

Docket : A.10-11-015  
Exhibit Number : DRA-1  
Commissioner : Simon  
ALJ : Darling  
Witness : Tang



**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**

Executive Summary

San Francisco, California  
May 11, 2011

## TABLE OF CONTENTS

I.	INTRODUCTION – THE DIVISION OF RATEPAYER ADVOCATES RECOMMENDS A REDUCTION IN SOUTHERN CALIFORNIA EDISON COMPANY’S PROPOSED REVENUE INCREASES FOR 2012 THRU 2014 .....	1
II.	OVERVIEW / SUMMARY – THE COMMISSION SHOULD ADOPT DRA’S TEST YEAR 2012 AND POST TEST YEARS 2013 - 2014 RECOMMENDATIONS IN THEIR ENTIRETY.....	3
	A. SCE Requests \$6.285 Billion in GRC Revenues for Test Year 2012 – an Increase of \$938 Million (or 17.5%) over 2012 Authorized Revenues .....	3
	B. SCE Requests Post Test Year Revenue Increases of \$598 Million for 2013 and \$612 Million for 2014.....	6
	C. DRA Recommends \$5.439 Billion in GRC Revenues for Test Year 2012 – an Increase of \$92 Million (or 1.7%) over 2012 Authorized Revenues .....	7
	D. DRA Recommends More Modest Post Test Year Revenue Increases for 2013 and 2014.....	7
	E. If the Commission Adopts SCE’s Proposals, Ratepayers Will Experience Much Larger Cumulative Revenue Increases Over the 3-Year Period from 2012 thru 2014 than if the Commission Adopts DRA’s Recommendations.....	9
	F. Comparison of SCE’s Revenue Requirement Requests to the Commission’s Authorized Amounts .....	10
III.	DRA RECOMMENDS SIGNIFICANT ADJUSTMENTS TO SCE’S REQUESTS.....	12
IV.	PROCEDURAL BACKGROUND AND SCHEDULE.....	13
V.	DRA’S ANALYSIS.....	15
VI.	ORGANIZATION OF DRA’S SHOWING / SUMMARY OF DIFFERENCES .....	15
	A. Organization of DRA’s Exhibits .....	15
	B. Summary of DRA’s Recommendations .....	17

1

## EXECUTIVE SUMMARY

2 **I. INTRODUCTION – THE DIVISION OF RATEPAYER ADVOCATES**  
3 **RECOMMENDS A REDUCTION IN SOUTHERN CALIFORNIA**  
4 **EDISON COMPANY’S PROPOSED REVENUE INCREASES FOR**  
5 **2012 thru 2014**

6 The Division of Ratepayer Advocates (DRA)  
7 submits its reports and exhibits in response to Southern  
8 California Edison Company’s (SCE or Edison)  
9 Application (A.) 10-11-015 for a Test Year (TY) 2012  
10 General Rate Case (GRC), which also includes  
11 proposed revenue increases for the 2013 and 2014  
12 Post Test Years.

*DRA recommends a \$92 million (or 1.7%) GRC revenue increase in 2012, from \$5.348 billion to \$5.439 billion. DRA’s forecast is \$846 million lower than SCE’s request for a \$938 million (or 17.5%) increase to \$6.285 billion.*

13 This exhibit presents DRA’s executive summary regarding SCE’s GRC  
14 revenue requirement requests for 2012 through 2014.

15 SCE requests that the California Public Utilities Commission (Commission or  
16 CPUC) authorize a base revenue requirement (ABRR) increase effective January 1,  
17 2012, for the utility’s Electric Operations (Generation, Transmission, and  
18 Distribution) which fall within the CPUC’s ratemaking jurisdiction. SCE requests that  
19 its ABRR be increased from a currently authorized level of \$5.348 billion to \$6.285  
20 billion in 2012.<sup>1</sup>

21 Table 1-1 compares DRA’s and SCE’s estimates of Test Year 2012 GRC  
22 revenues relative to the utility’s authorized level of 2012 revenues. DRA’s forecast  
23 reflects: (1) the sale of the Four Corners Generating Station on October 1, 2012;  
24 and (2) the amortization of SCE’s undepreciated legacy meters over a six-year  
25 period, starting in 2012.

---

<sup>1</sup> SCE Application, p. 3, Table 1.

1  
2  
3  
4

**Table 1-1**  
**SCE Requests a \$938 Million Base Revenue Requirement Increase in 2012,**  
**While DRA Recommends a \$92 Million Increase**  
**(in Millions of Dollars)**

<b>Description (a)</b>	<b>SCE 2012 Authorized Revenues (b)</b>	<b>SCE 2012 Proposed Revenues (c)</b>	<b>SCE Forecasted Increase over 2012 Authorized Revenues (d=c-b)</b>	<b>DRA 2012 Recommended Revenues (e)</b>	<b>DRA Recommended Increase over 2012 Authorized Revenues (f=e-b)</b>
Total Base Revenues	\$5,348	\$6,285	\$938	\$5,439	\$92

5 Table 1-2 compares DRA's and SCE's forecasts of Post Test Year (PTY)  
6 2013 and 2014 revenue increases.

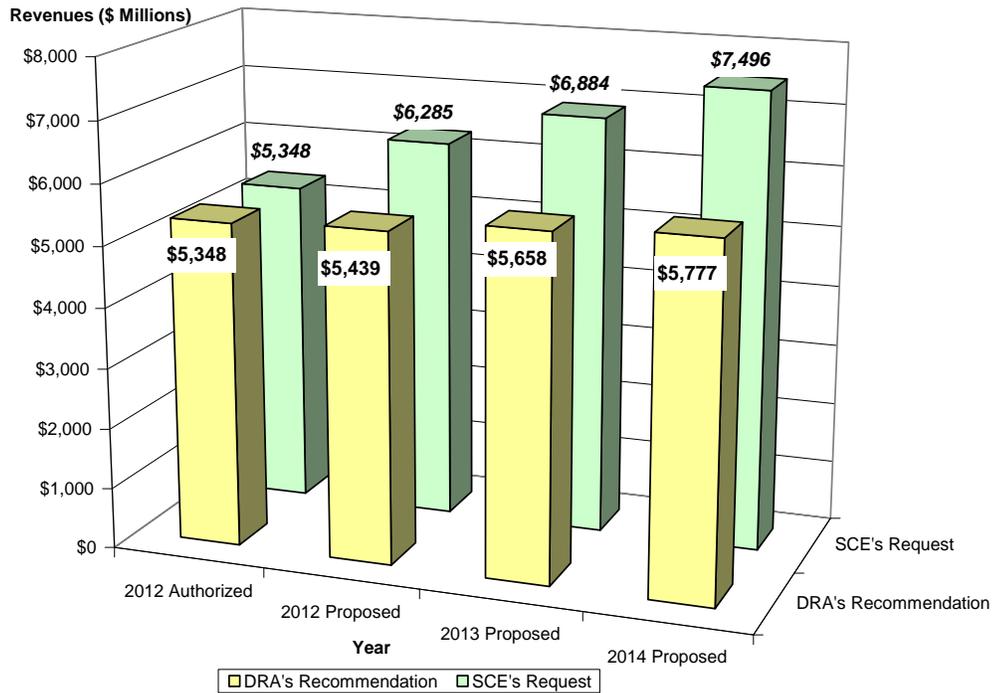
7  
8  
9  
10  
11

**Table 1-2**  
**SCE Requests Post Test Year Revenue Increases of \$598 Million in 2013**  
**and \$612 Million in 2014, While DRA Recommends More Modest Increases**  
**of \$219 Million and \$119 Million, Respectively**  
**(in Millions of Dollars)**

<b>Description (a)</b>	<b>SCE Requested 2013 Revenue Increase (b)</b>	<b>SCE Requested 2014 Revenue Increase (c)</b>	<b>DRA Recommended 2013 Revenue Increase (d)</b>	<b>DRA Recommended 2014 Revenue Increase (d)</b>
Attrition Revenue Increase	\$598	\$612	\$219	\$119

12 Figure 1-1, on the following page, presents a graphical depiction of DRA's  
13 recommended revenue requirement level for 2012 through 2014, compared to  
14 SCE's request.

**Figure 1-1  
SCE vs. DRA - 2012 thru 2014 GRC Revenues**



1

2 **II. OVERVIEW / SUMMARY – THE COMMISSION SHOULD ADOPT**  
 3 **DRA’s TEST YEAR 2012 and POST TEST YEARS 2013 - 2014**  
 4 **RECOMMENDATIONS IN THEIR ENTIRETY**

5 This section provides an overview and summary of SCE’s requests and  
 6 DRA’s recommendations regarding the Test Year 2012 revenue requirement and  
 7 Post Test Year 2013 and 2014 revenue increases.

8 **A. SCE Requests \$6.285 Billion in GRC Revenues for Test**  
 9 **Year 2012 – an Increase of \$938 Million (or 17.5%) over**  
 10 **2012 Authorized Revenues**

11 On November 23, 2010, SCE filed an application requesting that the  
 12 Commission authorize a CPUC-jurisdictional base revenue requirement of \$6.285  
 13 billion for the utility’s electric distribution, transmission, and generation operations, to  
 14 be effective January 1, 2012.

1 SCE requests additional revenues in 2012 to cover higher costs associated  
 2 with, among other things: operating and maintaining its electric system, customer-  
 3 related expenses (e.g., meter reading, customer records and collection, and  
 4 responding to customer inquiries), administrative and general expenses (e.g.,  
 5 employee salaries, insurance, and outside contractors), and rate base (e.g., net  
 6 infrastructure investment).

7 The following table replicates, in part, one which appears in SCE's testimony  
 8 showing SCE's proposed ABRR for 2012 through 2014 relative to its estimated  
 9 present revenue requirement for each of those years.<sup>2</sup>

10  
 11  
 12

**Table 1-3**  
**SCE's 2012 thru 2014 Revenue Requirement Request**  
**(in Thousands of Nominal Dollars)**

<b>Line (a)</b>	<b>Description (b)</b>	<b>2012 (c)</b>	<b>2013 (d)</b>	<b>2014 (e)</b>
1	Proposed GRC Base Revenue Requirement	\$6,285,299	\$6,883,781	<b>\$7,495,907</b>
2	Estimated Present Revenue Requirement	<b>\$5,347,537</b>	\$6,285,299	\$6,883,781
3	<i>Add:</i> Edison SmartConnect Deployment	\$0	<b>\$251,303</b>	\$0
4	Subtotal Estimated Present Revenue Requirement (line 2 + line 3)	\$5,347,537	\$6,536,602	\$6,883,781
5	GRC ABRR Change (line 1 - line 4)	<b>\$937,762</b>	<b>\$347,179</b>	<b>\$612,126</b>
6	<i>Less:</i> GRC Revenue Growth	\$71,873	\$100,960	\$85,270
7	GRC Revenue Increase (line 5 - line 6)	<b>\$865,890</b>	<b>\$246,220</b>	<b>\$526,856</b>
8	Percent Revenue Increase (line 7 / line 4)	16.19%	3.77%	7.65%

13 SCE portrays its requested revenue increases as equal to **\$866 million** (or  
 14 16.19%) in 2012, **\$246 million** (or 3.77%) in 2013, and **\$527 million** (or 7.65%) in  
 15 2014.<sup>3</sup> In reality, SCE is asking for much more. To get a true indication of SCE's  
 16 ABRR request, one must consider the revenue increases: (1) without the estimated  
 17 sales growth; and (2) with the cost associated with SmartConnect deployment.

<sup>2</sup> Ex. SCE-10, Vol. 1, p. 11, Table III-5.

<sup>3</sup> Ibid.

- 1           • Without the estimated sales growth, SCE’s request amounts to a  
2           base revenue requirement increase of **\$938 million** (or 17.54%) in  
3           2012, **\$347 million** (or 5.31%) in 2013, and **\$612 million** (or  
4           8.89%) in 2014.
- 5           • After adding the **\$251 million** in revenue requirement (for expenses  
6           and capital expenditures) associated with SmartConnect  
7           deployment, SCE’s requested increase in 2013 is actually **\$598**  
8           **million**<sup>4</sup> (or 9.52%).

9           SCE’s proposed change in GRC base revenues from the present level of  
10          \$5.348 billion in 2012 to the proposed level of \$7.496 billion in 2014 represents a  
11          40.17% increase over currently authorized levels.<sup>5</sup> This equates to a 3-year  
12          cumulative increase of \$4.62 billion.<sup>6</sup>

13          Figure 1-2, on the following page, presents a graphical depiction of SCE’s  
14          requested revenue requirement level, and its components, for 2012 thru 2014.

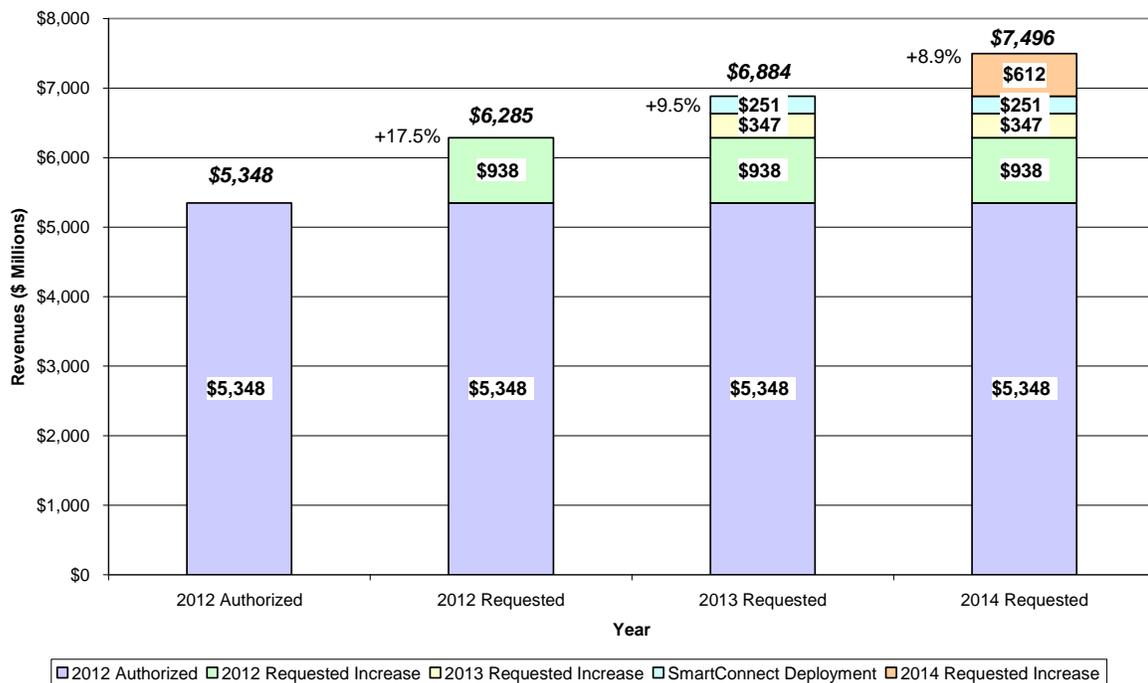
---

<sup>4</sup> \$347 million + \$251 million = \$598 million.

<sup>5</sup> \$7,496 million / \$5,348 million = 40.17%.

<sup>6</sup> (\$938 million x 3) + ((\$347 million + \$251 million) x 2) + (\$612 million x 1) = \$4,622 million. For this 3-year rate case cycle: (a) the \$938 million increase in 2012 would be in effect for three years—2012, 2013, and 2014; (b) the \$347 million and \$251 million increases in 2013 would be in effect for two years—2013 and 2014; and (c) the \$612 million increase in 2014 would be in effect for one year. (See SCE Application, p. 3, Table 1.)

**Figure 1-2  
SCE's Requested Revenue Requirement for 2012 thru 2014**



1

2

**B. SCE Requests Post Test Year Revenue Increases of \$598 Million for 2013 and \$612 Million for 2014**

3

4

5

6

7

8

9

SCE proposes to extend its current Post-Test Year Ratemaking (PTYR) mechanism to account for: (1) escalation of operating expenses; (2) capital-related cost increases; (3) inclusion of SmartConnect costs beginning in 2013, after SmartConnect is fully deployed; and (4) nuclear refueling outages. SCE also requests that its existing Z-Factor mechanism, which allows revenue adjustments for exogenous events, be continued.<sup>7</sup>

<sup>7</sup> Ex. SCE-10, Vol. 1, pp. 94-103.

1 Referring back to Table 1-3, one can determine that SCE is seeking revenue  
 2 requirement increases of \$598 million<sup>8</sup> in 2013 and \$612 million<sup>9</sup> in 2014.

3 **C. DRA Recommends \$5.439 Billion in GRC Revenues for**  
 4 **Test Year 2012 – an Increase of \$92 Million (or 1.7%)**  
 5 **over 2012 Authorized Revenues**

6 DRA recommends that the Commission authorize \$5.439 billion in 2012 GRC  
 7 base revenues for SCE, compared to the utility’s request for \$6.285 billion. Overall,  
 8 DRA recommends a 2012 GRC revenue requirement that is \$92 million higher than  
 9 currently authorized, as shown in Table 1-4:

10 **Table 1-4**  
 11 **DRA Recommends a \$92 Million (or 1.7%) Increase in GRC Revenues**  
 12 **Effective January 1, 2012 for CPUC-Jurisdictional Operations**  
 13 **(in Millions of Dollars)**

Description (a)	SCE 2012 Authorized Revenues (b)	DRA 2012 Recommended Revenues (c)	DRA Recommended \$ Increase over 2012 Authorized Revenues (d=c-b)	DRA Recommended % Increase over 2012 Authorized Revenues (e=d/b)
Total Base Revenues	\$5,348	\$5,439	\$92	1.7%

14 **D. DRA Recommends More Modest Post Test Year Revenue**  
 15 **Increases for 2013 and 2014**

16 DRA also recommends revenue increases of \$219 million (or 4.0%) in 2013  
 17 and \$119 million (or 2.1%) in 2014, as shown in Table 1-5 and Table 1-6:

<sup>8</sup> \$6,884 million - \$6,285 million = \$598 million. This \$598 million figure includes \$251 million for SmartConnect.

<sup>9</sup> \$7,496 million - \$6,884 million = \$612 million.

1  
2  
3  
4

**Table 1-5**  
**DRA Recommended vs. SCE Proposed**  
**Post Test Year Revenue Increases for 2013**  
**(in Thousands of Dollars)**

Description (a)	DRA Recommended (b)	SCE Proposed <sup>10</sup> (c)	\$ Amount SCE>DRA (d=c-b)	Percentage SCE>DRA (e=d/b)
2013 Base Rev. Req.	\$5,657,942	\$6,883,781	\$1,225,839	21.7%
2012 Base Rev. Req.	\$5,439,152	\$6,285,299	\$846,147	15.6%
Proposed Rev. Change (\$)	\$218,790	\$598,482	\$379,692	173.5%
Proposed Rev. Change (%)	4.02%	9.52%		

5

6  
7  
8  
9

**Table 1-6**  
**DRA Recommended vs. SCE Proposed**  
**Post Test Year Revenue Increases for 2014**  
**(in Thousands of Dollars)**

Description (a)	DRA Recommended (b)	SCE Proposed <sup>11</sup> (c)	\$ Amount SCE>DRA (d=c-b)	Percentage SCE>DRA (e=d/b)
2014 Base Rev. Req.	\$5,777,320	\$7,495,907	\$1,718,587	29.8%
2013 Base Rev. Req.	\$5,657,942	\$6,883,781	\$1,225,839	21.7%
Proposed Rev. Change (\$)	\$119,378	\$612,126	\$492,748	412.8%
Proposed Rev. Change (%)	2.09%	8.89%		

10           Revenues associated with the Four Corners Generating Station have been  
11 removed from DRA's revenue requirement figures. Revenues associated with  
12 SmartConnect and the amortization of SCE's undepreciated legacy meters are  
13 included in DRA's revenue requirement figures.

<sup>10</sup> Ex. SCE-10, Vol. 01, p. 11, Table III-5.

<sup>11</sup> Id.

**E. If the Commission Adopts SCE’s Proposals, Ratepayers Will Experience Much Larger Cumulative Revenue Increases Over the 3-Year Period from 2012 thru 2014 than if the Commission Adopts DRA’s Recommendations**

Table 1-7 shows the impact of SCE’s requested revenue increases during the 2012 test year and the 2013-2014 post test years. If the Commission adopts SCE’s proposals, customers would experience a \$2.148 billion increase in revenue requirement levels<sup>12</sup> by the end of the 3-year rate case cycle, over currently authorized 2012 levels. Viewed another way, however, SCE’s customers would experience a cumulative revenue increase of \$4.62 billion (or 40.2%) over three years.<sup>13</sup>

Adopting DRA’s recommendations would result in a lower, more reasonable, \$429 million increase in revenue requirement levels<sup>14</sup> during that same period, with a cumulative revenue increase of \$833 million (or 8.0%) over three years.<sup>15</sup>

**Table 1-7  
DRA Recommends Significantly Lower GRC Revenue Increases  
For 2012-2014 Compared to SCE’s Requests  
(in Millions of Dollars)**

Year	Present Revenues	SCE’s Proposals for 2012-2014 Revenue Requirement			DRA’s Recommendations for 2012-2014 Revenue Requirement		
		Current Year Change	Current Year Total	Percent Change	Current Year Change	Current Year Total	Percent Change
2012	\$5,348	\$938	\$6,285	17.5%	\$92	\$5,439	1.7%
2013		\$598	\$6,884	9.5%	\$219	\$5,658	4.0%
2014		\$612	\$7,496	8.9%	\$119	\$5,777	2.1%

<sup>12</sup> \$7,496 million - \$5,348 million = \$2,148 million.

<sup>13</sup> See footnotes 5 and 6.

<sup>14</sup> \$5,777 million - \$5,348 million = \$429 million.

<sup>15</sup> (\$92 million x 3) + (\$219 million x 2) + (\$119 million x 1) = \$833 million, and \$5,777 million / \$5,348 million = 8.0%.

1 **F. Comparison of SCE’s Revenue Requirement Requests to**  
 2 **the Commission’s Authorized Amounts**

3 Table 1-8 shows SCE’s recent revenue requirement requests and the  
 4 amounts authorized by the Commission.<sup>16</sup>

5 **Table 1-8**  
 6 **SCE Requested vs. CPUC Authorized, 2006 thru 2011 Revenue Requirement**  
 7 **(in Millions of Dollars)**

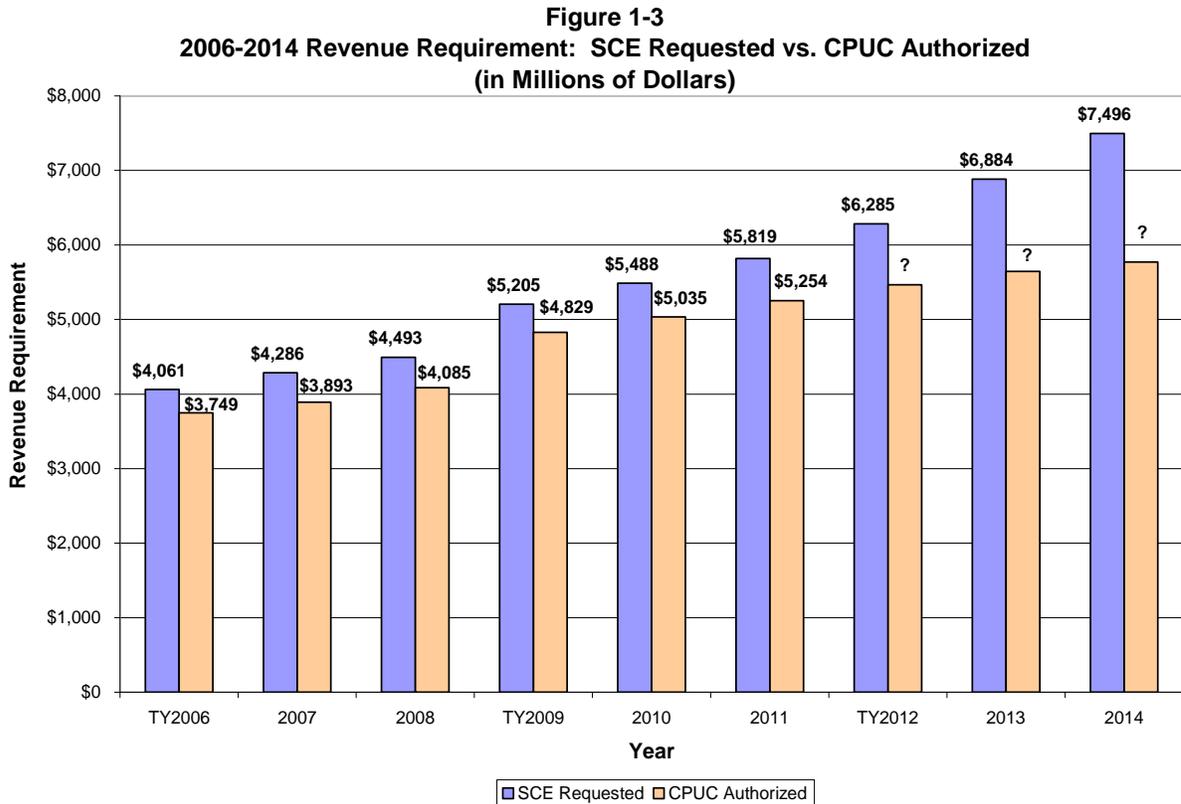
Year (a)	SCE Request (b)	CPUC Authorized (c)	\$ Amount CPUC<SCE (d=c-b)	Percent CPUC<SCE (e=d/b)	Authorized Increase over Prior Year (f)
2011	\$5,819	\$5,254	(\$565)	(9.71%)	\$219
2010	\$5,488	\$5,035	(\$453)	(8.25%)	\$206
TY2009	\$5,205	\$4,829	(\$376)	(7.22%)	\$744
2008	\$4,493	\$4,085	(\$408)	(9.08%)	\$192
2007	\$4,286	\$3,893	(\$393)	(9.17%)	\$144
TY2006	\$4,061	\$3,749	(\$312)	(7.68%)	\$333
2005	---	\$3,416	---	---	---

8 The purpose of the table is to recap and compare how much SCE has  
 9 requested in base revenues and how much the Commission has authorized for the  
 10 six years covered by the utility’s last two GRCs. Since 2005, the Commission has  
 11 authorized annual increases totaling more than \$1.8 billion to SCE’s GRC revenue  
 12 requirement *level*, from \$3.416 billion to \$5.254 billion. The cumulative revenue  
 13 requirement increase (column f) over that six year period totaled over \$6.3 billion.<sup>17</sup>

<sup>16</sup> The 2005 authorized revenue requirement figure was obtained from D.06-05-016, p. 2. The 2006 thru 2008 requested and authorized figures were obtained from D.06-05-016, p. 2 and 4. The 2009 thru 2011 requested and authorized figures were obtained from D.09-03-025, p. 2 and 302.

<sup>17</sup> (\$333 x 6) + (\$144 x 5) + (\$192 x 4) + (\$744 x 3) + (\$206 x 2) + (\$219 x 1) = \$6,349 million.

1 The figure below presents a graphical depiction of the requested and  
 2 authorized revenue requirement from 2006 thru 2011, along with SCE’s request for  
 3 2012 thru 2014.



4

5 At some point, one must ask, “...how much is *too much*?” The Commission  
 6 should adopt DRA’s test year and post test year revenue requirement forecasts in  
 7 their entirety. DRA’s recommended 3-year cumulative revenue increase of \$833  
 8 million is more reasonable than SCE’s requested increase of \$4.62 billion.

1 **III. DRA RECOMMENDS SIGNIFICANT ADJUSTMENTS TO SCE'S**  
2 **REQUESTS**

3 This section highlights areas in which DRA has major issues with the utility's  
4 requests or proposals in this rate case:

- 5 • Transmission & Distribution operation and maintenance (O&M)  
6 expenses – DRA's most significant adjustments are associated with  
7 Maintenance of Overhead and Underground Lines, and storm-  
8 related costs. (See Exhibit DRA-5)
- 9 • Transmission & Distribution capital expenditures – DRA's most  
10 significant adjustments are associated with Distribution Substation  
11 projects, Rule 20B conversions, 4 kV Substation projects, Cable-in-  
12 Conduit Replacements, Advanced Technology, and Capital  
13 Maintenance Programs. (See Exhibits DRA-6 and DRA-7)
- 14 • Nuclear Generation costs – DRA's most significant adjustments are  
15 associated with the reduction of personnel at the San Onofre  
16 Nuclear Generating Station (SONGS), and expenses for the  
17 SONGS seismic study and the Nuclear Regulatory Commission  
18 license renewal. (See Exhibit DRA-8)
- 19 • Non-Nuclear Generation costs – DRA's most significant  
20 adjustments are associated with expenses for the Four Corners  
21 Generating Station and SCE's Hydroelectric system, as well as  
22 capital expenditures for the McGrath Peaker project and two  
23 Catalina Island projects. (See Exhibit DRA-9)
- 24 • Customer Service costs – DRA's most significant adjustments are  
25 associated with Customer Records & Collection expenses, Local  
26 Public Affairs expenses, Meter-related costs, and capitalized  
27 software. (See Exhibit DRA-10)
- 28 • Operations Support costs – DRA's most significant adjustments are  
29 associated with expenses for Corporate Security, Corporate  
30 Resources, and Operations Support Services, as well as various  
31 capital expenditures for the Alhambra Data Center and the Critical  
32 Infrastructure Protection Physical Security projects. (See Exhibit  
33 DRA-11)
- 34 • Administrative & General expenses – DRA's most significant  
35 adjustments are associated with expenses for Liability Insurance,  
36 Outside Services, Outside Counsel, and various labor costs. (See  
37 Exhibit DRA-12)

- 1 • Human Resources & Executive Officers, and Incentive &  
2 Recognition Programs – DRA’s most significant adjustments are  
3 associated with Short-Term and Long-Term Incentive Program  
4 costs. (See Exhibit DRA-13)
- 5 • Power Procurement costs – DRA’s most significant adjustments are  
6 associated with SCE’s requests for new employees. (See Exhibit  
7 DRA-14)
- 8 • Pensions and Benefits – DRA’s most significant adjustments are  
9 associated with Pension contributions, Benefits costs (e.g., medical  
10 plans, retirement savings plan, etc.), and Executive Benefits. (See  
11 Exhibit DRA-15)
- 12 • Rate Base – DRA’s most significant adjustment is associated with  
13 the ratemaking treatment of Customer Deposits. (See Exhibit DRA-  
14 19)
- 15 • Post Test Year Ratemaking – DRA’s most significant adjustment is  
16 associated with using the Consumer Price Index (CPI) as the basis  
17 for developing post test year increases. (See Exhibit DRA-21)
- 18 • Results of Examination – DRA’s most significant adjustments are  
19 associated with recorded expenses for Cancelled Work Orders and  
20 the WISER Program, as well as lower rates for Allowance for Funds  
21 Used During Construction (AFUDC). (See Exhibit DRA-22)

#### 22 **IV. PROCEDURAL BACKGROUND AND SCHEDULE**

23 On July 19, 2010, SCE tendered its Notice of Intent (NOI) with the  
24 Commission to file a GRC application for Test Year 2012, as well as Post Test Years  
25 2013 and 2014, for a 3-year rate case cycle. On September 24, 2010, DRA  
26 accepted SCE’s NOI for a 2012 GRC.

27 On November 23, 2010, SCE filed its GRC Application, A.10-11-015, with the  
28 Commission. SCE’s application first appeared on the Commission’s Daily Calendar  
29 on November 29, 2010. DRA filed a timely Protest on December 28, 2010.

30 A Prehearing Conference (PHC) was held on January 31, 2011. The  
31 Assigned Commissioner’s Scoping Memo and Ruling was then issued on March 2,  
32 2011. An Administrative Law Judge’s Ruling, issued on April 27, 2011, established  
33 the schedule for two joint (with Southern California Gas Company) Public  
34 Participation Hearings (PPH) and five SCE-only PPHs in SCE’s service territory,

1 beginning on June 8, 2011, and ending on June 23, 2011. With those two rulings,  
 2 the following procedural schedule was established:

3  
 4

**Table 1-9  
 Procedural Schedule for SCE 2012 GRC**

Description	Date
SCE files Application	November 23, 2010
Prehearing Conference	January 31, 2011
DRA Serves Testimony	May 11, 2011
Intervenors Submit Testimony	June 1, 2011
Joint (with Southern California Gas) and separate Public Participation Hearings	June 8 - 23, 2011
Rebuttal Testimony served	July 3, 2011
SCE serves Case Management Statement	July 21, 2011
Evidentiary Hearings begin	July 25, 2011
Evidentiary Hearings end	August 19, 2011
Comparison Exhibit served	September 1, 2011
Settlement conference	September 8, 2011
Opening Briefs filed, including any request for oral argument	September 19, 2011
Reply Briefs filed	October 10, 2011
GRC Update Testimony served	October 24, 2011
If needed, evidentiary hearings on GRC Update Testimony	November 2-3, 2011
Update Hearings end	September 16, 2011
ALJ Proposed Decision	TBD
Comments and Reply Comments on PD	In accordance with Rule 14.3 of the Commission's Rules of Practice and Procedure
Final Decision	Approximately December 2011

5 The procedural schedule requires DRA to serve its testimony by May 11,  
 6 2011. DRA fulfills the requirement by serving its testimony today.

1 **V. DRA’s ANALYSIS**

2 DRA is responding to SCE’s TY2012 GRC Application, A.10-11-015, with the  
3 issuance of its reports and exhibits.

4 DRA’s team for this case consists of approximately 17 persons responsible  
5 for the project coordination, support, financial review, and analytical responsibilities  
6 needed to process SCE’s GRC application. DRA’s “Qualifications of Witnesses”  
7 exhibit provides details on DRA’s multi-disciplinary team with backgrounds in  
8 engineering, accounting, economics, finance, and policy.

9 DRA submits the following reports in support of its recommendations:

- 10 • Report on the Results of Operations for Southern California Edison  
11 Company General Rate Case Test Year 2012 (Exhibits DRA-1  
12 through DRA-21)
- 13 • Report on the Results of Examination for Southern California Edison  
14 Company General Rate Case Test Year 2012 (Exhibit DRA-22)
- 15 • Qualifications of Witnesses for Southern California Edison Company  
16 General Rate Case Test Year 2012 (Exhibit DRA-23)

17 **VI. ORGANIZATION OF DRA’s SHOWING / SUMMARY OF**  
18 **DIFFERENCES**

19 This section briefly: (1) indicates how DRA’s exhibits are organized; and (2)  
20 briefly highlights the major differences between DRA and SCE with respect to the  
21 various elements of revenues, operating expenses, and capital expenditures.

22 **A. Organization of DRA’s Exhibits**

23 Table 1-10 shows the specific exhibit(s) and subject matter(s) for which each  
24 DRA witness is responsible.

1  
2

**Table 1-10  
DRA Exhibits with Corresponding Subject Matter and Witnesses**

<i><b>Exhibit No.</b></i>	<i><b>Subject</b></i>	<i><b>Witness</b></i>
DRA-1	Executive Summary	Clayton Tang
DRA-2	Summary of Earnings and Jurisdictional Allocation	Jean Jarjoura
DRA-3	Sales and Customers	Thomas Renaghan
DRA-4	Cost Escalation	Thomas Renaghan
DRA-5	Transmission & Distribution Business Unit O&M Expenses, and TDBU-Related Other Operating Revenues	Tamera Godfrey
DRA-6	Transmission & Distribution Business Unit Capital Expenditures (Part 1 of 2)	Gregory Wilson
DRA-7	Transmission & Distribution Business Unit Capital Expenditures (Part 2 of 2)	Mark Bumgardner
DRA-8	Nuclear Generation Costs	Truman Burns
DRA-9	Non-Nuclear Generation Costs	Scott Logan
DRA-10	Customer Service Business Unit Costs and Other Operating Revenues	Sophie Chia
DRA-11	Operations Support Business Unit Costs	Sophie Chia
DRA-12	Administrative & General Expenses and Capitalized A&G	Donna-Fay Bower
DRA-13	Human Resources & Executive Officers, and Incentive & Recognition Programs	Marshal Enderby
DRA-14	Power Procurement Business Unit Costs	Marshal Enderby
DRA-15	Pensions and Benefits	Stacey Hunter
DRA-16	Information Technology Costs	Joel Tolbert
DRA-17	Depreciation Expenses and Reserve	Marek Kanter
DRA-18	Tax Expenses	Mark Waterworth
DRA-19	Rate Base	Galen Dunham
DRA-20	Productivity	Thomas Renaghan
DRA-21	Post Test Year Ratemaking	Clayton Tang
DRA-22	Report on Results of Examination	Mark Waterworth, Grant Novack
DRA-23	Qualifications of Witnesses	Various

3

1           **B. Summary of DRA’s Recommendations**

2           The following briefly summarizes the recommendations contained within each  
3 of DRA’s report exhibits that address SCE’s application.

<b>Exhibit DRA-1 Executive Summary</b>
--

4 This exhibit provides a brief overview of SCE’s request; presents the overall organization of DRA’s exhibits; and summarizes the differences between DRA’s and SCE’s estimates for Test Year 2012 and Post Test Years 2013-2014.

<b>Exhibit DRA-2 Summary of Earnings and Jurisdictional Allocation</b>
--

5 This exhibit compares DRA’s and SCE’s Summary of Earnings for 2012.  
Also, DRA does not take issue with SCE’s proposed jurisdictional allocation factors, which are used to allocate costs and revenue requirement between the Federal Energy Regulatory Commission (FERC) and California Public Utilities Commission (CPUC) jurisdictions.

<b>Exhibit DRA-3 Sales and Customers</b>
--

6 This exhibit addresses issues regarding Sales and Customers forecasts.

- DRA forecasts 86,300 GWh in Electric Sales compared to SCE’s forecast of 85,900 GWh in 2012.
- DRA forecasts 4.99 million in Total Retail Customers, compared to SCE’s forecast of 4.97 million customers.

DRA’s adjustments are primarily due to differences regarding forecasting methodology, and using more recent data where appropriate.

<b>Exhibit DRA-4 Cost Escalation</b>
--

7 This exhibit addresses issues regarding SCE’s proposed escalation factors for this rate case.

- DRA recommends labor escalation rates of 2.80%, 2.49%, and 2.22% for 2010, 2011, and 2012, respectively, compared to SCE’s forecast of 3.30%, 2.76%, and 2.27% for those three years.
- DRA forecasts different non-labor escalation rates and other escalation rates based on using more recent forecasts from the IHS Global Insight Power Planner.

1

<b>Exhibit DRA-5 Transmission and Distribution Business Unit Operation and Maintenance Expenses, and TDBU-Related Other Operating Revenues</b>
<p>This exhibit addresses issues regarding SCE's Transmission and Distribution Business Unit (TDBU) expenses and Other Operating Revenues for 2012.</p> <ul style="list-style-type: none"><li>• DRA recommends \$151 million for Transmission O&amp;M expenses, compared to SCE's request for \$192 million.</li><li>• DRA recommends \$326 million for Distribution O&amp;M expenses, compared to SCE's request for \$416 million.</li><li>• DRA recommends \$112 million for TDBU-related Other Operating Revenues, compared to SCE's request for \$110 million.</li></ul> <p>DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and lower forecasts of unit costs and/or activity levels.</p>

2

<b>Exhibit DRA-6 Transmission and Distribution Business Unit Capital Expenditures (Part 1 of 2)</b>
<p>This exhibit addresses issues regarding SCE's Transmission and Distribution Business Unit capital expenditures for the 3-year period from 2010-2012, associated with Load Growth Programs, Infrastructure Replacement Programs, Transmission Interconnection Projects, and Customer Driven Projects.</p> <ul style="list-style-type: none"><li>• DRA recommends \$2.38 billion in total capital expenditures for the 3-year period from 2010-2012, compared to SCE's request for \$2.66 billion.</li></ul> <p>DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and eliminating unnecessary and/or duplicative projects.</p>

3

<b>Exhibit DRA-7 Transmission and Distribution Business Unit Capital Expenditures (Part 2 of 2)</b>
<p>This exhibit addresses issues regarding SCE's Transmission and Distribution Business Unit capital expenditures for the 3-year period from 2010-2012, associated with Advanced Technology, Capital Maintenance Programs, Grid Operations, Distribution Construction and Maintenance, Substation Construction and Maintenance, and Transmission.</p> <ul style="list-style-type: none"><li>• DRA recommends \$1.70 billion in total capital expenditures for the 3-year period from 2010-2012, compared to SCE's request for \$2.05 billion.</li></ul> <p>DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and eliminating unnecessary and/or duplicative projects.</p>

1  
2

<b>Exhibit DRA-8 Nuclear Generation Costs</b>
<p>This exhibit addresses issues related to SCE’s share of Nuclear Generation expenses for 2012 and capital expenditures for the 3-year period from 2010-2012.</p> <ul style="list-style-type: none"><li>• For the San Onofre Nuclear Generating Station (SONGS), DRA recommends \$236 million in expenses, compared to SCE’s request for \$271 million.</li><li>• For SONGS, DRA recommends \$336 million in total capital expenditures for the 3-year period from 2010-2012, compared to SCE’s request for \$393 million.</li><li>• For the Palo Verde Nuclear Generating Station (PVNGS), DRA does not take issue with SCE’s request for \$83 million in expenses.</li><li>• For PVNGS, DRA recommends \$100 million in total capital expenditures for the 3-year period from 2010-2012, compared to SCE’s request for \$105 million.</li></ul> <p>DRA’s adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and eliminating unnecessary projects.</p>

3

<b>Exhibit DRA-9 Non-Nuclear Generation Costs</b>
<p>This exhibit addresses issues related to SCE’s Non-Nuclear Generation expenses for 2012 and capital expenditures for the 3-year period from 2010-2012.</p> <ul style="list-style-type: none"><li>• DRA recommends significant adjustments to SCE’s expense request, particularly associated with the Four Corners Generating Station and SCE’s hydroelectric system.</li><li>• DRA recommends \$1.04 billion in total capital expenditures for the 3-year period from 2010-2012, compared to SCE’s request for \$1.063 billion.</li></ul> <p>DRA’s adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and rejecting various projects that are not cost-effective.</p>

4  
5

1  
2

**Exhibit DRA-10  
Customer Service Business Unit Costs and  
Other Operating Revenues**

This exhibit addresses issues related to SCE's Customer Service Business Unit (CSBU) expenses and Other Operating Revenues for 2012, Gains/Losses on Sale of Property in 2012, and capital expenditures for the 3-year period from 2010-2012.

- DRA recommends \$274 million in expenses, compared to SCE's request for \$300 million.
- DRA recommends \$128 million in total capital expenditures for the 3-year period from 2010-2012, compared to SCE's request for \$218 million.
- DRA recommends \$43 million in CSBU-related Other Operating Revenues, compared to SCE's request for \$38 million.
- DRA recommends \$1.8 million in Gains on Sale of Property, compared to SCE's request for \$0.7 million.
- DRA recommends \$52 million per year for amortization costs associated with SCE's undepreciated legacy meters, beginning in 2012 and for 6 years.

DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and lower forecasts of unit costs and/or activity levels.

3

**Exhibit DRA-11  
Operations Support Business Unit Costs**

This exhibit addresses issues related to SCE's Operations Support Business Unit expenses for 2012 and capital expenditures for the 3-year period from 2010-2012.

- DRA recommends \$81 million in expenses, compared to SCE's request for \$113 million.
- DRA recommends \$340 million in total capital expenditures for the 3-year period from 2010-2012, compared to SCE's request for \$632 million.

DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and lower forecasts of unit costs and/or activity levels.

4  
5

1

**Exhibit DRA-12**  
**Administrative & General Expenses and Capitalization Rates**

This exhibit addresses issues regarding certain SCE Administrative and General (A&G) expenses and A&G capitalization rates for 2012, and capital expenditures for the 3-year period from 2010-2012.

- DRA recommends \$60 million for Financial Organizations and Risk Control expenses, compared to SCE's request for \$86 million.
- DRA recommends \$103 million for Legal & Ethics and Compliance expenses, compared to SCE's request for \$124 million.
- DRA recommends \$70 million for Regulatory Policy & Affairs, Corporate Membership Dues and Fees, Corporate Communications, and Property & Liability Insurance expenses, compared to SCE's request for \$102 million.
- DRA recommends no ratepayer funding for the Financial Organization's capitalized software request for \$15 million and the Law Department's request for \$5 million.
- DRA does not take issue with SCE's proposed capitalized A&G rate of 19.4%.
- DRA does not take issue with SCE's proposed capitalized Pensions & Benefits rate of 37.7%.

DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and removing expenses that do not provide ratepayer benefits.

2

**Exhibit DRA-13**  
**Human Resources & Executive Officers, and  
Incentives & Recognition Programs**

This exhibit addresses issues regarding SCE's Human Resources and Executive Officers expenses (excluding Pensions and Benefits), Short-Term Incentive Programs, Long-Term Incentive Program, and Recognition Programs for 2012. It also addresses issues regarding capitalized software for 2010.

- DRA recommends \$52 million in Human Resources and Executive Officers expenses, compared to SCE's request for \$57 million.
- DRA recommends \$59 million for Short-Term Incentive Program expenses, compared to SCE's request for \$148 million.
- DRA recommends no ratepayer funding for Long-Term Incentive Program expenses, compared to SCE's request for \$20 million.
- DRA recommends no ratepayer funding for Recognition Programs, compared to SCE's request for \$5 million.
- DRA recommends \$1.8 million for capitalized software (Worker Provisioning Process Enhancement Project) in 2010, compared to SCE's request for \$3.1 million.

3

1

**Exhibit DRA-14  
Power Procurement Business Unit Costs**

This exhibit addresses issues related to SCE's Power Procurement Business Unit expenses for 2012 and capital expenditures for the 3-year period from 2010-2012.

- DRA recommends \$52 million in expenses, compared to SCE's request for \$59 million.
- DRA recommends \$49 million in total capital expenditures for the 3-year period from 2010-2012, compared to SCE's request for \$73 million.

DRA's adjustments are primarily due to new employees requested by SCE that are unnecessary, using more recent data where appropriate, and removing certain incremental expenses and capital expenditures that should be recorded in the Market Redesign and Technology Upgrade Memorandum Account (MRTUMA).

2

**Exhibit DRA-15  
Pensions and Benefits**

This exhibit addresses issues regarding SCE's Pensions and Benefits costs for 2012.

- DRA recommends \$304 million in expenses, compared to SCE's request for \$564 million. In particular:
  - DRA forecasts \$53 million in pension contributions, compared to SCE's request for \$168 million.
  - DRA forecasts \$31 million in 401(k) Savings Plan contributions, compared to SCE's request for \$88 million.
  - DRA forecasts \$123 million in medical costs, compared to SCE's request for \$168 million.
  - DRA forecasts no ratepayer funding for executive benefits, compared to SCE's request for \$17 million.

3

**Exhibit DRA-16  
Information Technology Costs**

This exhibit addresses issues related to SCE's Information Technology expenses for 2012 and capital expenditures for the 3-year period from 2010-2012.

- DRA recommends \$230 million in expenses, compared to SCE's request for \$310 million.
- DRA recommends \$639 million in total capital expenditures for the 3-year period from 2010-2012, compared to SCE's request for \$687 million.

DRA's adjustments are primarily due to differences regarding forecasting methodology, and using more recent data where appropriate.

4

1

<b>Exhibit DRA-17 Depreciation Expenses and Reserve</b>
<p>This exhibit addresses issues regarding SCE's depreciation expenses and weighted average depreciation reserve for 2012.</p> <ul style="list-style-type: none"><li>• DRA recommends that SCE's current net salvage rates adopted in D.09-03-025 should remain unchanged, i.e., that SCE's request to change its salvage rates should be rejected.</li><li>• DRA recommends \$1.31 billion in depreciation expenses, compared to SCE's request for \$1.43 billion.</li></ul> <p>DRA's adjustments are primarily due to differences with regarding net salvage ratios, but also because of differences in plant balances.</p>

2

<b>Exhibit DRA-18 Tax Expenses</b>
<p>This exhibit addresses issues regarding SCE's Income, Payroll, and Property tax expenses for 2012.</p> <ul style="list-style-type: none"><li>• DRA recommends the removal of a \$5.246 million negative deduction to recognize an adjustment for non-deductible meals and entertainment expense.</li><li>• DRA recommends a reduction in income tax expense of \$1.1 million to recognize a Research &amp; Development tax credit.</li></ul>

3

<b>Exhibit DRA-19 Rate Base</b>
<p>This exhibit addresses issues regarding SCE's weighted-average rate base for 2012.</p> <ul style="list-style-type: none"><li>• DRA recommends \$17.6 billion in rate base, compared to SCE's request for \$19.4 billion (Total Company).<sup>18</sup></li></ul> <p>DRA's adjustments are primarily due differences in Customer Deposits are treated, and differences in Customer Advances for Construction, Materials &amp; Supplies inventory, and Working Cash.</p>

4

---

<sup>18</sup> As presented in Exhibit DRA-2, for the CPUC jurisdiction, DRA recommends \$14.9 billion in rate base, compared to SCE's request for \$16.5 billion.

1

**Exhibit DRA-20  
Productivity**

This exhibit analyzes SCE's productivity performance for its operations over the period 1986 through 2009. Total Factor Productivity (TFP) is measured as the ratio of a firm's output to its entire set of inputs. DRA replicated SCE's TFP analysis and concludes that SCE's estimates of TFP growth are reasonable. DRA concurs with SCE's recommendation that the Commission eliminate the requirement that SCE file productivity studies with their GRC filings.

2

**Exhibit DRA-21  
Post Test Year Ratemaking**

This exhibit addresses issues regarding SCE's Post Test Year Ratemaking (PTYR) proposals for 2013 and 2014.

- DRA recommends attrition revenue increases of \$219 million (or 4.0%) and \$119 million (or 2.1%) in 2013 and 2014, respectively, compared to SCE's requested increases of \$598 million (or 9.5%) and \$612 million (or 8.9%), respectively. In particular:
  - DRA recommends a PTYR mechanism whereby SCE receives base margin attrition revenue increases of 2.0% for 2013 and 2.2% for 2014, based on a recent forecast of the Consumer Price Index (CPI). Attrition increases in 2013 and 2014 should be net of any revenue requirement associated with the Four Corners Generating Station, since SCE will be selling its share of the power plant on October 1, 2012.
  - DRA recommends that no more than \$227 million out of SCE's requested \$251 million in SmartConnect revenue requirement be rolled into the 2013 revenue requirement, based on SCE's updated forecast which accounts for the impacts of bonus depreciation allowed by the Tax Relief Act of 2010.
  - The \$52 million in annual amortization costs associated with SCE's undepreciated legacy meters should not receive escalation increases.
  - The \$48.1 million difference between DRA's forecasts of CSBU expenses in 2012 and 2013 should be incorporated into the development of attrition revenue requirement.

DRA also presents an alternate recommendation for determining Post Test Year revenue increases should the Commission decide not to adopt DRA's recommended method of increasing base margin revenues by CPI.

3

1  
2

<b>Exhibit DRA-22</b> <b>Report on the Results of Examination</b>
--

This exhibit addresses issues regarding DRA's review of SCE's financial records and internal controls for the utility's 2012 GRC application.

- DRA recommends that approximately \$130 million in expenses recorded from 2005-2009 be removed from various accounts, due to the nature of those costs. The removal of such costs may impact 2012 forecasts appearing in other DRA exhibits.
- DRA recommends lower Allowance for Funds Used During Construction (AFUDC) rates for 2010 thru 2014, compared to SCE's request. For those five years, DRA's forecast averages about 4.5%, while SCE's forecast averages nearly 8.0%.

3

<b>Exhibit DRA-23</b> <b>Qualifications of Witnesses</b>
---

This exhibit presents the qualifications and prepared testimony of DRA's witnesses on the SCE Test Year 2012 General Rate Case.

4  
5