to what type of standards will be adopted.

9 Second, SCE has embedded 2005 to 2009 recorded costs for NERC-CIP  
10 driven expenses because SCE has planned, designed, and implemented NERC-CIP  
11 driven requirements as far back as 2005.<sup>78</sup> SCE has incurred costs associated with  
12 compliance activities to comply with NERC CIP Versions 1 to 3.<sup>79</sup> Also, SCE has  
13 incurred capital expenditures of \$6.070 million during 2007 to 2009 to meet NERC  
14 CIP requirements.<sup>80</sup>

15 Third, the number of SCE employees rose from 15,850 in 2007 to 17,010 in  
16 2009.<sup>81</sup> However, the 2007 to 2009 recorded expenses for Corporate Security  
17 remained consistent at approximately \$11 million. SCE has well-established  
18 security plans and programs in place as shown by the consistent expense level  
19 recorded during 2007 to 2009. Therefore, DRA recommends using the 2009  
20 recorded expenses of \$11.970 million to forecast TY 2012.

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<sup>76</sup> Exhibit SCE-9, Volume 2, p. 75

<sup>77</sup> Exhibit SCE-9, Volume 2, p. 75

<sup>78</sup> SCE’s response to DRA-SCE-156-SWC, question 8

<sup>79</sup> SCE’s response to DRA-Verbal-052, question 2

<sup>80</sup> SCE’s response to DRA-SCE-156-SWC, question 8

<sup>81</sup> SCE’s response to DRA-SCE-124-SWC, question 1.a.

1 **E. Operations Support Services**

2 Operations Support Services provides centralized support to the  
3 Organization's Senior Vice President, and the senior leadership of the six  
4 Operations Support Departments.<sup>82</sup> The following table provides the recorded  
5 expenses for 2005 to 2009 and SCE's and DRA's 2012 forecast for FERC Accounts  
6 920 and 921 of Operations Support Services.

7 **Table 11-18**  
8 **Operations Support Services**  
9 **FERC Accounts 920 and 921**  
10 **2005-2009 Recorded Expenses & Forecast TY2012<sup>83</sup>**  
11 **(in Thousands of 2009 Dollars)**

|               | 2005  | 2006  | 2007  | 2008  | 2009   | SCE<br>2012 | DRA<br>2012 | Difference<br>SCE>DRA |
|---------------|-------|-------|-------|-------|--------|-------------|-------------|-----------------------|
| Labor         | 1,461 | 1,497 | 1,581 | 2,643 | 6,773  | 6,773       | 2,643       | 4,130                 |
| Non-<br>Labor | 421   | 310   | 1,077 | 1,823 | 5,145  | 5,145       | 1,823       | 3,322                 |
| Total         | 1,882 | 1,807 | 2,658 | 4,466 | 11,918 | 11,918      | 4,466       | 7,452                 |

12 SCE is requesting \$11.918 million for TY 2012 for FERC Accounts 920 and  
13 921 for Operations Support Services.<sup>84</sup> The recorded expenses were at a low of  
14 \$1.807 million in 2006 and increased significantly to \$11.918 million in 2009. The  
15 recorded expenses then decreased to \$8.458 million in 2010 for FERC Accounts  
16 920 and 921.<sup>85</sup>

17 SCE states that the recorded expenses increase approximately \$10.1 million,  
18 or 560 percent, between 2006 and 2009 as a result of several actions:

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<sup>82</sup> Exhibit SCE-9, Volume 2, p. 113

<sup>83</sup> Exhibit SCE-9, Volume 2, p. 113, Figure VI-15

<sup>84</sup> Exhibit SCE-9, Volume 2, p. 114

<sup>85</sup> SCE's response to DRA-SCE-219-SWC, question 1.a.

- 1           ● Further centralization of Operations Support’s planning activities-  
2           specifically the transfer of personnel from other areas of the Business  
3           Unit to Operations Support Services;
- 4           ● A change in accounting practice that resulted in Operations Support  
5           Services costs, previously charged back to other areas of Operations  
6           Support, being recorded as A&G; and
- 7           ● Additional hiring to allow Operations Support Services to keep pace  
8           with the growing Business Unit population.<sup>86</sup>

9           DRA recommends a TY 2012 forecast of \$4.466 million which is \$7.452  
10          million or 63 percent less than SCE’s request for FERC Accounts 920 and 921 for  
11          Operations Support Services. DRA recommends using the 2008 recorded expenses  
12          to forecast TY 2012 expenses. SCE states that the expense increases from 2006 to  
13          2009 were the results of SCE centralization of Operations Support’s planning  
14          activities, making a change in accounting practices, and additional hiring. SCE  
15          states that in 2009, accounting changes were made affecting 54 employees in  
16          Operations Supports Services department for the purpose of consolidating the  
17          recorded labor for these individuals. SCE claims that consolidating their recorded  
18          labor served to simplify monitoring and managing the budgets for these personnel.  
19          SCE provides the following examples of the types of associated budget transfers:

- 20          ● Transfer of budgets from other Operations Support Business Unit  
21          (OSBU) departments using only O&M accounting to Operations  
22          Support Services A&G (FERC Account 920);
- 23          ● Transfer of budgets from an OSBU chargeback department using  
24          memo-based clearing accounts (such as Accounts 186 and 184-e.g.  
25          Supply Management and Transportation Services Departments) to  
26          Operations Support Services A&G (FERC Account 920);

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<sup>86</sup> Exhibit SCE-9, Volume 2, p. 117

- 1           • Transfer of budgets from an OSBU department using internal  
2           overhead accounting (Account 184-charged to multiple internal  
3           areas) to Operations Support Services A&G (FERC Account 920);  
4           and
- 5           • Transfer of budgets from multiple OSBU organizations using multiple  
6           accounting types to Operations Support Services A&G (FERC  
7           Account 920).<sup>87</sup>

8           SCE does not provide evidence that the FERC accounts of the other SCE  
9           business units had a corresponding decrease in expenses in 2009 or in the TY 2012  
10          forecast as a result of the shift of costs to Operations Supports Services due to the  
11          centralization of operations and the changes in accounting practices. If the other  
12          SCE business units did not remove costs that have been transferred to Operations  
13          Support Services, then the other SCE business units still have the expenses that  
14          were transferred in an accounting change embedded in their recorded expenses.  
15          These 2005 to 2009 recorded expenses were then used to forecast TY 2012 even  
16          though these embedded expenses have been transferred to Operations Support  
17          Services in 2009. Therefore, these other SCE business units will be overstating  
18          their expenses for the TY 2012 forecast.

19          SCE used 2009 recorded expenses to forecast TY 2012 expenses for the  
20          FERC Accounts 920 and 921 of Operations Support Services. Since SCE did not  
21          remove the costs transferred from other SCE business units to Operations Support  
22          Services, the 2009 recorded expenses of Operations Support Services is not a  
23          correct representation of recorded expenses for Operations Support Services and  
24          these other SCE's business units. Therefore, DRA recommends using 2008  
25          recorded expenses to forecast TY 2012 expenses.

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<sup>87</sup> SCE's response to DRA-SCE-219-SWC, question 1.d.

1 **F. Supplier Diversity and Development**

2 Supplier Diversity and Development manages the procurement of  
3 materials/services and the warehousing/logistics organizations within the Supply  
4 Management division in the Operations Support Business Unit. The following table  
5 provides the recorded expenses for 2005 to 2009 and SCE's and DRA's 2012  
6 forecast for FERC Accounts 920 and 921 of Operations Support Services.

7 **Table 11-19**  
8 **Supplier Diversity and Development**  
9 **FERC Accounts 920 and 921**  
10 **2005-2009 Recorded Expenses & Forecast TY2012<sup>88</sup>**  
11 **(in Thousands of 2009 Dollars)**

|           | 2005  | 2006  | 2007  | 2008  | 2009  | SCE<br>2012 | DRA<br>2012 | Difference<br>SCE>DRA |
|-----------|-------|-------|-------|-------|-------|-------------|-------------|-----------------------|
| Labor     | 701   | 697   | 719   | 659   | 662   | 1,725       | 686         | 1,039                 |
| Non-Labor | 1,108 | 1,595 | 1,496 | 1,320 | 828   | 1,575       | 1,269       | 306                   |
| Total     | 1,809 | 2,292 | 2,215 | 1,979 | 1,480 | 3,300       | 1,955       | 1,345                 |

12 SCE is requesting \$3.3 million which is \$1.820 million or 123 percent over  
13 2009 recorded expenses for FERC Accounts 920 and 921 for Supplier Diversity and  
14 Development. SCE must comply with the California Public Utilities Commission's  
15 General Order 156 ("GO 156") which was adopted in April 1988. GO 156 requires  
16 the California utilities to have programs in place to procure and meet a minimum  
17 goal of 21.5 percent with woman, minority and disabled veterans business enterprise  
18 (DBE).<sup>89</sup>

19 SCE used 2009 recorded expenses as the starting point to forecast TY 2012  
20 expenses. SCE is requesting funding for ten additional staff to support Supplier  
21 Diversity and Development efforts at \$1.073 million of labor.<sup>90</sup> SCE is requesting an

<sup>88</sup> Exhibit SCE-9, Volume 2, p. 135, Figure VIII-18

<sup>89</sup> Exhibit SCE-9, Volume 2, p.129

<sup>90</sup> Exhibit SCE-9, Volume 2, p. 136

1 increase of \$747,000 to support its SCE Supplier University program, Supplier  
2 Training Program, and Outreach programs.<sup>91</sup>

3 DRA is recommending a TY 2012 forecast of \$1.955 million which is \$1.345  
4 million or 41 percent less than SCE's request for FERC Accounts 920 and 921 for  
5 Supplier Diversity and Development. DRA recommends using the five-year average  
6 (2005 to 2009) of recorded expenses to forecast TY 2012 expenses. The recorded  
7 expenses of Supplier Diversity and Development have decreased from a high of  
8 \$2.292 million in 2006 to a low of \$1.480 million in 2009. SCE had a staff of six  
9 FTEs during 2005 to 2010.<sup>92</sup> SCE is requesting to increase from a staff of six FTEs  
10 to a staff of 18 FTEs in 2012 which is an increase of 225 percent.

11 First, SCE has been able to comply with GO 156 during the 2005 to 2009  
12 period with the recorded expenses and staffing level for this period. Second, SCE  
13 was able to earn supplier diversity awards while operating at the 2005 to 2009 level  
14 of expenses. SCE states that it received the prestigious national award, Edison  
15 Electric Institute (EEI) Supplier Diversity Excellence Award, at the 27<sup>th</sup> Annual  
16 Supplier Diversity Conference which was given in recognition of SCE's over 20-year  
17 commitment to identify, mentor, and contract with DBEs. SCE also received several  
18 honors and awards recognizing the organization-wide commitment to supporting and  
19 developing diverse suppliers in 2009.<sup>93</sup> Third, Supplier Diversity and Development  
20 had a staff of six FTEs for the entire five years during 2005 to 2010. Therefore, DRA  
21 recommends using the five-year average of \$1.955 million to forecast TY 2012  
22 expenses.

### 23 **G. Transportation Services**

24 SCE forecasts Transportation Services Department (TSD) Operation and  
25 Maintenance (O&M) chargeback costs of \$137.5 million in 2012 which is \$22 million

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<sup>91</sup> Exhibit SCE-9, Volume 2, p. 139

<sup>92</sup> SCE's response to DRA-SCE-39-SWC, question 2.c.

<sup>93</sup> Exhibit SCE-9, Volume 2, p. 131

1 or 19 percent above 2009 recorded chargeback costs. SCE claims that the increase  
 2 is primarily due to increases in fleet ownership cost (\$10.7 million), fleet  
 3 maintenance costs (\$2 million), fuel costs (\$7.4 million), and Aircraft Operations  
 4 costs (\$1.8 million).<sup>94</sup> The following table provides the 2005 to 2009 recorded TSD  
 5 O&M expenses and the 2012 forecast.

6 **Table 11-20**  
 7 **Transportation Services Department**  
 8 **2005 to 2010 Recorded and 2012 Forecast**<sup>95</sup>  
 9 **(In Million of 2009 Dollars)**

|                      | Recorded |      |      |       |       |       | SCE<br>Forecast | DRA<br>Forecast |
|----------------------|----------|------|------|-------|-------|-------|-----------------|-----------------|
|                      | 2005     | 2006 | 2007 | 2008  | 2009  | 2010  |                 |                 |
| Fleet<br>Ownership   | 30.5     | 37.2 | 44.7 | 50.4  | 57.7  | 66.4  | 69.3            | 66.4            |
| Fleet<br>Maintenance | 27.5     | 28.5 | 34.0 | 34.3  | 39.4  | 36.1  | 41.4            | 36.1            |
| Fuel                 | 14.2     | 16.0 | 17.1 | 19.9  | 13.6  | 19.2  | 21.0            | 19.2            |
| Air<br>Operations    | 2.6      | 2.8  | 3.9  | 4.3   | 4.9   | 6.0   | 6.7             | 6.0             |
| Total                | 74.9     | 84.6 | 99.7 | 108.9 | 115.5 | 127.7 | 138.4           | 127.7           |

10 SCE operates a vehicle and equipment fleet consisting of passenger cars,  
 11 vans, pick-up trucks, forklifts, heavy-duty trucks with aerial equipment (buckets and  
 12 cranes), loaders, tractors, stringing equipment, trailers, helicopters, and other  
 13 vehicles. The purposes of the TSD are to provide fleet management/operational  
 14 services (acquisition, maintenance, repairs and disposal), aircraft support of utility  
 15 operations, crane operations, and other related transportation services.

16 TSD's costs are charged back to SCE's operational business units. The  
 17 costs are recorded to both the O&M FERC accounts and capital work orders for

<sup>94</sup> Exhibit SCE-9, Volume 2, pp. 150 and 151

<sup>95</sup> Exhibit SCE-9, Volume 2, p. 152 and SCE's response to DRA-SCE-110-SWC, question 6

1 SCE's business units.<sup>96</sup> TSD's cost are charged back to and embedded within the  
2 forecasts and testimony of the individual Business Units.<sup>97</sup>

3 SCE stated that the increase in fleet ownership is primarily associated with  
4 the leasing costs for vehicle replacements, vehicle additions and reductions, rental  
5 costs, licensing and other fees, and administrative costs. SCE claims that the vehicle  
6 and equipment must meet governmental safety and environmental regulations.<sup>98</sup>

7 SCE stated that its forecast of vehicle additions are primarily driven by workload  
8 changes due to infrastructure replacement and growth. SCE expects to add 163  
9 vehicles in 2010, 280 in 2011, 139 in 2012.<sup>99</sup> SCE also expects new costs in 2012  
10 of \$900,000 for annual maintenance and reporting fees for its proposed vehicle  
11 onboard technology capital project.<sup>100</sup>

12 DRA recommends a TY 2012 forecast of \$127.7 million for TSD's O&M  
13 chargeback costs which is \$10.7 million<sup>101</sup> or 7.7 percent less than SCE's forecast.  
14 SCE recorded TSD O&M chargeback costs of \$127.7 million in 2010.<sup>102</sup> DRA  
15 recommends using 2010 recorded expenses to forecast 2012 expenses.

16 DRA recommends reductions to SCE's funding requests in the Transmission  
17 and Distribution Business Unit (TDBU) as discussed in Exhibits DRA-5 to DRA-7.  
18 These DRA recommended TDBU reductions will reduce the need for vehicle  
19 additions and associated maintenance and fuel expenses in 2012. DRA also takes  
20 issue with SCE's proposed vehicle onboard technology capital project as discussed

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<sup>96</sup> Exhibit SCE-9, Volume 2, p. 142

<sup>97</sup> Exhibit SCE-9, Volume 2, p. 150

<sup>98</sup> Exhibit SCE-9, Volume 2, p. 153

<sup>99</sup> Exhibit SCE-9, Volume 2, p. 155

<sup>100</sup> Exhibit SCE-9, Volume 2, p. 158

<sup>101</sup> The TSD adjustment of \$10.7 million is allocated 40% to O&M and 60% to Capital.

<sup>102</sup> SCE's response to DRA-SCE-110-SWC, question 6

1 below in connection with the capital expenditures section. Since DRA rejects  
2 funding for SCE's proposed vehicle onboard technology capital project, there is no  
3 need for O&M expense for maintenance and reporting fees in 2012.

4 **IV. DISCUSSION / ANALYSIS OF CAPITAL EXPENDITURES**

5 SCE forecasts a total of \$903.693 million in capital expenditures over the  
6 years 2010 through 2014. SCE is forecasting \$224.961 million in 2010, \$204.748  
7 million in 2011, and \$202.496 million in 2012.<sup>103</sup> SCE states that its forecasted  
8 increases are in line with headcount and seat increases across SCE's showing, and  
9 increased Company spending to address aging infrastructure and equipment.<sup>104</sup>

10 DRA is recommending a forecast of \$162.429 million in 2010, \$89 million in  
11 2011, and \$89 million in 2012 for OSBU's capital expenditures. SCE's Operations  
12 Support is requesting a cumulative total of \$903.693 million in capital expenditures  
13 over the years 2010 to 2014.

14 The following table provides the recorded capital expenditures of OSBU for  
15 2005 to 2010.

16 **Table 11-21**  
17 **OSBU Capital Expenditures**  
18 **Recorded 2005 to 2010<sup>105</sup>**  
19 **(Nominal \$000)**

| 2005   | 2006   | 2007   | 2008   | 2009    | 2010    |
|--------|--------|--------|--------|---------|---------|
| 23,700 | 67,595 | 51,570 | 84,058 | 143,091 | 162,429 |

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<sup>103</sup> Exhibit SCE-9, Volume 3, p. 1

<sup>104</sup> Exhibit SCE-9, Volume 3, p. 1

<sup>105</sup> Exhibit SCE-9, Volume 3, p. 1 and SCE's response to DRA-SCE-148-SWC, question 1.a.

1 Table 11-22 provides a list of OSBU's forecast of capital expenditures for the  
 2 years 2010 to 2014, and recorded 2010 capital expenditures.

3 **Table 11-22**  
 4 **OSBU's Forecasts for Capital Projects**  
 5 **Forecast 2010 to 2014<sup>106</sup>**  
 6 **(Nominal \$000)**

| Description                                    | Forecast 2010 | Recorded 2010 | Forecast 2011 | Forecast 2012 | Forecast 2013 | Forecast 2014 | Forecast Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>CORPORATE RESOURCES</b>                     |               |               |               |               |               |               |                |
| Corporate Resources-Additional Facilities      |               |               |               | 37,000        | 66,125        | 23,625        | 126,750        |
| GO5 Tenant Improvements                        | 15,000        | 29,771        | 25,000        |               |               |               | 40,000         |
| Pomona Innovation 3                            | 25,598        | 20,872        | 12,700        |               |               |               | 38,298         |
| GO4 Infrastructure/Restack                     |               |               | 7,000         | 7,000         |               |               | 14,000         |
| Rivergrade 3 <sup>rd</sup> Floor Remodel       | 11,500        | 4,101         |               |               |               |               | 11,500         |
| GO1 3 <sup>rd</sup> Floor Upgrade & Renovation | 10,100        | 483           |               |               |               |               | 10,100         |
| GO3 Infrastructure/Restack                     | 8,000         | 7,572         |               |               |               |               | 8,000          |
| GO3 1 <sup>st</sup> Floor Remodel              |               |               | 400           | 3,300         |               |               | 3,700          |
| Pomona Innovation 1                            | 1,560         | (1,115)       |               |               |               |               | 1,560          |
| Alhambra Data Center                           | 28,200        | 6,650         | 66,100        | 8,700         |               |               | 103,000        |
| Irwindale Bus. Center Purchase/Remodel         |               |               |               |               | 1,900         | 17,900        | 19,800         |
| Rosemead Data Center Useful Life Extension     | 5,500         | 6,404         | 4,500         |               |               |               | 10,000         |
| DPC Phase 4 AGOC Upgrades                      | 9,300         | 6,949         | 1,000         |               |               |               | 10,300         |
| Long Beach Regional Office Remodel             |               |               | 1,000         | 10,700        |               |               | 11,700         |
| TDBU Training Facility Improvements            |               |               |               | 10,000        |               |               | 10,000         |
| SmartConnect-Meter Reader Space Reclamation    |               |               | 6,300         | 2,600         |               |               | 8,900          |
| Tehachapi Service Center Renovation            | 7,000         | 1,645         | 800           |               |               |               | 7,800          |
| Pomona TSD Remodel                             | 4,850         | 341           |               |               |               |               | 4,850          |
| Menifee Service Center Office                  | 4,670         | 3,594         |               |               |               |               | 4,670          |
| Santa Clara Sub Maintenance Building           | 450           | 32            | 3,400         |               |               |               | 3,850          |
| Klingerman Garage Remodel                      |               |               |               |               | 2,600         |               | 2,600          |
| Ontario Annex Improvements                     | 2,600         | 1,077         |               |               |               |               | 2,600          |
| Lugo Substation Trailer Complex                | 2,000         | 470           | 265           |               |               |               | 2,265          |
| El Dorado Sub Permanent Water Line             | 1,920         | 1,487         |               |               |               |               | 1,920          |
| Vincent Sub Drainage Line                      | 1,200         | 76            |               |               |               |               | 1,200          |
| Rector Sub Water Line                          | 1,118         | 878           |               |               |               |               | 1,118          |
| Covina Service Center Truck Bay/Hoist          | 1,020         | 1,103         |               |               |               |               | 1,020          |
| North Coast Office Bldg Purchase/Remodel       | 12,120        | 5,780         | 9,580         |               |               |               | 21,700         |
| Gateway Parking Structure                      | 570           | 1,125         | 6,200         | 5,200         |               |               | 11,970         |
| Supply Mgmt Material Transport, Land, Bldg     |               |               | 5,227         | 5,200         |               |               | 10,427         |

**106** Exhibit SCE-9, Volume 3, pp. 13, 18, 21, 22, 25, 27, 30, 32, 34, 36, 49, 51, 57, 63, 64, 67, 69, 70, 72- 80, 82, 84-85, 87, 89, 91, 98, 101-102, 110, 114-115, 120, 122-124, 127, 134, 141, 145, 148, 155, 157-160, 174-175, and 178 and SCE's response to DRA-SCE-148-SWC, question 1.a.

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**Table 11-22 (cont.)  
OSBU's Forecasts for Capital Projects  
Forecast 2010 to 2014  
(Nominal \$000)**

| Description   | Forecast 2010  | Recorded 2010  | Forecast 2011  | Forecast 2012  | Forecast 2013  | Forecast 2014  | Forecast Total |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Chino Air Operations  | 8,465          | 8,928          |                |                |                |                | 8,465          |
| Metro East Land Purchase  | 6,800          | 69             |                |                |                |                | 6,800          |
| Customer Energy Center  |                |                |                | 3,250          |                |                | 3,250          |
| Capital Maintenance Projects                                    | 15,750         | 30,606         | 15,750         | 21,250         | 21,750         | 21,750         | 96,250         |
| Various Major Structures Projects                               | 5,052          | (2)            | 5,000          | 7,500          | 7,500          | 7,500          | 32,552         |
| Service Center Modernization                                    |                |                |                | 10,000         | 10,000         | 10,000         | 30,000         |
| Energy Efficiency   | 5,000          | 2,342          | 5,000          | 5,000          | 5,000          | 5,000          | 25,000         |
| Small Projects Blanket  |                |                | 4,400          | 5,000          | 5,000          | 5,000          | 19,400         |
| Garage Modernization Program                                    |                |                |                | 5,000          | 5,000          | 5,000          | 15,000         |
| Green Conference Facilities                                     |                |                |                | 1,750          | 1,750          | 1,750          | 5,250          |
| Ongoing Furniture Modifications                                 | 690            | 1,628          | 794            | 910            | 930            | 950            | 4,274          |
| Department Furniture & Equipment                                | 270            | 218            | 270            | 300            | 300            | 300            | 1,440          |
| Underground Tank Upgrades                                       | 1,200          | 1,214          | 0              | 0              | 0              | 0              | 1,200          |
| <b>SUB-TOTAL</b>  | <b>197,503</b> | <b>144,298</b> | <b>180,686</b> | <b>149,660</b> | <b>127,855</b> | <b>98,775</b>  | <b>754,478</b> |
| <b>CEH&amp;S</b>  |                |                |                |                |                |                |                |
| CEH&S Compliance Mgmt System                                    | 11,000         | 8,722          | 11,000         |                |                |                | 22,000         |
| Wetlands Restoration  | 3,133          | 3,938          | 2,011          | 2,026          | 2,811          | 1,876          | 11,857         |
| SONGS Reef Construction   | 1,126          | 1,069          | 751            | 826            | 1,884          | 901            | 5,488          |
| <b>SUB-TOTAL</b>  | <b>15,259</b>  | <b>13,729</b>  | <b>13,762</b>  | <b>2,852</b>   | <b>4,695</b>   | <b>2,777</b>   | <b>39,345</b>  |
| <b>CORPORATE SECURITY</b>                                       |                |                |                |                |                |                |                |
| Critical Infrastructure Protection<br>Physical Security Project |                |                |                | 24,200         | 10,420         |                | 34,620         |
| Security Systems Blanket  | 2,000          | 981            | 1,000          | 2,000          | 4,000          | 4,500          | 13,500         |
| <b>SUB-TOTAL</b>  | <b>2,000</b>   | <b>981</b>     | <b>1,000</b>   | <b>26,200</b>  | <b>14,420</b>  | <b>4,500</b>   | <b>48,120</b>  |
| <b>TRANSPORTATION SERVICES DEPT</b>                             |                |                |                |                |                |                |                |
| Vehicle Purchase  | 1,500          | 445            | 1,350          | 2,400          | 850            | 3,550          | 9,650          |
| TSD Tools   | 412            | 579            | 410            | 920            | 431            | 442            | 2,615          |
| Helicopter Parts & Equipment                                    | 200            | (30)           | 205            | 810            | 316            | 321            | 1,852          |
| Helicopter Lease Buyout   |                |                | 1,112          |                |                |                | 1,112          |
| <b>SUB-TOTAL</b>  | <b>2,112</b>   | <b>994</b>     | <b>3,077</b>   | <b>4,130</b>   | <b>1,597</b>   | <b>4,313</b>   | <b>15,228</b>  |
| <b>OSBU IT PROJECTS</b>   |                |                |                |                |                |                |                |
| Onboard Technology  |                |                |                | 10,600         | 5,000          |                | 15,600         |
| SM-Diverse Business Enterprises                                 | 500            | 0              |                | 1,500          | 1,000          | 500            | 3,500          |
| SM-Contract Authoring Replacement                               | 1,920          | 0              | 1,680          |                |                |                | 3,600          |
| Technology Capability Initiative                                |                |                |                | 3,550          | 1,749          |                | 5,299          |
| High Definition/Infrared/Still Camera                           |                |                | 1,000          |                |                |                | 1,000          |
| <b>SUB-TOTAL</b>  | <b>2,420</b>   | <b>0</b>       | <b>2,680</b>   | <b>15,650</b>  | <b>7,749</b>   | <b>500</b>     | <b>28,999</b>  |
| Supply Mgmt-Dept Furniture & Equipment                          | 1,120          | 392            | 1,965          | 365            | 365            | 365            | 4,180          |
| Various Rights-Of-Way Acquisitions                              | 850            | (1,311)        | 850            | 850            | 850            | 850            | 4,250          |
| OSBU Capital Projects-Blanket Work Orders Under \$1 million     | 3,697          | 3,346          | 728            | 2,789          | 656            | 1,222          | 9,092          |
| <b>TOTAL</b>  | <b>224,961</b> | <b>162,429</b> | <b>204,748</b> | <b>202,496</b> | <b>158,187</b> | <b>113,302</b> | <b>903,693</b> |

1 DRA is recommending \$162.429 million in 2010, \$89 million in 2011, and \$89  
2 million in 2012 for OSBU capital expenditures. DRA recommends using the  
3 recorded 2010 capital expenditures which is \$65.532 million or 29 percent less than  
4 SCE's forecast for 2010 OSBU's capital expenditures. DRA recommends using the  
5 six-year average of 2005 to 2010 recorded capital expenditures of \$89 million to  
6 forecast 2011 and 2012 capital expenditures for OSBU. The six-year average of  
7 recorded capital expenditures provides a reasonable method to forecast 2011 and  
8 2012 capital expenditures.

9 DRA's review of SCE's historical capital expenditures shows that capital  
10 expenditures have increased from a low of \$23.70 million 2005 to a high of \$164.429  
11 million in 2010. Eighty nine percent or \$144.298 million of the total 2010 recorded  
12 capital expenditures were for Corporate Resources for construction, renovation, and  
13 maintenance of non-electric facilities.

14 DRA takes issue with specific capital projects in OSBU and discusses them  
15 below. Although DRA does not specifically discuss some of OSBU's capital projects  
16 requested in 2011 and 2012, this does not necessarily mean that DRA approves of  
17 those capital projects. DRA is recommending the use of the six-year average of  
18 capital expenditures to forecast 2011 and 2012 capital expenditures for OSBU. The  
19 following discussion focuses on specific capital projects to which DRA takes issue  
20 and supports the use of the six-year average of capital expenditures.

### 21 **A. Corporate Resources Additional Facilities**

22 SCE is requesting \$37 million in 2012 for Corporate Resources Additional  
23 Facilities.<sup>107</sup> SCE states that demand for space currently exceeds its existing  
24 facilities. Some of the factors SCE claims that affects SCE's demand for space are:  
25 

- Changing regulatory requirements;
- 26 • Infrastructure growth and replacement programs; and
- 27 • Emerging corporate initiatives such as SmartConnect and its TDBU's
- 28 advanced Technology efforts to advance the smart grid and PEVs.

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<sup>107</sup> Exhibit SCE-9, Volume 3, p. 13

1           Based on the projected growth of employees and contingent workers, SCE  
2 projects the amount of non-electric facility space needed. SCE is projecting an  
3 increase of 1,677 SCE employees, contingent workers and other supporting  
4 personnel between 2009 and 2012. SCE states that one factor is SCE's headcount  
5 forecast; however, the other factor that needs to be considered is the number of  
6 "seated" and "non-seated" jobs.<sup>108</sup> SCE analyzed the "seated" and "non-seated"  
7 categories based on job titles and forecasted an increase of 3,000 seated  
8 employees between 2009 and 2012.<sup>109</sup> For instance, SCE claims that the  
9 reduction of approximately 600 "non-seated" meter readers and the increase of 200  
10 Rubber Glove-Tested Linemen in TDBU would distort the amount of office space  
11 needed.<sup>110</sup> This would result in an additional 400 "seated" employees not directly  
12 associated with headcount growth.<sup>111</sup> SCE is requesting \$37 million in 2012 for  
13 Corporate Resources Additional Facilities to house SCE's forecast of growth of  
14 2,147 employees during the 2010 to 2014 timeframe.<sup>112</sup> The New Building Projects  
15 are:

- 16           • New Office Buildings-Metro is expected to support the projected  
17           growth of 1,070 seated employees in TDBU. SCE forecasts \$12  
18           million in 2012.<sup>113</sup> Corporate Resources plans to construct 250,000  
19           square feet of new office space to accommodate 900 employees  
20           during the 2010 to 2014 timeframe. Corporate Resources expects to  
21           construct two new building to begin in 2012.

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<sup>108</sup> Exhibit SCE-9, Volume 3, p. 3

<sup>109</sup> Exhibit SCE-9, Volume 3, pp. 2 and 3

<sup>110</sup> Exhibit SCE-9, Volume 3, p. 3

<sup>111</sup> Exhibit SCE-9, Volume 3, p. 14

<sup>112</sup> Exhibit SCE-9, Volume 3, pp. 13 to 14

<sup>113</sup> Exhibit SCE-9, Volume 3, pp. 14 and 15

- 1                   • New Office Buildings-Orange County is expected to house  
2                   approximately 400 employees that will be relocated from other SCE  
3                   buildings. SCE is requesting funding to acquire an office building in  
4                   Orange County of approximately 100,000 square feet. SCE forecasts  
5                   capital expenditures of \$25 million in 2012.<sup>114</sup>

6                   DRA takes issue with the \$37 million of capital expenditures in 2012 for the  
7                   Corporate Resources Additional Facilities project. DRA reviewed SCE's recorded  
8                   year-end 2010 number of SCE employees, contingent workers, and other supporting  
9                   personnel. At the end of 2010, SCE had a total of 26,256 SCE employees,  
10                  contingent workers, and other supporting personnel. SCE forecasted a total of  
11                  26,362 SCE employees, contingent workers, and other supporting personnel at the  
12                  year-end 2012 which is only 106 workers above the recorded 2010 headcount  
13                  number.<sup>115</sup> At the end of 2010, SCE has been able to provide office space for the  
14                  26,256 SCE employees, contingent workers, and other support personnel.

15                  If the number of "seated" and "non-seated" employees does distort the  
16                  amount of office space needed, two of SCE's capital projects should provide  
17                  additional office space for 1,150 employees in 2011. First, SCE closed escrow on  
18                  the General Office 5 (GO5) building in February 2010. The GO5 building can  
19                  accommodate 700 employees when completed in 2011.<sup>116</sup> Second, SCE  
20                  purchased the approved plans, permits and ground lease in 2010 from a developer  
21                  for the Pomona Innovation 3 building. The Pomona Innovation 3 building can  
22                  accommodate 450 employees when completed in 2011.<sup>117</sup> As discussed earlier,  
23                  the 2010 recorded headcount number is only 106 employees less than the

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<sup>114</sup> Exhibit SCE-9, Volume 3, pp. 15 and 16

<sup>115</sup> SCE's response to DRA-SCE-124-SWC, questions 1.a. and 1.b.

<sup>116</sup> Exhibit SCE-9, Volume 3, p.18 to 20 and DRA-SCE-148-SWC, question 1.a.

<sup>117</sup> Exhibit SCE-9, Volume 3, p.18 to 20 and DRA-SCE-148-SWC, question 1.a.

1 forecasted 2012 headcount number. These two buildings to be completed in 2011  
2 should more than accommodate additional demand for office space by “seated”  
3 employees.

4 Therefore, DRA is recommending the rejection of \$37 million of capital  
5 expenditures for 2012.

## 6 **B. Alhambra Data Center**

7 SCE’s two data centers are part of its non-electric critical facilities.<sup>118</sup> The  
8 Rosemead Data Center (RDC) is located in the GO2 building at SCE’s headquarters  
9 campus in Rosemead. SCE is planning a new data center facility on land currently  
10 owned by SCE in Alhambra, California. SCE forecasts \$28.200 million in 2010,  
11 \$66.100 million in 2011, and \$8.700 million in 2012 of capital expenditures for the  
12 Alhambra Data Center.<sup>119</sup> SCE has recorded \$6.830 million of capital expenditures  
13 in 2010 for the Alhambra Data Center.<sup>120</sup>

14 SCE states that the data center replacement project was originally presented  
15 in SCE’s 2006 GRC at a total forecast of \$31.5 million in capital expenditures for the  
16 replacement of the physical building. Some improvements were made to the  
17 building but the project was deferred by SCE’s senior management to reallocate  
18 funding to other capital investments. The data center replacement project was again  
19 presented in SCE’s 2009 GRC at a total forecast of \$39.974 million to construct an  
20 Annex adjacent to the RDC to take critical load off the existing building. In the 2009  
21 GRC, SCE also requested \$22.8 million in Information Technology (IT) capital  
22 expenditures for refresh of the RDC computing equipment. Both the 2006 and 2009  
23 GRCs adopted funding for the data center replacement project. Again, the data  
24 center replacement was delayed by SCE’s senior management.<sup>121</sup>

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<sup>118</sup> Exhibit SCE-9, Volume 3, p. 35

<sup>119</sup> Exhibit SCE-9, Volume 3, p. 36

<sup>120</sup> Exhibit SCE-9, Volume 3, p.18 to 20 and DRA-SCE-148-SWC, question 1.a.

<sup>121</sup> Exhibit SCE-9, Volume 3, p. 40

1 DRA takes issue with the \$66.100 million in 2011 and \$8.700 million in 2012  
2 in capital expenditures for the Alhambra Data Center project. DRA concludes it is  
3 unreasonable for SCE to again receive ratepayer funding for the data center  
4 replacement project for which SCE also received funding for in the 2006 and 2009  
5 GRCs. SCE states that this 2012 GRC request of \$66 million of capital expenditures  
6 in 2012 for construction of a new building is a “different solution” than the \$39.974  
7 solution presented in the 2009 GRC.<sup>122</sup> Whether this is a “different solution” or not,  
8 SCE has already twice received ratepayer funding to replace the same data center.  
9 The Commission should reject this latest repetitive demand.

### 10 **C. Customer Energy Center**

11 SCE is requesting \$3.250 million of capital expenditures in 2012 to add a third  
12 Customer Energy Center. SCE has two Energy Centers called the Customer  
13 Technology Application Center (CTAC) and the Agricultural Technology Application  
14 Center (AGTAC). SCE states that the seminar offerings at CTAC are in such high  
15 demand that frequently more than 50 percent of seminars have a waitlist.<sup>123</sup>

16 DRA takes issue with SCE’s proposed capital expenditures of \$3.250 million  
17 in 2012 for a third Customer Energy Center. DRA concludes that the existing two  
18 Energy Centers have made seminars and workshops available for SCE’s customers  
19 through on-site and off-site locations. DRA recommends that ratepayer funding for a  
20 third Energy Center be rejected.<sup>124</sup>

### 21 **D. Service Center Modernization**

22 SCE is requesting \$10.0 million of capital expenditures in 2012 to fund SCE’s  
23 Service Center Modernization program which is designed to address operational and

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<sup>122</sup> Exhibit SCE-9, Volume 3, p. 40

<sup>123</sup> Exhibit SCE-4, Volume 3, p. 49.

<sup>124</sup> See Exhibit DRA-10 for a discussion on a third Energy Center

1 asset preservation needs at its 36 SCE Service Centers. SCE lists the following five  
2 service centers that need modernization during 2012 to 2014:

- 3 • San Joaquin
- 4 • Santa Ana
- 5 • Fullerton
- 6 • Redlands
- 7 • Ontario

8 DRA recommends no ratepayer funding for SCE's proposed \$10.0 million of  
9 capital expenditures in 2012 for the Service Center Modernization program. Two of  
10 these service centers, Santa Ana and Ontario, for which SCE is requesting capital  
11 funding in this 2012 GRC were also capital projects for which SCE requested  
12 funding for in a Field Facility Modernization Program in the 2009 GRC. In the 2009  
13 GRC, SCE requested capital funding of \$48.700 million to replace or renovate ten  
14 service centers in 2009 on a project called Field Facility Modernization Program.<sup>125</sup>  
15 SCE recorded capital spending of \$1.7 million for one of the 2009 GRC service  
16 center projects.<sup>126</sup>

17 SCE cancelled seven of the 2009 GRC service center projects and deferred  
18 two of the 2009 GRC service center projects to 2012. The deferred 2009 GRC  
19 service center modernization projects were the Santa Ana service center and the  
20 Ontario service center. Based on the deferrals and cancellations of nine out of ten  
21 service center projects that SCE requested funding in the 2009 GRC, DRA  
22 questions the need for these service center modernization projects.

### 23 **E. Energy Efficiency**

24 SCE is requesting \$5.0 million of capital expenditures for each year from  
25 2010 to 2012 for programs to implement energy efficiency, sustainability, and

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<sup>125</sup> SCE 2009 GRC, Exhibit SCE-10, Chapter X, pp. 2 and 3

<sup>126</sup> SCE's response to DRA-SCE-156-SWC, question 3

1 conservation projects for SCE’s non-electric building portfolio.<sup>127</sup> SCE’s OSBU  
2 recorded \$1.447 million in 2009 and \$2.342 million in 2010 of capital expenditures  
3 for Energy Efficiency projects.<sup>128</sup> The 2009 GRC decision authorized \$5.0 million  
4 annually for SCE’s Energy Efficiency projects.<sup>129</sup>

5 DRA takes issue with SCE’s request for \$5.0 million of capital expenditures  
6 for each year from 2010 to 2012 for SCE’s Energy Efficiency projects. Based on  
7 SCE’s recorded capital expenditures for SCE’s Energy Efficiency projects in 2009  
8 and 2010, DRA’s recommends \$2.5 million which is \$2.50 million or 50 percent less  
9 than SCE’s request. DRA’s recommendation is consistent with SCE’s spending for  
10 Energy Efficiency projects in 2010 of \$2.342 million.

11 **F. Critical Infrastructure Protection Physical Security Project**

12 SCE is requesting \$24.200 million of capital expenditures in 2012 for the  
13 Critical Infrastructure Protection Physical Security Project. SCE states that the need  
14 for physical security to control system and automation devices is an essential  
15 component of a comprehensive control system security strategy to comply with the  
16 North American Electric Reliability Corporation (NERC) Critical Infrastructure  
17 Protection (CIP) standards.<sup>130</sup>

18 DRA is recommending \$1.5 million of capital expenditures which is \$23  
19 million less than SCE’s request for the Critical Infrastructure Protection Physical  
20 Security Project in 2012. DRA used the average of 2007 to 2010 recorded NERC  
21 CIP-driven capital expenditures of \$1.5 million to forecast 2012 capital expenditures  
22 for the Critical Infrastructure Protection Physical Security Project. The following  
23 table provides the 2007 to 2010 recorded expenditures for compliance with NERC  
24 CIP.

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<sup>127</sup> Exhibit SCE-9, Volume 3, p. 110

<sup>128</sup> SCE’s response to DRA-SCE-156-SWC, question 4

<sup>129</sup> Exhibit SCE-9, Volume 3, p. 110

<sup>130</sup> Exhibit SCE-9, Volume 3, p. 145

1  
2  
3  
4

**Table 11-23**  
**NERC Capital Expenditures**  
**Recorded 2007 to 2010<sup>131</sup>**  
**(Nominal \$000)**

|                           | 2007  | 2008  | 2009  | 2010 |
|---------------------------|-------|-------|-------|------|
| NERC Capital Expenditures | 1,180 | 2,467 | 2,331 | 92   |

5 As discussed above in the section on Corporate Security, FERC adopted a  
6 set of cyber security standards for Critical Infrastructure Protection (CIP) in 2007.<sup>132</sup>  
7 FERC has adopted Versions 1 to 3 of NERC CIP standards. Version 3 of the CIP  
8 Standards was approved by FERC in an order dated March 31, 2010 and became  
9 effective October 1, 2010.<sup>133</sup>

10 Based on the fact that Version 4 of the CIP Standards have not been adopted  
11 and the reasons discussed above in Section D, Corporate Security, DRA is  
12 recommending using the average of 2007 to 2010 recorded capital expenditures of  
13 \$1.5 million to forecast 2012 capital expenditures for the Critical Infrastructure  
14 Protection Physical Security Project.

### 15 **G. Onboard Technology**

16 SCE is requesting \$10.600 million of capital expenditures in 2012 for the  
17 Onboard Technology project. SCE is requesting ratepayer funding to install onboard  
18 telemetry in all of SCE's on-road motorized vehicles. SCE states that the technology  
19 is used by companies to improve their vehicle fleet management operations and  
20 asset utilization with Global Positioning System, and to obtain key vehicle-specific

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<sup>131</sup> SCE's response to DRA-SCE-156-SWC, question 8

<sup>132</sup> Meeting between DRA and SCE on February 10, 2011 and presentation

<sup>133</sup> SCE's response to DRA-Verbal-052, question 1

1 performance monitoring capabilities such as fuel consumed, miles driven, engine  
2 idle hours, over-speeding, hard-braking, etc.<sup>134</sup>

3 DRA takes issue with the \$10.600 million of capital expenditures in 2012 for  
4 the Onboard Technology project. DRA's review of the Onboard Technology project  
5 and the Fuel Monitoring/Tracking System capital project that SCE requested in the  
6 2009 GRC at a total capital cost of \$3 million shows that the two projects appear  
7 similar. In the 2009 GRC, SCE stated,

8 "Current technology now provides a more cost-effective method of  
9 tracking fuel dispensed and other diagnostic information in individual  
10 vehicles. Vehicles can be equipped with electronic monitoring devices  
11 (Refer to Figure X-1, above, for a representative example), and  
12 wireless technology can send this data for compilation and use. In an  
13 effort to integrate technologies, a black box device (Refer to Figure X-  
14 2, below) will also be incorporated with the fuel tracking devices. On-  
15 Board Diagnostic (OBD) systems provide SCE garages access to the  
16 state of health information for various vehicle sub-systems.  
17 Standardized fast digital communications provide myriad realtime data  
18 in addition to a standardized series of diagnostic trouble codes which  
19 allow rapid identification and resolution to malfunctions within the  
20 vehicle. A single device can query the on-board computer(s) in any  
21 vehicle."<sup>135</sup>

22 DRA takes issue with SCE's need for the Onboard Technology project as it  
23 requested a similar capital project in the 2009 GRC. DRA recommends rejecting the  
24 \$10.600 million in 2012 for the Onboard Technology project.

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<sup>134</sup> Exhibit SCE-9, Volume 3, pp. 160 and 161

<sup>135</sup> SCE 2009 GRC, Exhibit SCE-10, Chapter X, pp. 35 to 36