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Exhibit Number	:	<u>DRA-5</u>
Commissioner	:	<u>Simon</u>
ALJ	:	<u>Darling</u>
Witness	:	<u>Godfrey</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**

**Transmission and Distribution Business Unit
Expenses and Other Operating Revenues**

San Francisco, California
May 11, 2011

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1 **TRANSMISSION AND DISTRIBUTION BUSINESS UNIT**
2 **EXPENSES AND OTHER OPERATING REVENUES**

3 **I. INTRODUCTION**

4 This exhibit presents the analyses and recommendations of the Division of
5 Ratepayer Advocates (DRA) regarding the forecasts of Southern California Edison
6 Company's (SCE or Edison) Transmission and Distribution Business Unit (TDBU)
7 Operation and Maintenance (O&M) expenses and Other Operating Revenues
8 (OOR) for Test Year (TY) 2012.

9 SCE's TDBU is responsible for planning, engineering, constructing, operating,
10 and maintaining its transmission and distribution facilities that provide electricity to
11 customers. SCE records its Transmission and Distribution (T&D) O&M expenses in
12 Federal Energy Regulatory Commission (FERC) Uniform System of Accounts 560
13 through 598. SCE utilized sub-accounts to further identify its historical expenses
14 associated with related activities within each FERC account.

15 **II. SUMMARY OF RECOMMENDATIONS**

16 SCE forecasted \$607.916 million¹ for its TY 2012 Transmission and
17 Distribution (T&D) O&M expenses.² SCE's TY 2012 forecasts for its Transmission
18 and Distribution O&M expenses were based on its 2009 recorded adjusted
19 expenses plus additional incremental expenses for proposed projects and
20 activities.³ The corresponding DRA estimate for SCE's T&D O&M expenses is
21 \$476.789 million. DRA's estimate is \$131.127 million less than SCE's forecast.

¹ All expense figures discussed and presented in this exhibit are expressed in constant 2009 dollars, unless indicated otherwise.

² Ex. SCE-03 Volume 1, Chapter I-VI, page 20.

³ SCE also based its TDBU TY 2012 forecast on averages calculated from its estimates for 2012 through 2014 for some Sub-Accounts.

1 SCE proposes substantial increases in numerous FERC Accounts and Sub-
2 Accounts above recorded 2009 levels. To make its recommendations, DRA utilized
3 SCE's 2009 recorded adjusted expenses as a basis for most of its estimates. DRA
4 also utilized SCE's historical expense levels. Table 5-1 compares DRA's
5 recommendations with SCE's proposed estimates for its TDBU Transmission O&M
6 expenses for TY 2012. Table 5-2 compares DRA's recommendations with SCE's
7 proposed estimates for its TDBU Distribution O&M expenses for TY 2012.

8
9 The following summarizes DRA's recommendations associated with SCE's
10 TDBU expenses for TY 2012:

- 11 • That DRA's estimate of \$98.281 million for SCE's Inspection and
12 Maintenance recorded in Sub-Accounts 583.120, 584.120,
13 593.120, and 594.120 be adopted. DRA's estimate of \$98.281
14 million is \$10.007 million lower than SCE's test year forecast.
- 15 • DRA recommends that a one-way balancing account be
16 established to track and record SCE's Vegetation Management
17 activities recorded in Sub-Account 593.120, including costs
18 associated with its High Fire Hazard areas. Pacific Gas and
19 Electric Company and San Diego Gas & Electric Company
20 currently receive one-way balancing account treatment for costs
21 associated with Tree Trimming and Vegetation Management
22 activities.
- 23 • That DRA's estimate of \$4.080 million for SCE's Distribution
24 Planning and Field Accounting recorded in Sub-Accounts 588.130
25 and 589.130 be adopted. DRA's estimate of \$4.080 million is
26 \$1.619 million lower than SCE's test year forecast.
- 27 • That DRA's estimate of \$29.497 million for SCE's Construction and
28 Maintenance recorded in Sub-Accounts 580.140, 583.140,
29 586.140, 587.140, 588.140, 593.140, and 594.140 be adopted.
30 DRA's estimate of \$29.497 million is \$32.463 million lower than
31 SCE's test year forecast.
- 32 • That SCE's Service Guarantee program (credits recorded to Sub-
33 Account 587.140) be continued as adopted in D.04-07-022, D.06-
34 05-016, and D.09-03-025, which require that SCE's shareholders
35 fund the service guarantee credits that are to be paid to
36 inconvenienced customers.

- 1 • That DRA's estimate of \$26.194 million for SCE's Substation
2 Construction and Maintenance recorded in Sub-Accounts 562.150,
3 568.150, 569.150, 570.150, 582.150, 588.150, 590.150, 591.150,
4 and 592.150 be adopted. DRA's estimate of \$26.194 million is
5 \$5.950 million lower than SCE's test year forecast.
- 6 • That DRA's estimate of \$45.360 million for SCE's Transmission
7 recorded in Sub-Accounts 563.160, 564.160, 566.160, 567.160,
8 and 571.160 be adopted. DRA's estimate of \$45.360 million is
9 \$11.004 million lower than SCE's test year forecast.
- 10 • That DRA's estimate of \$71.972 million for SCE's Grid Operations
11 recorded in Sub-Accounts 560.170, 561.170, 562.170, 573.170,
12 582.170, 583.170, 585.170, 587.170, 588.170, 593.170, 596.170,
13 and 598.170 be adopted. DRA's estimate of \$71.972 million is
14 \$17.735 million lower than SCE's test year forecast.
- 15 • That DRA's estimate of \$4.656 million for SCE's Electric System
16 Planning recorded in Sub-Accounts 561.210 and 587.210 be
17 adopted. DRA's estimate of \$4.656 million is \$1.976 million lower
18 than SCE's test year forecast.
- 19 • That DRA's estimate of \$11.894 million for SCE's Engineering
20 Design and Project Management recorded in Sub-Accounts
21 560.220, 580.220, 588.220, and 595.220 be adopted. DRA's
22 estimate of \$11.894 million is \$2.586 million lower than SCE's test
23 year forecast.
- 24 • That DRA's estimate of \$57.379 million for SCE's Technical
25 Services recorded in Sub-Accounts 566.250, 573.250, 582.250,
26 588.250, and 598.250 be adopted. DRA's estimate of \$57.379
27 million is \$10.932 million lower than SCE's test year forecast.
- 28 • That DRA's estimate of \$15.254 million for SCE's Advanced
29 Technology recorded in Sub-Accounts 560.260, 580.260, 588.260,
30 and 580.261 be adopted. DRA's estimate of \$15.254 million is
31 \$8.536 million lower than SCE's test year forecast.
- 32 • That SCE's request for continuation of its one-way balancing
33 account for its Research, Development and Demonstration
34 recorded in Sub-Account 580.261 be adopted.
- 35 • That DRA's estimate of \$11.889 million for SCE's Business
36 Process and Technology Integration recorded in Sub-Accounts
37 566.270, 588.270, and 588.271 be adopted. DRA's estimate of
38 \$11.889 million is \$6.872 million lower than SCE's test year
39 forecast.

- 1 • That DRA's estimate of \$7.064 million for SCE's Business,
2 Regulatory And Financial Planning recorded in Sub-Accounts
3 566.280, 580.280, and 588.280 be adopted. DRA's estimate of
4 \$7.064 million is \$6.207 million lower than SCE's test year forecast.
- 5 • That DRA's estimate of \$93.267 million for SCE's TDBU Other
6 Costs recorded in Sub-Accounts 560.281, 566.281, 583.281,
7 584.281, 586.281, 588.281, 590.281, 566.282, 580.282, 566.281,
8 569.281, and 570.281, be adopted. DRA's estimate of \$93.267
9 million is \$15.242 million lower than SCE's test year forecast.
- 10 • That DRA's normalized adjustments to SCE's historical expenses
11 for ratemaking purposes, for those years that DRA utilized in its
12 estimate, for various employee recognition programs, Spot Bonus
13 payments, Awards to Celebrate Excellence Recognition Points
14 (ACE) be adopted. The supererogatory employee recognition
15 programs provide no clear or identifiable benefit to ratepayers and
16 are not necessary to operate the utility business. The Commission
17 has found that expenses such as the above mentioned, fit the
18 category of social activities and should not be funded by
19 ratepayers.
- 20 • That in SCE's next GRC the Commission require that SCE's filed
21 Application, workpapers, data request responses, and all other
22 documentation clearly and accurately show historical employee and
23 Full Time Equivalents that are included in its TDBU O&M expense
24 forecast by Sub-Account.

25 The following summarizes DRA's recommendations associated with SCE's
26 TDBU-related Other Operating Revenues for TY 2012:

- 27 • That DRA's estimate of \$111.571 million for SCE's TDBU-related
28 Other Operating Revenues recorded in Sub-Accounts 451.100,
29 451.500, 454.300, 454.350, 454.500, 456.300, 456.306, 456.307,
30 456.308, 456.340, 456.319, 456.320, 456.323, 456.700, and
31 456.900 be adopted. DRA's estimate of \$111.571 million is \$1.130
32 million more than SCE's test year forecast.

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Table 5-1
TDBU's Transmission O&M Expenses for TY2012
(in Thousands of 2009 Dollars)

FERC Acct (a)	Description (b)	SCE Proposed⁴ (c)	DRA Recommended (d)	\$ Amount SCE>DRA (e=c-d)	Percentage SCE>DRA (f=e/d)
560.170	Transmission Substation Supervision Costs	\$757	\$757	0	
560.220	Transmission/Substation Operation Supervision & Eng	9,823	7,563	2,259	29.87%
560.260	Operation Supervision & Eng	4,507	2,618	1,889	72.15%
560.281	Transmission Work Order Write-off	3,925	1,589	2,336	140.01%
561.170	Grid Control Center Costs	6,057	4,472	1,585	35.44%
561.210	Trans Interconnection & Planning	5,305	3,692	1,613	43.69%
562.150	Trans Substation Exp by non-TDBU Business Units	2,019	2,019	0	
562.170	Transmission Substation Costs	10,640	10,293	347	3.37%
563.160	Overhead Transmission Line Inspection Expenses	3,851	2,683	1,168	43.53%
564.160	Underground Transmission Line Inspection Expenses	991	720	271	37.64%
566.160	Transmission Miscellaneous Exp	7,230	5,296	1,934	36.52%
566.250	Safety and Training - Transmission	20,712	17,038	3,674	21.56%
566.270	TDBU Trans Substation IT IMM	7,844	6,013	1,831	30.45%
566.280	Compliance, Policy, Contracts & Billing	11,626	5,882	5,744	97.65%
566.281	Transmission Accruals & Other Costs	(3,049)	(3,049)	0	
566.282	Transmission Facility Maintenance	4,602	4,602	0	
567.160	Transmission Line Rents	8,224	5,538	2,686	48.50%
568.150	Transmission Substation Maint Crew Supervision	1,967	1,967	0	
568.281	Transmission Allocated Costs	14,370	11,977	2,393	19.98%
569.150	Maintenance of Ground & Facilities for Transmission Substations	138	138	0	
569.281	FERC Order 668	3,090	3,090	0	
570.150	Trans Substation Inspect & Maint	12,881	9,370	3,511	37.47%
570.281	Trans Participant Share Costs	13,764	13,764	0	
571.160	Transmission Maintenance	36,068	31,123	4,945	15.89%
573.170	Substation & Transmission Storm	3,731	1,312	2,419	184.37%
573.250	Trans Toxic Waste Disposal	517	517	0	
Total		\$191,590	\$150,984	\$40,606	26.89%

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⁴ Ex. SCE-03, Vol. 1, Chapters I-VI, page B-2.

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Table 5-2
TDBU's Distribution O&M Expenses for TY2012
(in Thousands of 2009 Dollars)

FERC Acct (a)	Description (b)	SCE Proposed⁵ (c)	DRA Recommended (d)	\$ Amount SCE>DRA (e=c-d)	Percentage SCE>DRA (f=e/d)
580.140	Operations Supervision & Eng	\$2,653	\$2,653	0	
580.220	Eng, Planning & Protection Studies	1,125	798	327	40.98%
580.260	Distribution Engineering & Planning	11,955	8,375	3,580	42.75%
580.261	RD&D Balancing Account	2,814	1,977	837	42.34%
580.280	TDBU Chargebacks for Services	222	222	0	
580.282	Facility Maintenance – Distribution	9,066	5,918	3,148	53.19%
582.150	Distrb Subs Exp non-TDBU Bus Units	165	165	0	
582.170	Distribution Substation Costs	14,909	14,425	484	3.35%
582.250	Environmental Safety	2,926	2,051	875	42.66%
583.120	Distribution Overhead Inspections	9,431	7,838	1,593	20.32%
583.140	Overhead Line Expense	735	582	153	26.29%
583.170	Line Operations	4,722	4,129	593	14.36%
583.281	Claims Write-Off	5,846	5,846	0	
584.120	Distrib Underground Facility Inspec	1,687	1,474	213	14.45%
584.281	Transformer Credits	(2,033)	(2,033)	0	
585.170	Streetlight Patrols	585	585	0	
586.140	Meter Expense	6,700	5,583	1,117	20.0%
586.281	Meter Credits	(7,139)	(7,139)	0	
587.140	Service Guarantee Payments	670	0	670	
587.170	Custr Gen Troubleman Work Costs	7,608	7,608	0	
587.210	LS Supt Pwr Quality, Radio & TV Interf	1,327	964	363	37.65%
588.130	Central Distrb Design – Mapping, Joint Pole, & Field Acctg	5,095	3,476	1,619	46.58%
588.140	Miscellaneous Distribution Exp	3,777	3,006	771	25.65%
588.150	Miscellaneous Substation Exp	674	249	425	170.68%
588.170	Miscellaneous Grid Operations Exp	6,317	5,049	1,268	25.11%
588.220	Shop Services Distribution	2,452	2,452	0	
588.250	Safety and Training – Distribution	38,918	32,535	6,383	19.62%
588.260	Plug-in Electric Vehicle Readiness	4,514	2,284	2,230	97.63%
588.270	Tech Solution Implementation	12,373	7,332	5,041	68.75
588.271	New Initiative Benefits	(1,456)	(1,456)	0	
588.280	Distrib Construction Contract Mgmt	1,423	962	461	47.92%
588.281	UG Locate Pymt & WO Write-offs	20,614	17,195	3,419	19.88%
589.130	Distribution Line Rents	604	604	0	
590.150	Distrib Substation Maint Crew Supv	2,047	2,047	0	
590.281	Distribution Allocated Costs	45,453	41,507	3,946	9.51%
591.150	Maint of Grds & Fac for Distrb Subs	492	492	0	
592.150	Distrib Substation Inspect & Maint	11,761	9,747	2,014	20.66%
593.120	Distribution Preventive Maint	93,139	85,477	7,662	8.96%
593.140	Maintenance of Overhead Lines	28,803	10,172	18,631	183.16%
593.170	Grid Operations Breakdown Maint	10,307	8,996	1,311	14.57%
594.120	Distribution Apparatus Maint	4,031	3,492	539	15.43%
594.140	Maintenance of Underground Lines	18,622	7,501	11,121	148.26%
595.220	Transformer Maintenance – SSID	1,081	1,081	0	
596.170	Streetlight Maintenance	5,341	5,341	0	
598.170	Distribution Storm	18,732	9,005	9,727	108.01%
598.250	Distribution Toxic Waste Disposal	5,238	5,238	0	
Total		\$416,326	\$325,805	\$90,521	27.78%

⁵ Ex. SCE-03, Vol. 1, Chapters I-VI, page B-3 and B-4.

1 Table 5-3 compares DRA's and SCE's TY2012 forecasts of TDBU Other
 2 Operating Revenues:

3 **Table 5-3**
 4 **TDBU Other Operating Revenues for TY2012**
 5 **(In Thousands of Dollars)**

FERC Acct	Description (a)	SCE Proposed ⁶ (c)	DRA Recommended (d)	\$ Amount SCE>DRA (e=c-d)	Percentage SCE>DRA (f=e/d)
451.100	Meter Damage & Temporary Serv	\$26	\$1,134	\$(1,108)	(97.71%)
451.500	Ownership Charges	1,158	1,158	0	
454.300	SCE-Financed Added Facilities	38,823	38,823	0	
454.350	SCE-Financed Interconnect Facil	14,725	14,725	0	
454.500	Pole Rentals	4,392	4,392	0	
456.300	Transmission & Utility	30,775	30,775	0	
456.306	Distribution Services				
456.307					
456.308	Transmission Services for	1,150	1,172	(22)	(1.88%)
456.340	Generation and CAISO Services				
456.319	Generation Radial Tie-Lines	3,313	3,313	0	
456.320					
456.323	Tie-Lines Fac Rental Agreements	307	307	0	
456.700	Customer-Financed Added/Interconnection Facilities	11,609	11,609	0	
456.900	Miscellaneous Revenue	4,163	4,163	0	
Total		\$110,441	\$111,571	\$(1,130)	(1.0%)

6 **III. DISCUSSION / ANALYSIS OF TDBU O&M EXPENSES**

7 During DRA's analysis and evaluation of SCE's TY 2012 GRC request to
 8 determine the reasonableness of the proposed forecast of \$608 million for SCE's
 9 TDBU O&M expenses, DRA reviewed and compared SCE's TY 2012 GRC request
 10 to its requested and authorized funding levels in its TY 2009 GRC. SCE presented
 11 charts in its TY 2012 GRC testimony showing its requested, authorized and
 12 recorded expenses relating to its TY 2009 GRC request.⁷

⁶ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 59.

⁷ Ex. SCE-03, Volume 1 – TDBU Policy Overview, Chapters I-IV, page 20.

1 SCE requested \$644 million in TDBU O&M expenses in its TY 2009 GRC.⁸
2 DRA's testimony on SCE's TY 2009 GRC request for TDBU O&M expenses
3 demonstrated that the level of funding that SCE requested was not necessary to
4 address its test year work activities and showed in many cases that SCE's requests
5 for specific Sub-Accounts were excessive when compared to its 2006 recorded
6 adjusted expense level.

7

8 For example, in the 2009 GRC, SCE requested \$16.795 million or a 206.20%
9 increase in Sub-Account 563.100 over its 2006 recorded adjusted expenses of
10 \$5.485 million and claimed that the main driver of the increase was its \$10.623
11 million request to address a Transmission Line Clearance Study on its bulk
12 transmission and sub-transmission lines in 2009.⁹ During DRA's analysis and
13 evaluation of SCE's TY 2012 GRC request, DRA discovered that of the \$16.565
14 million¹⁰ that the Commission authorized for Sub-Account 563.100 in SCE's TY
15 2009 GRC, SCE shows that it only recorded expenses of \$3.360 million associated
16 with its Transmission Line Clearance Study and incurred additional expenses of
17 \$2.733 million to perform other transmission work activities recorded to Sub-Account
18 563.100.¹¹ SCE did not provide any information on the specific Sub-Accounts
19 where the other embedded authorized funding for its TDBU expenses were allocated
20 and recorded.¹²

⁸ Ex. SCE-03, Volume 1 – TDBU Policy Overview, Chapters I-IV, page 20.

⁹ DRA's TY 2009 report on SCE's TDBU O&M expenses in Ex. DRA-05 page 22 through 25, and SCE's TY 2009 testimony in Ex. SCE-03, Volume 2, Part 2, Chapter VII page 46.

¹⁰ SCE's TY 2009 GRC request was shown as \$16.795 million in its TY 2009 testimony in Ex. SCE-03, Volume 2, Part 2, Chapter VII, page 41 for Sub-Account 563.100. D.09.03-025, pages 55 and 56 shows that the Commission authorized \$16.565 million.

¹¹ In DRA-SCE-064-TLG question 7-d-1.

¹² DRA requested additional information from SCE to determine if its TY 2012 GRC request included any programs, projects, training inspection, maintenance, etc. that it had requested funding for in its TY 2009 GRC. SCE responded in part that "SCE disagrees with this notion
(continued on next page)

1 In SCE's TY 2012 GRC testimony, it presented charts that showed an amount
2 of \$579 million as authorized in its TY 2009 GRC for its TDBU O&M expenses. Of
3 the \$579 million authorized, SCE's chart shows that its 2009 recorded adjusted
4 expenses were \$531 million. Based on the information presented in the charts,
5 SCE's 2009 recorded adjusted TDBU O&M expenses were \$48 million less than its
6 2009 authorized amount of \$579 million.¹³

7
8 SCE states the following:

9 Figure III-7 below shows TDBU's 2009 GRC O&M expense request, the
10 amount authorized by the Commission, and what we recorded. As shown,
11 2009 recorded transmission O&M was \$13 million less than authorized and
12 distribution \$34 million less. Many factors account for these differences. For
13 example, we spent \$7.7 million less on transmission line rating study
14 expenses, \$8.0 million less on storm-related expenses, \$8.7 million less on
15 distribution inspection and maintenance (with the onset of the improved
16 distribution inspection and maintenance program), and \$8.2 million less in
17 customer-related and streetlight maintenance categories.¹⁴

18
19 SCE briefly summarizes \$32.6 million of the \$48 million in TDBU O&M
20 expenses where it claims that it spent less than authorized in its TY 2009 GRC.¹⁵

(continued from previous page)

that an adopted level of funding means that a program must be executed, or that management loses discretion to reallocate funds to meet changing circumstances. As circumstances differed in 2009 from what we had forecast they would be when the rate case was filed in July 2007, SCE's management exercised discretion to fund operations consistent with our priorities of safety, reliability and compliance" (DRA-SCE-031-TLG question 1-d).

¹³ DRA calculated the \$48 million by subtracting \$531 million from \$579 million which SCE provided in Figure III-7 in Ex. SCE-03, Volume 1, Chapters I-VI page 20.

¹⁴ Ex. SCE-03, Volume 1, Chapters I-VI, page 20.

¹⁵ In SCE's TY 2009 GRC, SCE requested and was authorized \$50 million for its Transmission and Distribution Training expenses (D.09-03-025, page 63). The authorized funding was for Transmission and Distribution Training Delivery and Seat Time expenses. DRA expressed its concern that SCE's TY 2009 GRC requested funding level for training was excessive. DRA discovered that SCE spent less than authorized in this area as well. SCE's 2009 recorded adjusted expenses are \$39.329 million (SCE's 2009 recorded adjusted expenses for Transmission and Distribution Training Delivery is shown on page 43
(continued on next page)

1 DRA expected to find more discussion and detail on the \$48 million when it reviewed
2 SCE's testimony on its recorded adjusted 2009 expenses and its TY 2012 request
3 for the specific Sub-Accounts. SCE's testimony did not discuss the specific details
4 on the \$48 million of embedded funding, which is in addition to the amounts SCE
5 shows as its recorded adjusted 2009 expenses. SCE did not discuss how it
6 incorporated the \$48 million of embedded funding into its test year forecast request
7 for its TDBU O&M expenses. This is problematic, especially since SCE is
8 requesting additional funding in the test year in some of the same areas where it
9 spent less than authorized in its last GRC.

10
11 In SCE's TY 2012 GRC, SCE is requesting TDBU O&M expense funding
12 levels in various Sub-Accounts that SCE has not shown are necessary or justified to
13 address its work activities in the test year. In the following sections of this exhibit,
14 DRA will discuss in more detail its findings and recommendations which also take
15 into consideration the \$48 million of embedded authorized funding from SCE's TY
16 2009 GRC.

17 **A. DRA's Analysis**

18 DRA conducted its analysis by reviewing SCE's testimony and workpapers,
19 and by issuing data requests and analyzing responses. DRA had telephone
20 conferences with SCE witnesses to obtain additional information to clarify forecast
21 requests and met with various SCE witnesses to discuss findings and questions
22 pertinent to data requests and responses.

23 **1. DRA's Discovery Problems Obtaining SCE's Employee** 24 **Headcounts Associated With Recorded And Forecasted** 25 **Labor Expenses Recorded To Specific TDBU O&M** 26 **Expense Sub-Accounts**

27 SCE presented its TY 2012 request for its TDBU O&M labor and non-labor
28 expenses by specific Sub-Accounts and by line items within those Sub-Accounts.

(continued from previous page)
and its Seat Time is shown on page 48 in Ex. SCE-03, Volume 5 Part 2, Chapters I-III).

1 Therefore, DRA's data requests relating to SCE's TDBU O&M historical and
2 forecasted labor and non-labor expenses asked for the information by SCE's specific
3 Sub-Account.

4 DRA issued several data requests and made phone calls to SCE in an
5 attempt to obtain its historical employee headcounts as of December 31 of each
6 historical year to tie back and trace employee data and labor expenses and compare
7 them to forecasted labor expense levels by Sub-Account. Although SCE's test year
8 request was by specific Sub-Account, which includes substantial forecasted labor
9 expense increases in various Sub-Accounts for additional employees, SCE claimed
10 that it was not able to respond to DRA's data request for the end of the year
11 headcount. SCE states the following:

12 In general and as discussed in other responses to DRA data requests,
13 expenses recorded in FERC Sub-accounts are activity-based and are
14 therefore driven by the amount of work performed and not a count of
15 employees. Our employees may perform different types of work and charge
16 multiple FERC Sub-accounts during a year. We, therefore, cannot provide a
17 meaningful count of positions by FERC Sub-account.¹⁶

18 Because SCE did not provide responses in a manner consistent with how it
19 presented its testimony, DRA was not able to match historical (2005-2009) and
20 forecast (2012) data on SCE's actual employee headcount and the associated labor
21 dollars for employees that performed work and recorded labor expenses in specific
22 TDBU Sub-Accounts.

23
24 Given SCE's own admission that it "cannot provide a meaningful count of
25 positions by FERC Sub-account", SCE's labor expense forecast should be
26 scrutinized carefully by the Commission. For SCE to have such difficulty gathering
27 historical employee data and/or headcounts that impact its TY 2012 labor forecast
28 by the same manner in which is filed its testimony, by specific Sub-Account, is cause
29 for concern. For SCE's next GRC, the Commission should require that SCE's filed

¹⁶ SCE's response to DRA-SCE-067-TLG question 5-c.

1 Application, workpapers, data request responses, and all other supporting
2 documentation clearly and accurately show the historical employee headcounts and
3 Full Time Equivalent (FTEs) that are included in its TDBU O&M expense forecast
4 by Sub-Account. The Commission should also require SCE to provide all historical
5 data and supporting information in the same manner in which it is forecast for the
6 test year and presented in testimony.

7 **2. Normalized Adjustments for Supererogatory Expenses**

8 In various FERC Accounts, SCE included in its forecasts costs for
9 supererogatory expenses.¹⁷ DRA made normalized adjustments to SCE's historical
10 expenses for ratemaking purposes, for those years that DRA utilized in its estimate,
11 for various employee recognition programs: Spot Bonus payments, Awards to
12 Celebrate Excellence Recognition Points (ACE),¹⁸ and payments that are
13 considered to be social, cultural and charitable in nature. The amount of the
14 normalized adjustment and the FERC Account(s)/Sub-account(s) where DRA made
15 the normalized adjustment is identified and discussed in DRA's estimate for the
16 specific FERC Account(s)/Sub-account(s) below.

17
18 The supererogatory employee recognition programs mentioned above
19 provide no clear or identifiable benefit to ratepayers and are not necessary to
20 operate the utility business. It is inappropriate for ratepayers to be burdened with
21 the responsibility of subsidizing SCE's supererogatory employee recognition
22 programs that are not necessary or required for utility operations. SCE can continue
23 to provide these benefits to its employees, at its shareholders' expense.

¹⁷ "Supererogatory: Performed or observed beyond the required or expected degree".
American Heritage Dictionary.

¹⁸ DRA provides further discussion regarding SCE's Awards to Celebrate Excellence
Recognition Program (ACE) in Exhibit DRA-22.

1 The Commission has found that expenses such as the above mentioned, fit
2 the category of social activities and should not be funded by ratepayers. In D.06-05-
3 016, D.04-07-022, and D.09-03-025¹⁹ the Commission did not provide funding for
4 Spot Cash Awards.

5
6 In a Southern California Gas Company (SoCalGas) rate case, the
7 Commission stated the following in D.93-12-043 (at page 75):

8
9 SoCalGas seeks \$1.505 million for Disneyland trips, Christmas turkey checks,
10 employee volunteer program information and retiree gift checks and
11 luncheons. DRA opposes all of this funding on the basis that Commission
12 policy does not allow ratepayer funding for social activities and charitable
13 donations. SoCalGas argues that these expenses are not charitable and
14 argues that its last general rate case decision, which allowed such expenses,
15 is precedential. We are not as concerned as DRA or SoCalGas with the
16 precedent associated with funding employee social activities. We are more
17 concerned with current economic circumstances. SoCalGas' employees
18 have generous benefits included in their employment contracts. Disneyland
19 trips and Christmas turkey checks may be reasonable employee benefits but
20 ratepayers should not be required to pay for them. SoCalGas, of course, may
21 continue to offer these benefits at shareholder expense. We deny funding in
22 this account for employee social activities.

23 In regards to employee lunches and recognition awards, the Commission stated:

24 Although SCE removed some of the disputed expenses for Shared Services
25 Support, SCE contends that expenses for food vendor services, mentor
26 luncheons, and employee awards are appropriate because they support valid
27 business purposes. The disputed expenses support working lunches for the
28 Vice President and managers, which, SCE contends, results in greater
29 organizational effectiveness. They also support lunches for mentor programs
30 that, according to SCE, strengthen the organization, provide for career
31 enhancement, professional growth, and job effectiveness. Finally, SCE
32 maintains that employee awards and recognition programs foster continuous
33 improvement and achievement of long-term objectives, and create an
34 environment of valued contribution that promotes employee retention. We
35 find SCE's justification for the disputed expenses unconvincing. In particular,
36 SCE has not adequately demonstrated that ratepayer funded lunches for

¹⁹ D.09-03-025 pages 132-134.

1 executives and managers and for mentor program participants is necessary
2 or appropriate. ORA's proposed reduction of \$83,507 will be adopted. The
3 adopted non-labor expenses for Shared Services' Support Group in Account
4 921 are \$177,364 (D.05-04-037, page 173).

5 The Commission has a lengthy history of denying utility requests for
6 employee social activities and DRA recommends that the Commission continue to
7 adhere to that precedent and deny SCE's request for ratepayer funding of these
8 costs.²⁰

9 **B. Overview of SCE's Request**

10 SCE forecasted \$607.916 million for its Transmission and Distribution
11 Business Unit (TDBU) Operation and Maintenance (O&M) expenses for TY 2012:
12 \$191.590 million for Transmission and \$416.326 million for Distribution.²¹ SCE's
13 forecast of \$607.916 million is an increase of \$87.826 million or 16.89% over its
14 2009 recorded adjusted expenses of \$520.090 million.²² The proposed increases
15 over 2009 recorded expense levels are supposed to address SCE's forecasted
16 inspection and maintenance, capital-related expenses, training, breakdown, storm-

²⁰ D.67369, 62 CPUC 851-854; D.89-12-157, 34 CPUC 2d 265-266; and D.93-12-043, 52 CPUC 2d, 513-514.

²¹ SCE's Transmission forecast of \$191.590 million and its Distribution forecast of \$416.326 million, which DRA totaled and shows in its Tables 5-1 and 5-2, were taken from Ex. SCE-03, Volume 1 – TDBU Policy Overview, Chapters I-IV, pages B-2 through B-4. Note that SCE did not provide a total for its Transmission expenses (FERC Accounts 560-573) or its Distribution expenses (FERC Accounts 580-598). SCE provided totals for the individual Sub-Accounts. SCE organized and presented its TY 2012 GRC filing by Sub-Accounts.

²² SCE shows that its 2009 recorded adjusted O&M expenses for its TDBU were \$48 million less than authorized in its TY 2009 GRC (Ex. SCE-03, Volume 1, Chapters I-VI, page 20). Note that DRA calculated SCE's 2009 recorded adjusted O&M expenses for its TDBU of \$520.090 million by totaling the 2009 recorded adjusted expenses for each of SCE's Sub-Accounts shown in its TDBU O&M expense exhibits (\$148.322 million for Transmission and \$371.768 million for Distribution).

1 related costs, and revision of the North American Electric Reliability Corporation
2 (NERC) Critical Infrastructure Protection (CIP) standards and regulations.²³

3 **C. Inspection and Maintenance**

4 SCE forecasted \$108.288 million for its Inspection and Maintenance
5 expenses.²⁴ SCE developed its forecast by utilizing its 2009 recorded adjusted
6 expenses for Sub-Accounts 583.120, 584.120, 594.120, and 593.120 plus
7 incremental expenses for proposed projects and work activities. The corresponding
8 DRA estimate for SCE's Inspection and Maintenance expenses is \$98.281 million,
9 which is \$10.007 million less than SCE's forecast.

10
11 SCE combined the forecasted expenses from four Sub-Accounts to calculate
12 its forecast of \$108.288 million for its Inspection And Maintenance expenses which
13 are summarized in Figure 5-1. Table 5-4 below shows SCE's recorded adjusted
14 expenses for 2005-2009 and its TY 2012 forecast.

15 Figure 5-1
16 Thousands of 2009 Dollars

	SCE	DRA
18 583.120 – Distribution Overhead Inspections	\$ 9,431	\$ 7,838
19 584.120 – Underground Detail Inspections	1,687	1,474
20 593.120 – Distribution Preventive Maintenance	93,139	85,477
21 594.120 – Distribution Apparatus	4,031	3,492
22 Total	\$108,288	\$98,281

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²³ Ex. SCE-03, Volume 1 – TDBU Policy Overview, Chapters I-IV, page 20.

²⁴ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 61.

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Table 5-4
Inspection And Maintenance Expenses
2005-2009 Recorded / 2012 Forecast
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
583.120	\$10,921	\$10,000	\$6,217	\$5,136	\$10,099	\$9,431
584.120	3,081	2,984	2,810	1,674	1,474	1,687
594.120	3,377	4,360	4,562	2,975	3,492	4,031
593.120	62,825	77,833	76,035	66,245	82,034	93,139
Total	\$80,204	\$95,177	\$89,624	\$76,030	\$97,099	\$108,288

5 Source: 2012 data from Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 61, and 2005-2009 data
6 from pages 73, 76, 88, and 89.

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1. 583.120 – Distribution Overhead Inspections

SCE forecasted \$9.431 million for Sub-Account 583.120 (Labor of \$2.507 million and Non-Labor of \$6.924 million) for its Distribution Overhead Inspections expenses.²⁵ SCE's Sub-Account 583.120 includes the following line items: Overhead Detail Inspections, Annual Patrols, and Distribution Wood Pole Intrusive Inspections. DRA utilized SCE's recorded 2009 data and a five year average as a basis for its forecast of \$7.838 million for SCE's Sub-Account 583.120. DRA's estimate is \$1.593 million less than SCE's forecast. Table 5-5 below shows SCE's recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.²⁶ Table 5-6 shows the historical and forecast breakdown for the line items included in Sub-Account 583.120²⁷

²⁵ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 87.

²⁶ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 87.

²⁷ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 88.

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Table 5-5
Distribution Overhead Inspections Expense
for Sub-Account 583.120
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$3,777	\$3,357	\$2,797	\$2,637	\$2,654	\$2,507
Non-Labor	7,144	6,643	3,420	2,499	7,445	6,624
Total	\$10,921	\$10,000	\$6,217	\$5,136	\$10,099	\$9,431

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Table 5-6
Breakdown of Line Item Forecast Included In
Sub-Account 583.120
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Overhead Detail Inspections	\$3,803	\$5,197	\$2,819	\$2,623	\$3,217	\$3,006
Annual Patrols	840	991	1,352	944	892	893
Distribution Wood Pole Intrusive Inspec	6,278	3,813	2,047	1,568	5,990	5,533
Total	\$10,921	\$10,001	\$6,217	\$5,136	\$10,099	\$9,432

10 DRA does not take issue with SCE’s test year forecast for its line items for
11 Overhead Detail Inspections of \$3.006 million and its Annual Patrols of \$0.893
12 million that are included in its forecast. DRA reviewed SCE’s testimony,
13 workpapers, data request responses, and historical expense levels for these line
14 items and the forecasts appear to be reasonable. DRA takes issue with SCE’s line
15 item for Distribution Wood Pole Intrusive Inspections of \$5.533 million.

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DRA utilized a five year average (2005-2009) as a basis and forecasted \$3.939 million for SCE’s Wood Pole Intrusive Inspections recorded to Sub-Account 583.120. SCE’s recorded adjusted expenses declined each year between 2005 and 2008, from \$6.278 million in 2005 to \$1.568 million in 2008. SCE states that the decline in expenses was due to reductions in activities associated with identifying and scheduling poles for inspection, reductions in activities associated with its “no access” program, and reductions in the number of intrusive inspections

1 performed.²⁸ In 2009, SCE’s expenses increased by \$4.442 million or 282.02%
 2 over 2008 recorded expenses as SCE “began performing intrusive inspections on a
 3 grid basis”.²⁹ SCE states that its forecast is based on its estimated cost-per-pole
 4 and the average number of distribution wood pole intrusive inspections it plans on
 5 performing between 2012 and 2014 as well as an anticipated cost for its intrusive
 6 contracts.³⁰ Table 5-7 below shows SCE’s recorded adjusted expenses for 2005-
 7 2009 and its TY 2012 forecast for its intrusive wood pole inspections.³¹

8 **Table 5-7**
 9 **Distribution Wood Pole Intrusive Inspections Expense**
 10 **for Sub-Account 583.120**
 11 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$682	\$558	\$193	\$79	\$193	\$175
Non-Labor	5,596	3,255	1,854	1,489	5,797	5,357
Total	\$6,278	\$3,813	\$2,047	\$1,568	\$5,990	\$5,532

12 Based on recent history, SCE’s proposed intrusive wood pole inspections of
 13 130,427 per year, for the next three years, during the rate case cycle appears to be

²⁸ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 79 to 80. SCE’s actual number of intrusive inspections performed declined due in part to an increase in recorded corrections. A recorded correction happens when an SCE inspector goes to the location to complete a wood pole intrusive inspection and finds that 1) there is no longer a pole at that location, 2) the pole has already been inspected, and 3) the pole has been recently replaced (DRA-SCE-065-TLG question 5-d). DRA notes that more accurate recording and documentation by SCE on when actual wood pole intrusive inspections were performed and the exact location, when wood poles were removed, and when wood poles were replaced would reduce the unnecessary expense increases associated with corrections and contractor costs recorded to Sub-Account 583.120.

²⁹ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 80. Recorded wood pole corrections are also included in this increase in expenses recorded in 2009 for Sub-Account 583.120.

³⁰ SCE made a similar argument in its TY 2009 GRC regarding increasing contract costs. SCE’s recorded adjusted 2009 expenses of \$5.990 million for intrusive wood pole inspections, which includes expenses incurred for its contractors, demonstrates that SCE’s estimate for its contract costs were overstated.

1 unrealistic. As demonstrated in Table 5-7 above, and in SCE's TY 2009 GRC for its
2 intrusive wood pole inspections, SCE's intrusive inspections are the highest at the
3 beginning of the cycle for its intrusive inspections, and then decrease in the following
4 years.³² Although SCE claims that its contactor costs are increasing, with a
5 decrease in the number of actual intrusive inspections performed there should be a
6 corresponding decrease in costs. SCE combined its actual number of poles
7 intrusively inspected (physical drilling of holes in a pole) and its number of
8 corrections together in its testimony which gives the appearance that more actual
9 wood pole intrusive inspections are being performed.³³

10
11 The five year average (2005-2009) of SCE's intrusive inspections/corrections
12 performed is 77,327.³⁴ The number of SCE's intrusive wood pole inspections
13 performed fluctuates each year and DRA's use of a five year average captures this
14 fluctuation. SCE's test year forecast of \$5.533 million (\$16.559 million over three
15 years) is more than is necessary to address its intrusive wood pole inspection
16 activities. DRA notes that SCE made a similar argument in its TY 2009 GRC and
17 requested an additional \$5.338 million over its 2006 recorded expenses for intrusive
18 wood pole inspections of \$3.638 million. SCE was authorized an additional \$4.175

(continued from previous page)

³¹ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 79.

³² In SCE's Figure II-38, SCE shows that it performed 151,998 Inspections/Corrections for 2009 and in SCE's response to DRA-SCE-065-TLG question 5-a, SCE shows that it performed 132,104 Distribution Intrusive inspections as of December 2010. SCE's forecast for 2010 shown in Figure II-38 for Inspections/Corrections is 147,304 (Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 79).

³³ DRA has concerns regarding the high number of wood pole corrections SCE is recording compared to actual intrusive wood pole inspections performed. This unnecessarily increases costs and burdens ratepayers. SCE's Figure II-38 in Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 79.

³⁴ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 79.

1 million for a total of approximately \$7.813 million³⁵ to address its intrusive wood pole
2 inspections and its associated contract costs.³⁶ SCE's 2009 recorded adjusted
3 expenses for its intrusive wood pole inspections is \$5.990 million. SCE has
4 embedded funding in its historical expenses³⁷ to address its activities associated
5 with its intrusive wood pole inspects and no additional funding is required over
6 DRA's estimate of \$3.939 million.

7 **2. 584.120 – Underground Detail Inspections**

8 SCE forecasted \$1.687 million for Sub-Account 584.120 (Labor of \$1.306
9 million and Non-Labor of \$0.381 million) for its Underground Detail Inspections
10 expenses.³⁸ SCE's forecast of \$1.687 is an increase of \$0.213 million or 14.45%
11 over 2009 recorded adjusted expenses of \$1.474 million. DRA utilized SCE's last
12 recorded year as a basis for its forecast of \$1.474 million for SCE's Sub-Account
13 584.120. DRA's estimate is \$0.213 million less than SCE's forecast. Table 5-8
14 below shows SCE's recorded adjusted expenses for 2005-2009 and its TY 2012
15 forecast.³⁹

³⁵ The \$7.813 million DRA calculated has not been adjusted to 2009 constant dollars.

³⁶ D.09.03-025 page 83 and 84.

³⁷ In SCE's TY 2009 GRC, SCE recorded its Intrusive Wood Pole Inspections and its Overhead Detail Inspections in Sub-Account 583.400. In its TY 2012 GRC, SCE records these two activities to Sub-Account 583.120. SCE provided information on its 2009 authorized funding for Sub-Account 583.400 for Wood Pole Intrusive Inspections and Overhead Detail Inspections of \$16.150 million (in 2009 constant dollars) and provided its 2009 recorded expenses for these activities for Sub-Account 583.120 of \$10.098 million (DRA-SCE-065-TLG question 1-a).

³⁸ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 73.

³⁹ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 73.

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Table 5-8
Underground Detail Expense
for Sub-Account 584.120
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$2,170	\$2,084	\$1,986	\$1,348	\$1,142	\$1,306
Non-Labor	911	900	824	326	332	381
Total	\$3,081	\$2,984	\$2,810	\$1,674	\$1,474	\$1,687

5 SCE's expenses declined each year for the last five years (2005-2009) from
6 \$3.081 million in 2005 to \$1.474 million in 2009. The decline in expenses is "due
7 primarily to the transition to DIMP, and the utilization of a new field tool that easily
8 records the time and cost associated with repairs performed during the
9 inspection".⁴⁰ Based on DRA's understanding of SCE's DIMP program, SCE's
10 costs associated with its maintenance activities should continue to decline in the test
11 year or at a minimum remain at its 2009 expense levels.⁴¹

12

13 SCE's request for an additional \$0.213 million over 2009 expenses is not
14 justified. SCE states that its 2009 recorded adjusted expenses "reflects an ongoing
15 Underground Detail Inspection program under DIMP. Although SCE claims "We
16 expect to continue to perform the major activities that recorded to this account in
17 2009",⁴² SCE is requesting additional funding for those embedded costs to perform
18 those same "major activities". It would be inappropriate to require increased

⁴⁰ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 73.

⁴¹ During SCE's TY 2009 GRC, DRA discovered that under SCE's Distribution Inspection & Maintenance Program (DIMP), SCE would complete more maintenance, but it would lead to lower program/maintenance costs (i.e. less employee time needed to identify and classify maintenance programs, reduce the need to allocate resources to items that posed little or no safety or reliability risk, less crew travel time, less area set up, reduce the time needed to discuss work to be done, etc.) due to all work being completed on the pole/structure at the time of scheduled routine maintenance instead of returning at a later time to complete work.

⁴² Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 74.

1 ratepayer funding for activities that already have costs embedded in SCE’s 2009
2 recorded expenses and no additional funding is required over its 2009 recorded
3 adjusted expenses of \$1.474 million.⁴³

4 **3. 593.120 – Distribution Preventive Maintenance**

5 SCE forecasted \$93.139 million for Sub-Account 593.120 (Labor of \$18.929
6 million and Non-Labor of \$74.210 million) for its Distribution Preventive Maintenance
7 expenses.⁴⁴ SCE’s forecast of \$93.139 million is an increase of \$11.105 million or
8 13.54% over 2009 recorded adjusted expenses of \$82.034 million. SCE’s Sub-
9 Account 593.120 includes the following line items: Vegetation Management,
10 Preventive Maintenance, Visalia Pole Yard Remediation, and Graffiti Removal. DRA
11 utilized SCE’s last recorded year as a basis for its forecast of \$85.477 million for
12 SCE’s Sub-Account 593.120. DRA’s estimate is \$7.662 million less than SCE’s
13 forecast. Table 5-9 below shows SCE’s recorded adjusted expenses for 2005-
14 2009 and its TY 2012 forecast.⁴⁵ Table 5-10 shows the historical and forecast
15 breakdown for the line items included in Sub-Account 593.120⁴⁶

⁴³ DRA notes that SCE was authorized approximately \$4.153 million (2009 dollars) in its TY 2009 GRC to address its Underground Line Operations activities that were recorded in Sub-Account 584.400. SCE’s TY 2012 GRC utilizes Sub-Account 584.120. SCE’s 2009 recorded adjusted expenses for Sub-Account 584.120 is \$1.474 million (SCE-065-TLG question 1-b).

⁴⁴ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 88.

⁴⁵ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 88.

⁴⁶ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 89.

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Table 5-9
Distribution Preventive Maintenance Expense
for Sub-Account 593.120
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$10,115	\$11,016	\$11,345	\$14,193	\$17,769	\$18,929
Non-Labor	52,709	66,817	64,690	52,052	64,265	74,210
Total	\$62,824	\$77,833	\$76,035	\$66,245	\$82,034	\$93,139

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Table 5-10
Breakdown of Line Item Forecast Included In
Sub-Account 593.120
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Vegetation Mgmt	\$31,644	\$40,278	\$39,484	\$39,096	\$43,826	\$52,934
Preventive Maint	31,065	37,432	36,077	26,597	37,710	39,712
Visalia Pole Yard	116	123	85	2	(1)	0
Graffiti Removal	0	0	389	549	499	493
Total	\$62,825	\$77,833	\$76,035	\$66,245	\$82,034	\$93,139

10 SCE's expenses for the four line items recorded in Sub-Account 593.120
 11 have fluctuated during the five year period (2005-2009). DRA analyzed the recorded
 12 adjusted expenses and the forecast estimates for each individual line item to
 13 calculate its test year estimates for Sub-Account 593.120. DRA does not take issue
 14 with SCE's test year forecast for its line item for Graffiti Removal of \$0.493 million.
 15 DRA reviewed SCE's testimony, workpapers, data request responses, and historical
 16 expense levels for this line item and the forecast appears to be reasonable. DRA
 17 takes issue with SCE's line items for Vegetation Management of \$52.934 million and
 18 Preventive Maintenance of \$39.712 million.

19

20 DRA forecasted \$47.274 million for SCE's Vegetation Management line item
 21 recorded in Sub-Account 593.120. DRA's estimate is \$5.660 million less than SCE's
 22 estimate. DRA utilized SCE's last recorded year, the highest for the five year period
 23 (2005-2009) as a basis for its forecast. DRA recommends that SCE's expenses
 24 incurred for its Vegetation Management activities, including costs associated with its

1 High Fire Hazard areas, receive one-way balancing account treatment in the test
2 year. Pacific Gas and Electric Company and San Diego Gas & Electric Company
3 currently receive one-way balancing account treatment for costs associated with
4 Tree Trimming and Vegetation Management activities.⁴⁷

5
6 SCE's request for an incremental increase of \$10.1 million (\$30.300 million
7 over the three year rate case cycle)⁴⁸ is not justified.⁴⁹ SCE's recorded adjusted
8 expenses fluctuated between 2005 and 2008 with an average for the four year
9 period (2005-2008) of \$37.626 million. In 2009, SCE's expenses increased by
10 \$4.729 million over 2008 expenses. Table 5-11 below shows SCE's recorded

⁴⁷ Regarding San Diego Gas & Electric Company's one-way balancing account treatment for its Tree Trimming activities recorded to FERC Account 593.1 see D.08-07-046, Appendix 1, page 7. In PG&E's 2011 GRC (A.09-12-020) it requested continuation of its Vegetation Management one-way balancing account.

⁴⁸ SCE's recorded adjusted 2009 expenses for its Vegetation Management expenses recorded to Sub-Account 593.120 is \$42.834 million. SCE's Figure II-39 on page 81 shows SCE's 2009 recorded adjusted expenses of \$43.826 million, which includes \$0.992 million recorded for its High Fire Area Vegetation Management expenses which is supposed to be currently tracked and recorded in its Fire Hazard Prevention Memorandum Account (FHPMA) until December 2011. SCE also included \$172,000 in its 2009 recorded adjusted labor expenses for four Arborist positions relating to the High Fire activities that should be tracked and recorded in SCE's FHPMA account and was part of SCE's estimate for its projected costs for this program. DRA removed the \$172,000 from SCE's 2009 recorded adjusted expenses because the costs were supposed to be tracked and recorded in the FHPMA.

⁴⁹ D.09-08-029 addressed measures to reduce fire hazard in California before the 2009 fall fire season. The decision adopted statewide measures to be initiated before the 2009 fall fire season starts. The decision found that cost-of-service regulated utilities are entitled to recover reasonable costs prudently incurred in compliance with D.09-08-029. In Phase 2 of R.08-11-005, the Commission would determine the proceeding for recovery of these costs. SCE was to establish the Fire Hazard Prevention Memorandum Account (FHPMA) to track and record costs related to fire safety and to implement fire prevention corrective action measures in extreme and very high fire threat areas. SCE was required to record the difference between all fire hazard prevention costs related to activities necessary to implement the requirements of D.09-08-029 and the amounts previously authorized in its 2009 GRC (D.09-03-025) in the FHPMA (Advice Letter 2387-E (U 338-E).

1 adjusted expenses for 2005-2009 and its 2012 forecast for its Vegetation
 2 Management expenses.⁵⁰

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**Table 5-11
 Vegetation Management Expense
 for Sub-Account 593.120
 (in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$1,458	\$1,486	\$1,542	\$1,765	\$1,936	\$1,936
Non-Labor	30,186	38,793	37,942	37,332	40,898	50,998
Total	\$31,644	\$40,279	\$39,484	\$39,097	\$42,834	\$52,934

8 SCE proposes to include the incremental costs of \$10.1 million in its 2012 test
 9 year to address on-going cost-of-service activities associated with the high fire
 10 hazard area rule change.⁵¹ DRA's test year estimate of \$47.274 million includes
 11 additional funding of \$4.612 million for SCE's High Fire Area Vegetation
 12 Management expenses. DRA calculated its estimate of \$4.612 million for SCE's on-
 13 going costs to maintain this program⁵² based on its review and analysis of SCE's
 14 preliminary year-to-date high fire vegetation management work completed in 2010 to

⁵⁰ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 81. SCE provided DRA with revised non-labor expenses for 2009 in its response dated April 11, 2011, which was in response to a Verbal data request.

⁵¹ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 82.

⁵² In SCE's projected costs of \$24.742 million (later revised to \$21.808 million) that it provided to CPSD (OIR R.08-11-005) for costs that were to be tracked and recorded in its FHPMA, SCE included eight line items in the \$24.742 million projection that were related to costs that were to be incurred through 2011. SCE also included an annual cost estimate for expenses that were to begin in 2012, and that total was \$10.073 million. The amount of \$10.073 million appears to be the amount of SCE's incremental request of \$10.1 million for the TY 2012 GRC for Sub-Account 593.120. SCE stated "SCE's costs estimates were developed very quickly based upon a field review of approximately 1,000 trees in one area, the result of which were projected across six affected counties in our service territory. Given the time constraints in Phase I of this proceeding SCE cannot perform a more exhaustive study regarding the impacts of this new rule to its enactment, as would be necessary to develop better cost estimates" (R.08-11-005_CPUC-SCE-VM Cost Recovery Plan).

1 comply with R.08-11-005.⁵³ Based on SCE’s testimony, it appears that SCE has
2 embedded funding in its 2009 recorded adjusted expenses related to its High Fire
3 Area Vegetation Management program. DRA has concerns that SCE may be
4 double counting expenses by including 2009 costs directly associated with the
5 maintenance of its high fire hazard area in Sub-Account 593.120 and also including
6 those same costs that are supposed to be tracked and recorded (to be recovered
7 later) in its High Fire Area Vegetation Management program established Fire Hazard
8 Prevention Memorandum Account (FHPMA).

9
10 SCE states “From 2008-2009 labor costs increased by \$172,000 due
11 primarily to hiring four additional personnel late in 2009 to address tree trimming
12 related issues specific to High Fire area. These four additional personnel are
13 vegetation arborists⁵⁴ hired as a result of the Commission’s change in the
14 vegetation clearance requirements in High Fire areas, which became effective
15 August 20, 2009”.⁵⁵ SCE states further that its non-labor costs for “the period 2008
16 to 2009 costs increased by \$4.558 million due to an increase in tree removals and
17 mid-cycle trims, and the inclusion of costs for vegetation management in high fire
18 hazard areas”.⁵⁶ SCE did not provide information on the specific cause of the

⁵³ SCE provided its 2010 preliminary year to date high fire management work completed in its response to DRA-SCE-065-TLG question 8-b. DRA removed certain costs from its estimate due to the costs being embedded in SCE’s historical expenses (i.e. Patrols) or were specific one-time costs that should not be included in the test year estimate (tree removals). DRA removed costs incurred for Patrols of \$1.497 million and costs for removals of Overhangs, Hazard trees, and Palm trees totaling \$4.895 million.

⁵⁴ In SCE’s projected costs of \$24.742 million (later revised to \$21.808 million) that it provided to CPSD (OIR R.08-11-005) for costs that were to be tracked and recorded in its FHPMA, SCE included line item estimates for various costs that it claimed were going to be incurred to comply with the requirements, and SCE included costs for four full time Arborist employees and the costs were to be included in the FHPMA to establish and maintain 48” Vegetation- to-Line Clearance.

⁵⁵ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 82.

⁵⁶ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 82.

1 increase in “tree removals and mid-cycle trims” or a detailed breakdown of the
2 increase in costs of \$4.558 million for review and analysis to determine if the one-
3 time costs, for the increase in tree removals were part of the high fire related
4 expenses that should have been recorded in its FHPMA.⁵⁷ SCE did not provide a
5 detailed breakdown of costs or a discussion on the specific expenses it incurred in
6 2009 to address the high fire hazard areas in order to determine if all associated
7 high fire hazard costs were properly recorded in its FHPMA and not in Sub-Account
8 593.120 in 2009. DRA requested additional information on SCE’s test year forecast
9 for Sub-Account 593.120.

10

11 DRA asked:⁵⁸

12 SCE states that the “Commission expressly provided that “each cost of
13 service regulated utility is entitled to recover reasonable costs prudently
14 incurred to comply with the changes to the Commission’s rules...” Provide a
15 detailed and itemized listing that shows all costs “incurred to comply with the
16 changes to the Commission’s rules” including copies of invoices, contracts,
17 etc.

18

19 SCE’s response:

20 With approximately two weeks worth of invoices still outstanding the
21 preliminary YTD high fire vegetation management work completed to comply
22 with CPUC (R.08-11-005) is as follows:

⁵⁷ Since SCE is supposed to be tracking and recording costs incurred for activities associated with the high fire hazard area in the FHPMA through 2011, to be recovered later, if SCE included any of those costs incurred in 2009 (its base year for the 2012 GRC) in its Sub-Account 593.120 and its FHPMA, SCE’s ratepayers would be funding those high fire activities twice. It is inappropriate to charge ratepayers twice for the same activities. Regarding recovery of high fire hazard costs, SCE states “In the workshops and in its briefs in Phase 2, SCE requested that the balance accrued in the memorandum account be recovered annually in its ERRA recovery proceeding until 2012 at which time SCE would forecast the amounts necessary to comply with the rule changes in its 2012 General Rate Case as an on-going cost of service” (DRA-VERBAL-077 question 1).

⁵⁸ DRA-SCE-065-TLG question 8-b.

	(\$Millions)	Work Completed
1		
2		
3	Patrols ⁵⁹	\$ 1.497
4	Heavy Tops	\$ 0.928 3,971 Trees
5	Remove Overhangs ⁶⁰	\$ 1.783 3,402 Trees
6	Compliance Trims	\$ 3.055 52,004 Trees
7	Remove Hazard Trees	\$ 1.765 2,540 Trees
8	Remove Palm Trees	\$ 1.347 3,784 Trees
9	Skin Palm Trees	\$ 0.048 186 Trees
10	Perform clear ups	\$ 0.581
11	Total (preliminary)	\$11.004 67,599

12
13 Please see the response to questions 8.c for more information and details
14 regarding the development of SCE's cost forecast and the estimated costs to
15 comply with the changes to the Commission's vegetation rules in R.08-11-
16 005. Please see SCE's response to DRA master request MDR-05, question
17 V.03 for copies of SCE's vegetation management contracts. Copies of all
18 invoices are too voluminous to provide, but the detailed records can be made
19 available for review in SCE's General Office in Rosemead.
20 These numbers are preliminary, based on invoices to date, as SCE does not
21 have recorded-adjusted expenses by sub-account for 2010. The FERC
22 FORM 1 by FERC account (not sub-account) will be made available in the
23 second quarter of 2011.
24

⁵⁹ The costs incurred for Patrols of \$1.497 million should be removed from the calculation of SCE's test year estimate of \$10.1 million due to the fact that SCE was authorized funding for Patrols in its 2009 GRC and these costs are already embedded in historical expenses. Changes to GO 165 were adopted in D.09-08-029 for SCE's patrol inspections in rural areas by increasing those inspections to once per year in Extreme and Very High Threat Zones in counties as defined by California Dept. of Forestry and Fire Protection and Resource Assessment Program (FRAP) Fire Threat Map. SCE's Patrol Inspection program follows this practice and funding was authorized in its 2009 GRC therefore SCE is not to record expenses incurred for annual patrol inspections in rural areas unless the Commission makes changes and the FRAP Fire Threat Map is revised. Expenses incurred for joint pole activities will not be recorded unless the Commission changes GO 165.

⁶⁰ Note that expenses incurred in 2010 for Removal of Overhangs of \$1.783 million, Hazard Trees of \$1.765 million, and Palm Trees of \$1.347 million are specific one-time costs and should not be included in the calculation of SCE's test year estimates to address on-going activities. Note that in SCE's projected costs that it provided to CPSD of \$24.742 million, SCE removed costs incurred for tree removals from its estimate of annual costs.

1 DRA asked:⁶¹

2 SCE's non-labor expenses increased by \$4.558 million "due to an increase in
3 tree removals and mid-cycle trims, and the inclusion of costs for vegetation
4 management in high fire hazard areas". Provide the documentation that
5 explains the increase in more detail regarding the specific expenses for the
6 "tree removals and mid-cycle trims, and the inclusion of costs for vegetation
7 management in high fire hazard areas."
8

9 SCE's response:

10 In 2008 SCE recorded 12,857 mid-cycle trims, compared to 15,875 mid-cycle
11 trims in 2009. Details regarding tree removals were provided in response to
12 DRA master data request MDR-05 question V.01, part c. The inclusion of
13 costs incurred in 2009 for vegetation management in high fire areas resulting
14 from R.08-11-005 is shown in the attachment provided in response to
15 questions 8.f under the line items "Inspections/Line clearing (OIR)" and Trim
16 & Remove Trees – 48 Inch Rule".⁶²
17

18 SCE's responses are incomplete and do not support or justify additional
19 funding of the \$10.1 million it claims is needed to address on-going maintenance
20 activities in its high fire hazard area. SCE also has embedded costs that it can
21 utilize in the test year for on-going activities. DRA's estimate of \$47.274 million,
22 including additional funding of \$4.612 million, is a reasonable test year estimate for
23 SCE to address its Vegetation Management activities.
24

25 DRA forecasted \$37.710 million for SCE's O&M Preventive Maintenance
26 expenses utilizing SCE's 2009 recorded adjusted expenses as a basis. DRA's
27 estimate is \$2.002 million less than SCE's estimate. SCE developed its test year
28 forecast of \$39.712 million for its O&M Preventive Maintenance expenses utilizing a

⁶¹ DRA-SCE-065-TLG question 8-h.

⁶² In SCE's response SCE shows two line items totaling \$0.992 million for 2009 which is supposed to be associated with the High Fire Area Vegetation Management. The specific activity associated with the recorded expenses is not identified, and there is no discussion on these costs for review and analysis. SCE states "An itemized list of all transactions is too voluminous to provide, but the detailed records are available for review in SCE's General Office in Rosemead" (DRA-SCE-065-TLG questions 8-f).

1 budget-based forecast of maintenance activities.⁶³ Table 5-12 below shows SCE’s
 2 recorded adjusted expenses for 2005-2009 and its TY 2012 forecast for its O&M
 3 Preventive Maintenance expenses.

4 **Table 5-12**
 5 **O&M Preventive Maintenance Expense**
 6 **for Sub-Account 593.120**
 7 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$8,542	\$9,407	\$9,718	\$12,422	\$15,828	\$16,536
Non-Labor	22,523	28,024	26,359	14,175	21,882	23,176
Total	\$31,065	\$37,431	\$36,077	\$26,597	\$37,710	\$39,712

8 SCE states “The last recorded year (2009) expense provide a reasonable
 9 starting point for estimating future level of expenses for this sub-account, because
 10 the last recorded year reflects the first full year under the new DIMP program, and
 11 we expect to continue to perform the major activities that recorded to this account in
 12 2009”.⁶⁴ DRA agrees that the use of SCE’s 2009 recorded adjusted expenses as a
 13 basis for SCE’s test year estimate is reasonable especially since it is the first full
 14 year of SCE’s DIMP program, and is a more reasonable method when compared to
 15 SCE’s budget-based method.

16
 17 SCE’s O&M Preventive Maintenance labor expenses increased by \$7.286
 18 million between 2005 and 2009, from \$8.542 million in 2005 to \$15.828 million in
 19 2009 with an average for the period of \$11.183 million. SCE’s non-labor expenses
 20 declined by \$13.849 million between 2006 and 2008 from \$28.024 million in 2006 to
 21 \$14.175 million in 2008 and then increased by \$7.707 million in 2009. The average
 22 for the five year period (2005-2009) for SCE’s non-labor expenses is \$22.593
 23 million. The increases in labor expenses and the decrease in non-labor expenses

⁶³ DRA-SCE-065-TLG question 7-a.

⁶⁴ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 85.

1 were due to SCE's transition to its DIMP program, which increased its maintenance
2 activities and reduced the work performed by contractors.⁶⁵

3
4 SCE's 2009 recorded adjusted expenses are a reasonable test year estimate.
5 SCE also has embedded funding in its historical expenses that it can utilize for its
6 routine and on-going O&M maintenance activities. It is inappropriate to require
7 increased ratepayer funding for activities that already have costs embedded in
8 SCE's 2009 recorded expenses, and no additional funding is required over its 2009
9 recorded adjusted expenses of \$37.710 million.

10 **4. 594.120 – Distribution Apparatus**

11 SCE forecasted \$4.031 million for Sub-Account 594.120 (Labor of \$2.932
12 million and Non-Labor of \$1.099 million) for its Distribution Apparatus expenses.⁶⁶
13 SCE's forecast of \$4.031 million is an increase of \$0.539 million or 15.44% over
14 2009 recorded adjusted expenses of \$3.492 million. DRA utilized SCE's last
15 recorded year as a basis for its forecast of \$3.492 million for SCE's Sub-Account
16 594.120. DRA's estimate is \$0.539 million less than SCE's forecast. Table 5-13
17 below shows SCE's recorded adjusted expenses for 2005-2009 and its TY 2012
18 forecast.⁶⁷

19 **Table 5-13**
20 **Distribution Apparatus Expense**
21 **for Sub-Account 594.120**
22 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$1,695	\$2,296	\$2,623	\$2,048	\$2,542	\$2,932
Non-Labor	1,682	2,064	1,939	927	950	1,099
Total	3,377	4,360	\$4,562	\$2,975	\$3,492	\$4,031

23
⁶⁵ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 84 through 85.

⁶⁶ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 76.

⁶⁷ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 76.

1 SCE's labor expenses fluctuated during the five year period (2005-2009) due
2 to increased underground apparatus repairs and inspections, and decreases in
3 compliance inspections.⁶⁸ SCE's recorded labor expenses averaged \$2.241 million
4 for the five year period and averaged \$2.404 million for the three year period (2007-
5 2009). SCE's 2009 recorded adjusted expenses were \$2.542 million. SCE's non-
6 labor expenses declined by \$1.137 million between 2006 and 2008 from \$2.064
7 million in 2006 to \$0.927 million in 2008 and remained relatively stable between
8 2008 and 2009 with recorded non-labor expenses of \$0.950 million.

9
10 SCE's request for an additional \$0.539 million over 2009 recorded adjusted
11 expenses for Sub-Account 594.120 is unnecessary for SCE to address its work
12 activities in the 2012 test year. SCE states that its "apparatus inspection and
13 maintenance program has remained the same from 2005-2009", but that its "cost-
14 per-unit has fluctuated over this period, thus we used the five year average unit cost
15 to develop forecasts".⁶⁹ DRA assumes that SCE's apparatus inspection and
16 maintenance program, which "remained the same from 2005-2009", will continue to
17 remain the same in the test year. It is inappropriate to require increased ratepayer
18 funding for activities that already have costs embedded in SCE's 2009 recorded
19 expenses and no additional funding is needed over its 2009 recorded adjusted
20 expenses of \$3.492 million.⁷⁰

⁶⁸ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 76.

⁶⁹ Ex. SCE-03, Volume 4, Part 2, Chapters I-II, page 77.

⁷⁰ DRA notes that SCE was authorized approximately \$5.130 million (2009 dollars) in its TY 2009 GRC to address its Distribution Apparatus activities that were recorded in Sub-Accounts 584.300, 593.100 and 594.100. In SCE's TY 2012 GRC it combined these three Sub-Accounts into Sub-Account 594.120. SCE's 2009 recorded adjusted expenses for Sub-Account 594.120 is \$3.492 million (SCE-065-TLG question 1-a).

1 **D. Distribution Planning and Field Accounting**

2 SCE forecasted \$5.699 million for its Distribution Planning and Field
 3 Accounting expenses.⁷¹ SCE developed its forecast by utilizing its 2009 recorded
 4 adjusted expenses for Sub-Accounts 588.130 and 589.130 plus incremental
 5 expenses for proposed projects and work activities. The corresponding DRA
 6 estimate for SCE’s Distribution Planning and Field Accounting expenses is \$4.080
 7 million, which is \$1.619 million less than SCE’s forecast.

8
 9 SCE combined the forecasted expenses from two Sub-Accounts to calculate
 10 its forecast of \$5.699 million for its Distribution Planning and Field Accounting
 11 expenses which is summarized in Figure 5-2. Table 5-14 below shows SCE’s
 12 recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.

13 Figure 5-2
 14 Thousands of 2009 Dollars

	SCE	DRA
15 588.130 – Central Distribution Design – Mapping, Joint Pole	\$5,095	\$3,476
16 And Field Accounting		
17 589.130 – Distribution Line Rents	604	604
18 <hr/>	<hr/>	<hr/>
19 Total	\$5,699	\$4,080

20 **Table 5-14**
 21 **Distribution Planning And Field Accounting Expenses**
 22 **2005-2009 Recorded / 2012 Forecast**
 23 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
588.130	\$6,055	\$7,721	\$8,262	\$8,237	\$8,315	\$5,095
589.130	727	648	653	788	604	604
Total	\$6,782	\$8,369	\$8,915	\$9,025	\$8,919	\$5,699

24 Source: 2005-2009 and 2012 data from Ex. SCE-03, Volume 3, Chapters I-II, pages 47 and 48.

⁷¹ Ex. SCE-03, Volume 4, Part 3, Chapters I-II, page 9.

1 **1. 588.130 – Central Distribution Design – Mapping, Joint**
 2 **Pole, and Field Accounting**

3 SCE forecasted \$5.095 million for Sub-Account 588.130 (Labor of \$4.683
 4 million and Non-Labor of \$0.412 million) for its Central Distribution Design –
 5 Mapping, Joint Pole, and Field Accounting expenses.⁷² SCE’s Sub-Account
 6 588.130 includes test year forecasts for the following line items: Field Accounting,
 7 Facilities Inventory Mapping, Joint Pole Activities, and Miscellaneous Expenses
 8 (employee recognition awards). DRA utilized SCE’s last recorded year, a two and
 9 five year average as a basis for its forecast of \$3.476 million for SCE’s Sub-Account
 10 588.130. DRA’s estimate is \$1.619 million less than SCE’s forecast.

11
 12 Table 5-15 below shows SCE’s recorded adjusted expenses for 2005-2009
 13 and its TY 2012 forecast.⁷³ Table 5-16 shows the historical and forecast expense
 14 breakdown for the line items included in the forecast for Sub-Account 588.130.⁷⁴

15 **Table 5-15**
 16 **Central Distribution Design – Mapping, Joint Pole**
 17 **And Field Accounting Expenses**
 18 **for Sub-Account 588.130**
 19 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$5,233	\$5,806	\$6,651	\$7,222	\$7,522	\$4,683
Non-Labor	822	1,915	1,611	1,015	793	412
Total	\$6,055	\$7,721	\$8,262	\$8,237	\$8,315	\$5,095

20
⁷² Ex. SCE-03, Volume 4, Part 3, Chapters I-II, page 48.

⁷³ Ex. SCE-03, Volume 4, Part 3, Chapters I-II, page 48.

⁷⁴ Ex. SCE-03, Volume 4, Part 3, Chapters I-II, pages 41, 42, 44, and 46.

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Table 5-16
Breakdown of Line Item Forecast Included In
Sub-Account 588.130
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Field Accounting	\$0	\$0	\$864	\$1,370	\$1,651	\$953
Facility Inventory Mapping	3,395	4,597	4,573	4,095	3,694	665
Joint Pole Expenses	2,249	2,697	2,641	2,572	2,675	3,175
Misc Expenses	410	423	182	201	295	302
Total	\$6,054	\$7,717	\$8,260	\$8,238	\$8,315	\$5,095

5 SCE's expenses for the four line items recorded in Sub-Account 588.130
6 have fluctuated during the five year period (2005-2009). DRA does not take issue
7 with SCE's test year forecast for its line item for Facility Inventory Mapping of \$0.665
8 million. DRA analyzed the recorded adjusted expenses and the forecast estimates
9 for each individual line item separately to calculate its test year estimate for Sub-
10 Account 588.130. DRA takes issue with the following line items discussed below
11 that are included in the forecast for Sub-Account 588.130.

12

13 DRA forecasted \$72,528 for SCE's Field Accounting expenses utilizing SCE's
14 allocation of 4.8% (discussed later in this paragraph) and applying that to SCE's two
15 year average (2008 and 2009) of recorded adjusted expenses. DRA's estimate is
16 \$880,472 less than SCE's estimate. SCE states "In 2012 the percentage of total
17 Field Accounting expenses allocated to Field Accounting O&M will be reduced to
18 4.8%, based on a more recent analysis of capital versus O&M activity. This
19 percentage reduction reduces our forecast for O&M expenses from \$1.651 million to
20 \$953,000".⁷⁵ DRA notes that \$953,000 is not 4.8% of \$1.651 million. DRA
21 calculated 4.8% of \$1.651 million to be \$79,248 (\$1.651 million multiplied by 4.8%
22 equals \$79,248). DRA utilized a two year average (2008-2009) to calculate its test

⁷⁵ Ex. SCE-03, Volume 4, Part 3, Chapters I-II, page 42.

1 year estimate due to the fact that “2008 was the first full year of the accounting
2 change to an allocated cost/O&M split for Field Accounting expenses”.⁷⁶

3
4 DRA forecasted \$2.675 million for SCE’s Joint Pole expenses utilizing SCE’s
5 2009 recorded adjusted expenses. DRA’s estimate is \$0.500 million less than
6 SCE’s estimate. SCE’s Joint Pole labor expenses increased slightly between 2005
7 and 2009 averaging \$2.325 million for the five year period (2005-2009) while its non-
8 labor expenses decreased each year during the period from \$0.417 in 2005 to
9 \$0.063 million in 2009. SCE increased its staffing level between 2005 and 2009 by
10 eight employees to address its work activities associated with joint pole requests.⁷⁷
11 SCE’s incremental test year forecast of \$0.500 million over 2009 recorded adjusted
12 expenses was for hiring five additional employees over three years.

13
14 SCE was authorized an additional \$0.438 million in its TY 2009 GRC to fund
15 six additional positions in its Joint Pole Organization, however SCE’s recorded
16 adjusted 2009 expenses and its staffing level does not reflect this fact.⁷⁸ SCE
17 should have embedded costs and expenses incurred for overtime in its historical
18 expenses that it can utilize for additional staffing it claims it needs in the test year.
19 SCE’s 2009 recorded adjusted expenses is a reasonable test year estimate and
20 incorporates fluctuations in expenses.

21
22 DRA forecasted \$0.063 million for SCE’s Miscellaneous expenses utilizing a
23 five year average of SCE’s 2009 recorded adjusted expenses for minor furniture and

⁷⁶ Ex. SCE-03, Volume 4, Part 3, Chapters I-II, page 41. DRA calculated its test year estimate utilizing SCE’s two year average (2008-2009) for recorded adjusted expenses of \$1.511 million and applied the 4.8% to equal \$72,528.

⁷⁷ SCE’s response to DRA-SCE-086-TLG question 6-d.

⁷⁸ D.09-03-025 page 91.

1 equipment.⁷⁹ DRA's estimate is \$0.239 million less than SCE's forecast. SCE's
2 Miscellaneous expenses include costs for its minor furniture and equipment and
3 employee recognition.⁸⁰ SCE's 2012 forecast of \$0.302 million for its Miscellaneous
4 expenses includes \$0.239 million of employee recognition expenses which DRA
5 removed from its test year estimate for ratemaking purposes.⁸¹ DRA made a
6 normalized adjustment to SCE's recorded adjusted historical expenses (2005-2009)
7 of \$0.239 million recorded in Sub-Account 588.130 for ratemaking purposes. DRA's
8 adjustment was made to remove discretionary costs associated with SCE's
9 employee recognition program Spot Bonuses and Awards to Celebrate Excellence
10 Recognition Points (ACE), which are inappropriate to charge to ratepayers. SCE's
11 employee recognition programs provide no clear or identifiable benefit to ratepayers
12 and are not necessary to operate the utility business.

13

14 **E. Construction and Maintenance**

15 SCE forecasted \$61.960 million for its Distribution Construction and
16 Maintenance expenses.⁸² SCE developed its forecast by utilizing its 2009 recorded
17 adjusted expenses for Sub-Accounts 580.140, 583.140, 586.140, 587.140, 588.140,
18 593.140, and 594.140 plus incremental expenses for proposed projects and work
19 activities. The corresponding DRA estimate for SCE's Distribution Construction and
20 Maintenance expenses is \$29.497 million, which is \$32.463 million less than SCE's
21 forecast.

22

⁷⁹ SCE provided its 2005-2009 recorded expenses incurred for minor furniture and equipment in its response to DRA-SCE-086-TLG question 7-e, and provided the five year average of these expenses of \$63,000 in DRA-SCE-086-TLG question 7-f.

⁸⁰ Ex. SCE-03, Volume 4, Part 3, Chapters I-II, page 45.

⁸¹ SCE provided its 2012 forecasted expenses for employee recognition expenses in its response to DRA-SCE-086-TLG question 7-c.

⁸² Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 73.

1 SCE combined the forecasted expenses from seven Sub-Accounts to
 2 calculate its forecast of \$61.960 million for its Distribution Construction And
 3 Maintenance expenses which are summarized in Figure 5-3. Table 5-17 below
 4 shows SCE's recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.

5 Figure 5-3
 6 Thousands of 2009 Dollars

	SCE	DRA
8 580.140 – Operations Supervision and Engineering	\$ 2,653	\$ 2,653
9 583.140 – Construction – Related Expense	735	582
10 586.140 – Meter Expense	6,700	5,583
11 587.140 – Service Guarantees	670	0
12 588.140 – Miscellaneous Distribution Expense	3,777	3,006
13 593.140 – Overhead Breakdown Expense	28,803	10,172
14 594.140 – Underground Breakdown Expense	18,622	7,501
15 Total	\$61,960	\$29,497

16 **Table 5-17**
 17 **Distribution Construction And Maintenance Expenses**
 18 **2005-2009 Recorded / 2012 Forecast**
 19 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
580.140	\$2,961	\$2,385	\$3,098	\$2,635	\$2,653	\$2,653
583.140	2,108	3,137	3,600	2,942	582	735
586.140	6,666	7,390	6,721	6,430	5,583	6,700
587.140	1,018	989	731	670	1,034	670
588.140	3,015	2,803	3,073	3,410	4,327	3,777
593.140	8,149	11,421	9,008	7,903	14,378	28,803
594.140	6,380	6,893	5,913	7,580	10,739	18,622
Total	\$30,297	\$35,018	\$32,144	\$31,570	\$39,296	\$61,960

20 Source: 2005-2009 and 2012 data from Ex. SCE-03, Volume 4, Part 6, Chapters I-II, pages 107,
 21 111, 113, 115, 119, 122, and 125.

22 **1. 583.140 – Construction – Related Expense**

23 SCE forecasted \$0.735 million for Sub-Account 583.140 (Labor of \$0.614
 24 million and Non-Labor of \$0.121 million) for its Construction – Related.⁸³ SCE's
 25 forecast of \$0.735 million is an increase of 26.29% over 2009 recorded adjusted

⁸³ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 111.

1 expenses of \$0.582 million. SCE's Sub-Account 583.140 includes the following line
 2 items: Civil Inspections, Warranty Inspections, and Switching. DRA utilized SCE's
 3 last recorded year as a basis for its forecast of \$0.582 million for SCE's Sub-Account
 4 583.140. DRA's estimate is \$0.153 million less than SCE's forecast.

5
 6 Table 5-18 below shows SCE's recorded adjusted expenses for 2005-2009
 7 and its TY 2012 forecast.⁸⁴ Table 5-19 shows the historical and forecast breakdown
 8 for the line items included in Sub-Account 583.140.⁸⁵

9
 10 **Table 5-18**
 11 **Construction – Related Expense**
 12 **for Sub-Account 583.140**
 13 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$1,674	\$2,468	\$2,476	\$2,136	\$491	\$614
Non-Labor	434	669	1,124	806	91	121
Total	\$2,108	\$3,137	\$3,600	\$2,924	\$582	\$735

14
 15 **Table 5-19**
 16 **Breakdown of Line Item Forecast Included In**
 17 **Sub-Account 583.140**
 18 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Civil Inspections	\$446	\$661	\$888	\$614	\$250	\$404
Warranty Inspections	1,433	2,232	2,460	2,144	307	307
Switching	229	244	252	184	25	25
Total	\$2,108	\$3,137	3,600	\$2,942	\$582	\$736

19
⁸⁴ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 111.

⁸⁵ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 112.

1 SCE's recorded adjusted expenses for the three line items recorded in Sub-
2 Account 583.140 have declined each year between 2007 and 2009 from \$3.600
3 million in 2007 to \$0.582 million in 2009. Based on this decline in its expenses, SCE
4 utilized its 2009 recorded adjusted expenses as a basis to forecast its line items for
5 Warranty Inspections and Switching expenses.⁸⁶ SCE utilized its forecast level of
6 underground capital work to forecast its Civil Inspections expenses in the test year.
7 SCE states "we took the last year recorded costs to perform civil construction
8 inspections and divided it by the recorded underground capital work requiring
9 inspection. We applied this percentage to the forecast capital work to calculate the
10 required funding for civil inspections".⁸⁷

11
12 DRA's test year estimate of \$0.582 million utilizing SCE's 2009 recorded
13 adjusted expenses as a basis reflects SCE's recent expense history in Sub-Account
14 583.140 when compared to SCE's method which utilized its forecast level of
15 underground capital work. SCE has embedded funding in its historical expenses to
16 allocate towards this activity since it has eliminated the work activity associated with
17 performing site readiness checks.⁸⁸ SCE's underground capital work may not be
18 adopted as SCE proposed and DRA's test year estimates for several of SCE's
19 proposed capital projects are lower than SCE's forecasts.⁸⁹ If DRA does not make
20 a corresponding adjustment to SCE's forecast for Sub-Account 583.140 the
21 expenses in the test year would be overfunded.

22

⁸⁶ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 111.

⁸⁷ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 111.

⁸⁸ In response to DRA-SCE-074-TLG question 6-b, SCE stated that it had eliminated Site Readiness Checks. SCE was authorized funding for its Pre-Construction Site Readiness Checks in its TY 2009 GRC (09-03-025 page 81 to 82).

⁸⁹ The detailed discussion and analysis on SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects are addressed in Exhibits DRA-6 and DRA-7.

2. 586.140 – Meter-Related Expense

SCE forecasted \$6.700 million for Sub-Account 586.140 (Labor of \$2.675 million and Non-Labor of \$4.025 million) for its Meter Related expenses.⁹⁰ SCE's forecast of \$6.700 million is an increase of \$1.117 million or 20% over 2009 recorded adjusted expenses of \$5.583 million. SCE's Sub-Account 586.140 includes the following line items: Replacements, Sets, and Removals. DRA utilized SCE's last recorded year as a basis for its forecast of \$5.583 million for SCE's Sub-Account 586.140. DRA's estimate is \$1.117 million less than SCE's forecast.

Table 5-20 below shows SCE's recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.⁹¹ Table 5-21 shows the historical and forecast breakdown for the line items included in Sub-Account 586.140.⁹²

**Table 5-20
Meter Expense
for Sub-Account 586.140
(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$2,264	\$2,237	\$2,299	\$2,411	\$2,541	\$2,675
Non-Labor	4,402	5,153	4,422	4,019	3,042	4,025
Total	\$6,666	\$7,390	\$6,721	\$6,430	\$5,583	\$6,700

**Table 5-21
Breakdown of Line Item Forecast Included In
Sub-Account 586.140
Meter Replacements, Sets, and Removals**

Description	2005	2006	2007	2008	2009	2012 Forecast
Meter Replacements	90,834	86,895	96,916	99,542	107,867	109,411
Meter Sets	93,794	96,854	74,332	51,041	25,264	51,548
Meter Removals	20,796	21,789	21,154	16,891	13,300	17,256
Total	205,424	205,538	192,402	167,474	156,431	178,415

⁹⁰ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 113.

⁹¹ Ex. SCE-03, Volume, 4 Part 6, Chapters I-II, page 113.

⁹² Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 114.

1 SCE's expenses have declined each year for the last four years (2006-2009)
2 from \$7.390 million in 2006 to \$5.583 million in 2009. The decline in expenses is
3 partly due to "the economic recession reduced demand in the housing market".⁹³
4 DRA requested additional information from SCE on its test year forecast.

5
6 DRA asked:⁹⁴

7 SCE's recorded adjusted non-labor expenses have been declining each year
8 between 2006 and 2009 from \$5.513 million to \$3.042 million, a decrease of
9 \$2.111 million. SCE's recorded adjusted labor expenses increased by \$0.304
10 million between 2006 and 2009 from \$2.237 million to \$2.541 million. Provide
11 the documentation that explains in detail and demonstrates why SCE's
12 current funding level, which has been declining over the four years, is
13 insufficient to address its work load in the test year in order to fully justify
14 SCE's request for additional funding over 2009 recorded adjusted expenses.
15

16 SCE's response:

17 SCE's service territory experienced a significant decline in residential and
18 commercial growth from 2006 to 2009. The forecast for 586.140 – Meter
19 Expense is based on the meter set forecast presented in Mr. Gillies'
20 testimony in SCE-10, Volume 1. Mr. Gillies' forecast meter sets for 2012
21 through 2014 is 46,394, 55,840, and 59,961 compared to actual meter sets in
22 2009 of 32,146 meters. Based on this projected growth in meter sets for
23 2012 through 2014 the 2009 recorded costs is insufficient to perform the
24 forecast increase in work.

25 Based on SCE's recent history, with the decline each year in expenses
26 between 2006 and 2009 recorded in Sub-Account 586.140, SCE's forecast of
27 \$6.700 million appears to be overstated and should be denied. SCE's Meter
28 Replacements of 107,868 recorded in 2009 were the highest over the five year
29 period (2005-2009) and this increase in replacements could be related to the
30 installations of SmartMeters. SCE's recorded Meter Sets of 35,264 and Meter
31 Removals of 13,300 were the lowest for the five year period (2005-2009). DRA's

⁹³ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, 113.

⁹⁴ DRA-SCE-074-TLG question 7-a.

1 forecast of \$5.583 million based on SCE's 2009 recorded adjusted expenses is a
2 reasonable test year method and is based on SCE's recent expense history.

3 **3. 587.140 – Service Guarantees**

4 SCE proposes to continue its Customer Service Guarantee program that was
5 adopted in D.04-07-022, but requests that a baseline of service guarantee credits of
6 \$670,000⁹⁵ for the test year be changed from being shareholder funded to requiring
7 that customers fund the credits that are to be paid to customers who have been
8 inconvenienced by SCE.⁹⁶ The service guarantee program requires SCE to pay
9 rebates to customers for 1) failure to meet agreed-upon appointment times; 2) failure
10 to provide service restoration within 24 hours; 3) failure to provide planned
11 interruption notification; and 4) failure to timely and accurately report the first bill.
12

13 In D.06-05-016 which addressed SCE's 2006 GRC, SCE's service guarantee
14 program was continued as adopted in D.04-07-022 with SCE's shareholders funding
15 the credits. DRA recommends that SCE continue the service guarantee program
16 adopted D.04-07-022 and that SCE's shareholders continue to fund the service
17 guarantee credits. In D.06-05-016 the Commission stated:⁹⁷

18 Regarding the payments to customers, these are payments that result from
19 the company not meeting its commitments to individual customers. If the
20 company is unable to meet its commitments, the shareholders and not
21 ratepayers should be responsible for reimbursing the inconvenienced
22 customer.

23 DRA agrees that SCE's "shareholders and not ratepayers should be
24 responsible for reimbursing the inconvenienced customer" and recommends no

⁹⁵ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, 115.

⁹⁶ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, 116.

⁹⁷ D.06-05-016 page 122. In SCE's TY 2009 GRC (D.09-03-025 page 94) the Commission continued the approach it adopted in SCE's TY 2006 GRC and assigned the liability for missed commitments to shareholders.

1 funding for SCE’s Service Guarantees recorded to Sub-Account 587.140. SCE’s
 2 proposal to have ratepayers fund baseline service guarantee credits should be
 3 denied.

4 **4. 588.140 – Miscellaneous Distribution Expense**

5 SCE forecasted \$3.777 million for Sub-Account 588.140 (Labor of \$2.875
 6 million and Non-Labor of \$0.902 million) for its Miscellaneous Distribution
 7 expenses.⁹⁸ SCE’s Sub-Account 588.140 includes the following line items: Field
 8 Service Representatives Supervision, Informational Meetings, Recognition, and
 9 Stand-By Time. SCE utilized its 2009 recorded adjusted expenses as a basis to
 10 forecast its expenses for Field Service Representatives Supervision, Informational
 11 Meetings, and Stand-By Time, and utilized a five year average to forecast its
 12 Recognition expenses. DRA utilized SCE’s last recorded year as a basis for its
 13 forecast of \$3.006 million for SCE’s Sub-Account 588.140. DRA’s estimate is
 14 \$0.771 million less than SCE’s forecast.

15
 16 Table 5-22 below shows SCE’s recorded adjusted expenses for 2005-2009
 17 and its TY 2012 forecast.⁹⁹ Table 5-23 shows the historical and forecast breakdown
 18 for the line items included in Sub-Account 588.140.¹⁰⁰

19 **Table 5-22**
 20 **Miscellaneous Distribution Expense**
 21 **for Sub-Account 588.140**
 22 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$2,109	\$2,176	\$2,439	\$2,825	\$3,033	\$2,875
Non-Labor	906	627	634	585	1,294	902
Total	\$3,015	\$2,803	\$3,073	\$3,410	\$4,327	\$3,777

⁹⁸ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 119.

⁹⁹ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 119.

¹⁰⁰ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 120.

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Table 5-23
Breakdown of Line Item Forecast Included In
Sub-Account 588.140
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
FSR Supervision	\$565	\$513	\$517	\$1,213	\$465	\$465
Informational Meeting	1,210	1,483	1,720	1,593	1,878	1,878
Recognition	1,024	590	674	254	1,321	773
Stand-By Time	215	216	163	349	663	663
Total	\$3,014	\$2,802	\$3,074	\$3,409	\$4,327	\$3,779

6 DRA made a normalized adjustment to SCE's 2009 recorded adjusted
7 expenses of \$1.321 million recorded in Sub-Account 588.140 for ratemaking
8 purposes. DRA's adjustment was made to remove discretionary costs associated
9 with SCE's employee recognition program Spot Bonuses and Awards to Celebrate
10 Excellence Recognition Points (ACE), which are inappropriate to charge to
11 ratepayers.¹⁰¹ SCE's employee recognition programs provide no clear or
12 identifiable benefit to ratepayers and are not necessary to operate the utility
13 business.

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SCE's expenses fluctuated during the five year period (2005-2009), with 2009 recording the highest level of expenditures. The four year average (2005-2008) was \$3.075 million before increasing by 26.89% related to employee recognition expenses. DRA's test year estimate of \$3.006 million, utilizing SCE's 2009 recorded expenses, after the normalized adjustment, is comparable to SCE's recent expense history and is a reasonable test year estimate for SCE to address its test year activities recorded in Sub-Account 588.140.

¹⁰¹ SCE provided its historical expenses (2005-2009) which included a line item for employee recognition. Ex. SCE-03, Volume 4, part 6, Chapters I-II, page 120.

1 **5. 593.140 – Overhead Breakdown Expense**

2 SCE forecasted \$28.803 million for Sub-Account 593.140 (Labor of \$12.376
3 million and Non-Labor of \$16.427 million) for its Overhead Breakdown expenses.¹⁰²
4 SCE’s forecast of \$28.803 million is an increase of \$14.425 million or 100.33% over
5 2009 recorded adjusted expenses of \$14.378 million. SCE’s Sub-Account 593.140
6 includes the following line items: Breakdown Maintenance and Work Order Related
7 Expense. DRA utilized a five year average (2005-2009) as a basis for its forecast of
8 \$10.172 million for SCE’s Sub-Account 593.140. DRA’s test year estimate is
9 \$18.631 million less than SCE’s forecast.

10
11 Table 5-24 below shows SCE’s recorded adjusted expenses for 2005-2009
12 and its TY 2012 forecast.¹⁰³ Table 5-25 shows the historical and forecast
13 breakdown for the line items included in Sub-Account 593.140.¹⁰⁴

14
15 **Table 5-24**
16 **Overhead Breakdown Expense**
17 **for Sub-Account 593.140**
18 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$2,926	\$3,083	\$3,186	\$5,543	\$6,466	\$12,376
Non-Labor	5,223	8,338	5,822	2,360	7,912	16,627
Total	\$8,149	\$11,421	\$9,008	\$7,903	\$14,378	\$28,803

19
¹⁰² Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 122. Note that on page 122, SCE shows a test year forecast of \$28.585 million on line 10 and shows a forecast of \$28.803 million in Figure II-40.

¹⁰³ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 122.

¹⁰⁴ Ex. SCE-03, Volume 4, Part 6, Chapters I-II. page 123.

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Table 5-25
Breakdown of Line Item Forecast Included In
Sub-Account 593.140
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Breakdown Maintenance	\$3,701	\$3,884	\$5,343	\$5,863	\$8,535	\$9,783
Work Order Related Expense	4,448	7,537	3,665	2,040	5,843	19,020
Total	\$8,149	\$11,421	\$9,008	\$7,903	\$14,378	\$28,803

5 SCE’s test year forecast, which includes an increase of 100.33% over 2009
6 recorded adjusted expenses is excessive and is not justified based on historical
7 expense levels. SCE’s expenses fluctuated significantly during the five year period
8 (2005-2009) with an average for the period of \$10.172 million. SCE’s recorded
9 adjusted expenses decreased by \$3.518 million between 2006 and 2008 and then
10 increased by \$6.475 million between 2008 and 2009 or by 81.93%.¹⁰⁵ The four
11 year average (2005-2008), before the 81.93% increase in 2009 expenses over 2008
12 expenses, was \$9.120 million. DRA requested additional information from SCE on
13 its test year forecast.
14

¹⁰⁵ DRA attempted to analyze and evaluate specific detail on historical expenses that SCE claimed in its testimony have caused increases in order to compare them to SCE’s test year forecast. When DRA identified the specific year and the specific amount of the increase and requested the specific detail to be reviewed, SCE responded with a computer dump which included five years of expense data (2005-2009) with lump sum amounts of unidentifiable line items. In the response SCE stated “The attached file, DRA-SCE-074m Q.10.g.xls contains a detailed and itemized list of all the expenses recorded to 593.140 – Overhead Breakdown Expense. Each line item contained in the file is supported by individual accounting entries that sum up to the detailed and itemized listing of expense recorded to this sub-account. The individual accounting entries are available for DRA’s review at SCE’s offices in Rosemead, California”. SCE provided similar responses for several of DRA’s data requests. The information DRA requested is information that SCE has provided to DRA in past GRCs, and it is information that directly impacts SCE’s test year expense estimates. SCE’s response did not state if SCE had pulled and organized the requested information as DRA requested in its data request or if SCE planned on presenting DRA with another data dump in Rosemead, California (DRA-SCE-074-TLG question 10-g). Due to time, staffing, and budget constraints, DRA was not able to go to Rosemead to look at information that SCE could have provided in a data request response.

1 DRA asked: 106

2 SCE forecasted \$28.803 million (\$12.376 million for labor and \$16.427 million
3 for non-labor) for Sub-Account 593.140 for its TDBU Overhead Breakdown
4 expenses. This is an increase of \$14.425 million or 100.3% over 2009
5 recorded adjusted expenses of \$14.378 million. SCE's labor expenses
6 averaged \$4.241 million over the five year period (2005-2009) and SCE's
7 2009 recorded adjusted labor expenses were \$6.466 million. The five year
8 average (2005-2009) for SCE's non-labor expenses were \$5.931 million and
9 SCE's 2009 recorded adjusted non-labor expenses were \$7.912 million.

10
11 Provide the documentation that demonstrates specifically how SCE
12 incorporated the salary savings from employee retirements during the
13 historical years into its test year labor forecast.
14

15 SCE's response:

16 SCE did not incorporate salary savings from employee retirements into the
17 test year forecast for Overhead Breakdown expense. The work in this sub-
18 account is volume driven and is not based on headcount. Please see the
19 response to DRA-SCE-074-TLG Q.10.b for an explanation of how the costs
20 were forecast for this sub-account. Additionally, the employees who perform
21 the work in this sub-account are represented employees who can only
22 perform the work if they are trained and qualified. Qualifications to perform
23 work is based on represented job classification and all employees within the
24 same job classifications are paid the same wage.
25

26 DRA asked: 107

27 SCE forecasted \$16.427 million in non-labor expenses, which is an increase
28 of \$8.515 million or 107.6% over SCE's 2009 recorded adjusted non-labor
29 expenses of \$7.912 million. Provide the cost benefit analysis, prepared prior
30 to this data request, for each project included in the increase, that SCE's
31 management utilized and relied upon to determine that it required additional
32 non-labor funding of \$8.515 million, a 107.6% increase, in the test year to
33 address its overhead breakdown maintenance work.
34

35 SCE's response:

36 SCE does not perform cost benefit analysis for its forecast of overhead
37 breakdown maintenance because this work is an operating requirement for

106 DRA-SCE-074-TLG question 10-i.

107 DRA-SCE-074-TLG question 10-l.

1 SCE. The justification for the capital work that results in overhead work order
2 related expense is included in SCE's capital testimony.
3

4 DRA asked: **108**

5 Provide the documentation that demonstrates that SCE incorporated the
6 increase in non-labor expenses of \$5.552 million (non-labor increase between
7 2008 and 2009) into its test year forecast.
8

9 SCE's response:

10 SCE's test year forecast is based on the forecast volume of work. Recorded
11 costs in this account represent the expenses necessary to complete the
12 volume of work for each given year. Each recorded year and each forecast
13 year is based on a unique set of work that was, or needs to be, performed
14 within that year and is not duplicative.
15

16 DRA asked: **109**

17 SCE states that its increase between 2007 and 2009 was "due to increased
18 breakdown as our distribution continues to age". SCE's distribution system
19 ages every year, and SCE has requested and received sufficient funding in its
20 2006 and 2009 GRCs to properly address maintenance, repairs, and
21 infrastructure replacement. Provide the documentation that explains in detail
22 the reason why SCE's breakdown maintenance is expected to increase
23 expenses by 100.3% compared to historical years.
24

25 SCE's response:

26 Please see testimony in SCE-03, Vol. 3, Pt. 3, beginning on page 2, for a
27 discussion of increase in age of SCE's distribution system and response to
28 10.h for an explanation of the forecasting methodology for this sub-account.
29 SCE is not clear what the basis is for the statement that "SCE has requested
30 and received sufficient funding in its 2006 and 2009 GRCs to properly
31 address maintenance, repairs and infrastructure replacement."

108 DRA-SCE-074-TLG question 10-p.

109 DRA-SCE-074-TLG question 10-f.

1 SCE's responses do not justify a test year increase of 100.33% over the 2009
2 base year nor do they address incorporation of embedded costs for on-going and
3 routine activities that are similar to activities that will be performed in test year.
4 SCE's distribution system ages every year and SCE has requested and received
5 funding in its 2006 and 2009 GRCs to properly maintain its system in a timely
6 manner. SCE's requested increase for activities recorded in this Sub-Account in the
7 test year is unreasonable based on prior funding and recent expense levels.

8
9 SCE's forecast method is confusing and difficult to follow, and more
10 importantly does not appear to be directly tied to the recorded adjusted historical
11 expenses which fluctuated during the five year period in Sub-Account 593.140.¹¹⁰
12 DRA's use of a five year average (2005-2009) of SCE's recorded adjusted expenses
13 for Sub-Account 593.140 is clear, straight-forward and captures the fluctuations in
14 the expense levels during the historical period incurred for on-going and routine
15 maintenance activities.¹¹¹

16
17 To calculate its Work Order Related expense, SCE states "we took the
18 forecast capital spending by work category,¹¹² subtracted the material costs based
19 on historical data, and applied the related expense percentage used in our SAP
20 accounting system for calculating related expense. To forecast the breakdown

¹¹⁰ SCE states "Breakdown maintenance expenses are not directly or causally related to capital expenditures, but they are closely correlated with certain types of capital". SCE states further that "Work-order related expenses are directly and causally related to capital expenditures" (DRA-SCE-074-TLG question 10-h).

¹¹¹ DRA requested a cost benefit analysis performed by SCE to justify its 91.40% labor increase proposed for the test year in Sub-Account 593.140. SCE stated "SCE does not perform a cost benefit analysis for its forecast of underground breakdown maintenance because this work is an operating requirement" (DRA-SCE-074-TLG question 10-h).

¹¹² SCE states "We have used the same capital expenditures as our cost driver for both overhead and underground since work is similar. The capital expenditures we have used are breakdown maintenance, claims, and emergency pole replacements in constant 2009 dollars" (DRA-SCE-074-TLG question 10-h).

1 maintenance component of this sub-account, we calculated the historical percentage
2 of capital breakdown to expense breakdown and applied this percentage to the
3 forecast capital breakdown expenditures.”¹¹³

4
5 SCE’s use of its proposed capital forecast to calculate test year expense
6 levels for Sub-Account 593.140, instead of relying on historical expense levels
7 directly tied to routine and on-going expenses recorded to the Sub-Account
8 unnecessarily increases its test year estimates in this Sub-Account and is a burden
9 to ratepayers. DRA requested additional information from SCE in its attempt to
10 understand SCE’s treatment of embedded expenses recorded to Sub-Account
11 593.140 in relation to its test year non-labor increase of 107.6%.

12
13 DRA asked:¹¹⁴

14 Provide the documentation that explains in detail and demonstrates why
15 SCE’s current funding level, which includes an increase of \$5.552 million
16 which is still embedded in SCE’s historical expenses, is insufficient to address
17 its work load in the test year in order to fully justify SCE’s request for
18 additional funding over 2009 recorded adjusted non-labor expenses of \$8.515
19 million or 107.6% increase.
20

21 SCE’s response:

22 SCE’s 2009 recorded non-labor expense for sub-account 593.140 is
23 insufficient to perform the forecast increase in work for 2012. The 2012
24 forecast includes increases in capital expenditures that will require SCE to
25 incur additional expenses for overhead related expense in order to complete
26 capital work (please refer to workpaper pages 209-212). Additionally, the
27 2009 recorded non-labor expense does not include the increase in the level of
28 overhead breakdown maintenance SCE forecasts will be necessary based on
29 the analysis presented in workpapers (see pages 43-51). Please refer to the
30 response in part h) of this question for a full discussion of the data and the
31 methodology used to develop the forecasts. Please also see the response to
32 part h) for further explanation of how the forecast increase in work drives our
33 test year request.

¹¹³ Ex. SCE-03, Volume 4, Part 6, Chapter I-II, page 122.

¹¹⁴ DRA-SCE-074-TLG question 10-o.

1 SCE's proposed capital request may not be adopted as forecasted by SCE
2 and DRA has made adjustments to SCE's capital forecast that results in a total that
3 is lower than SCE's estimates.¹¹⁵ If DRA does not make a corresponding
4 adjustment to the test year estimates proposed by SCE for Sub-Account 593.140 the
5 expense forecast will be significantly overfunded in the test year.

6 **6. 594.140 – Underground Breakdown Expense**

7 SCE forecasted \$18.622 million for Sub-Account 594.140 (Labor of \$7.326
8 million and Non-Labor of \$11.296 million) for its Underground Breakdown
9 expenses.¹¹⁶ SCE's forecast of \$18.622 million is an increase of \$7.883 million or
10 73.41% over 2009 recorded adjusted expenses of \$10.739 million. SCE's Sub-
11 Account 594.140 includes the following line items: Breakdown Maintenance and
12 Work Order Related Expense. DRA utilized a five year average (2005-2009) as a
13 basis for its forecast of \$7.501 million for SCE's Sub-Account 594.140. DRA's
14 estimate is \$11.121 million less than SCE's forecast. Table 5-26 below shows
15 SCE's recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.¹¹⁷
16 Table 5-27 shows the historical and forecast breakdown for the line items included in
17 Sub-Account 594.140.¹¹⁸

¹¹⁵ The detailed discussion and analysis of SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

¹¹⁶ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 125. Note that on page 125, SCE shows a test year forecast of \$18.464 million on line 10 and shows a forecast of \$18.622 million in Figure II-41.

¹¹⁷ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 125.

¹¹⁸ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 126.

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Table 5-26
Underground Breakdown Expense
for Sub-Account 594.140
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$2,549	\$2,565	\$2,612	\$4,441	\$2,591	\$7,326
Non-Labor	3,831	4,328	3,301	3,139	8,148	11,296
Total	\$6,380	\$6,893	\$5,913	\$7,580	\$10,739	\$18,622

5

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Table 5-27
Breakdown of Line Item Forecast Included In
Sub-Account 594.140
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Breakdown Maintenance	\$4,308	\$3,980	\$3,776	\$5,190	\$6,657	\$7,629
Work Order Related Expense	2,072	2,913	2,137	2,390	4,082	10,994
Total	\$6,380	\$6,893	\$5,913	\$7,580	\$10,739	\$18,623

10 SCE's test year forecast, which includes an increase of 73.41% over 2009
 11 recorded adjusted expenses, is excessive, not justified based on historical expense
 12 levels recorded in Sub-Account 594.140, and should be denied. SCE's expenses
 13 fluctuated during the five year period (2005-2009) with an average for the period of
 14 \$7.501 million. SCE's recorded adjusted expenses were relatively stable between
 15 2005 and 2007 with an average for the three year period of \$6.395 million before
 16 increasing in 2008 by \$1.667 million or 28.19%. In 2009, SCE's expenses increased
 17 by \$3.159 million or 41.68% over 2008 expenses.¹¹⁹ The four year average (2005-
 18 2008), before the 41.68% increase in 2009 expenses over 2008 expenses, was
 19 \$6.692 million. DRA requested additional information from SCE on its test year
 20 forecast.

¹¹⁹ SCE states that the increase in expenses between 2008 and 2009 were due to increased equipment failures and the installation and removals of 4kV cutovers and transformers (DRA-SCE-074-TLG question 11-h).

1 DRA asked: 120

2 SCE forecasted \$18.622 million (\$7.326 million for labor and \$11.296 million
3 for non-labor) for Sub-Account 594.140 for its TDBU Underground Breakdown
4 expenses. This is an increase of \$7.883 million or 73.41% over 2009
5 recorded adjusted expenses of \$10.739 million. SCE's labor expenses
6 averaged \$2.952 million over the five year period (2005-2009) and SCE's
7 2009 recorded adjusted labor expenses were \$2.591 million. The five year
8 average (2005-2009) for SCE's non-labor expenses were \$4.549 million and
9 SCE's 2009 recorded adjusted non-labor expenses were \$8.148 million.

10
11 Provide the documentation that demonstrates that SCE incorporated the
12 increase in non-labor expenses of \$5.009 million (non-labor increase between
13 2008 and 2009) into its test year forecast
14

15 SCE's response:

16 SCE's test year forecast is based on the forecast volume of work. Recorded
17 costs in this account represent the expenses necessary to complete the
18 volume of work for each given year. Each recorded year and each forecast
19 year is based on a unique set of work that was, or needs to be, performed
20 within that year and is not duplicative.
21

22 DRA asked: 121

23 SCE's Work Order Related Expense shown in Table II-13 fluctuated slightly
24 between 2005 and 2009 and averaged \$2.719 million for the period. SCE
25 shows \$4.082 million recorded for 2009 and shows a forecast of \$10.994
26 million for Work Order Related Expense. SCE's forecast of \$10.994 million is
27 an increase of \$6.912 million or 169.33% increase over 2009 expenses of

120 DRA-SCE-074-TLG question 11-f.

121 DRA-SCE-074-TLG question 11-i. DRA attempted to analyze and evaluate specific detail on expenses that SCE claimed in its testimony had caused increases between certain years in order to compare them to SCE's test year forecast. When DRA identified the specific year and the specific amount of the increase and requested the specific detail to be reviewed, SCE responded with a computer dump which included five years of expense data (2005-2009) with lump sum amounts of unidentifiable line items. SCE provided similar responses for several of DRA's data requests as shown in this response. The information DRA requested is information that SCE has provided to DRA in past GRCs, and it is information that directly impacts SCE's test year expense estimates. SCE's response did not state if SCE had pulled and organized the requested information as DRA requested in its data request or if SCE planned to present DRA another data dump in Rosemead. Due to time, staffing, and budget constraints, DRA was not able to go to Rosemead to look at information that SCE could have provided in a data request response.

1 \$4.082 million. Provide the documentation that explains in detail and
2 demonstrates the reason for the expense fluctuation between 2005 and 2009
3 and which fully justifies an increase of 169.33% for Work Order Related
4 Expense
5

6 SCE's response:

7 The attached file, DRA-SCE-074—TLG, Q.11.i.xls contains a detailed and
8 itemized list of the underground work order related expenses recorded to
9 594.140 – Underground Breakdown Expense. Each line item contained in the
10 file is supported by individual accounting entries that sum up to the detailed
11 and itemized listing of expenses recorded. The individual accounting entries
12 are available for DRA's view at SCE's offices in Rosemead, California.
13

14 DRA asked: ¹²²

15 SCE forecasted \$7.326 million in labor expenses, which is an increase of
16 \$4.735 million or 182.75% over SCE's 2009 recorded adjusted labor
17 expenses of \$2.591 million. Provide the cost benefit analysis, prepared prior
18 to this data request, that SCE's management utilized and relied upon to
19 determine that it required additional labor funding of \$4.735 million, a
20 182.75% increase, in the test year to address its underground breakdown
21 maintenance work. Provide the job titles, job description, annual salary for
22 each position included in the \$4.735 million increase (include a breakdown for
23 overtime, bonuses, and other salary included in the \$4.735 million).
24

25 SCE's response:

26 SCE does not perform cost benefit analysis for its forecast of underground
27 breakdown maintenance because this work is an operating requirement for
28 SCE. The justification for the capital work that results in underground work
29 order related expense is included in SCE's capital testimony.

30 SCE's responses do not justify an increase of 73.41% in the test year relative
31 to the 2009 base year, nor do they address incorporation of embedded costs for on-
32 going and routine activities that are similar to activities that will be performed in test
33 year. DRA's use of a five year average (2005-2009) of SCE's recorded adjusted
34 expenses for Sub-Account 594.140 is more reasonable when compared to SCE's
35 method. The five year average also captures the fluctuations in the expense levels

¹²² DRA-SCE-074-TLG question 11-c.

1 during the historical period incurred for on-going and routine maintenance activities.
2 SCE's forecast method is confusing and difficult to follow, and more importantly does
3 not appear to be directly tied to the recorded adjusted historical expenses which
4 fluctuated during the five year period in Sub-Account 594.140.¹²³

5
6 SCE utilized three factors to calculate its related expense. SCE states that it
7 "took the forecast capital spend by work category, removed the material costs based
8 on historical data, and applied the related expense percentage used in our SAP
9 accounting system for calculating related expense. To forecast the breakdown
10 maintenance component of this sub-account we calculated the historical percentage
11 of capital breakdown to expense breakdown and applied this percentage to the
12 forecast capital breakdown expenditures."¹²⁴

13
14 SCE's use of its proposed capital forecast to calculate test year expense
15 levels for Sub-Account 594.140 instead of relying on historical expense levels
16 directly tied to routine and on-going expenses recorded to Sub-Account 594.140 has
17 unnecessarily increased its test year estimates in this Sub-Account and is a burden
18 to ratepayers.

19
20 SCE's proposed capital request may not be adopted as forecasted by SCE
21 and DRA has made adjustments to SCE's capital forecast that results in a total that
22 is lower than SCE's estimates.¹²⁵ If DRA does not make a corresponding

¹²³ SCE states "Breakdown maintenance expenses are not directly or causally related to capital expenditures, but they are closely correlated with certain types of capital". SCE states further that "Work-order related expenses are directly and causally related to capital expenditures" (DRA-SCE-074-TLG question 10-h).

¹²⁴ Ex. SCE-03, Volume 4, Part 6, Chapters I-II, page 125

¹²⁵ The detailed discussion and analysis of SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

1 adjustment to SCE's forecast for this line item, which SCE relied upon to calculate its
 2 test year estimate, the expenses would be significantly overfunded in the test year.

3 **F. Substation Construction and Maintenance**

4 SCE forecasted \$32.144 million for its Substation Construction and
 5 Maintenance expenses.¹²⁶ SCE developed its forecast by utilizing its 2009
 6 recorded adjusted expenses for Sub-Accounts 562.150, 568.150, 569.150, 570.150,
 7 582.150, 588.150, 590.150, 591.150, and 592.150 plus incremental expenses for
 8 proposed projects and work activities. The corresponding DRA estimate for SCE's
 9 Substation Construction and Maintenance expenses is \$26.194 million, which is
 10 \$5.950 million less than SCE's forecast.

11
 12 SCE combined the forecasted expenses from nine Sub-Accounts to calculate
 13 its forecast of \$32.144 million for its Substation Construction and Maintenance
 14 expenses which are summarized in Figure 5-4. Table 5-28 below shows SCE's
 15 recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.

16 Figure 5-4
 17 Thousands of 2009 Dollars

	SCE	DRA
19 562.150 – Trans Substation Exp incurred by non TDBU Units	\$ 2,019	\$ 2,019
20 568.150 – Transmission Substation Maint Crew Supv	1,967	1,967
21 569.150 – Maint of Grounds & Facilities for Trans Substation	138	138
22 570.150 – Transmission Substation Inspection & Maint	12,881	9,370
23 582.150 – Distrib Substation Exp incurred by non TDBU Units	165	165
24 588.150 – Miscellaneous Substation Expenses	674	249
25 590.150 – Distribution Substation Maint Crew Supv	2,047	2,047
26 591.150 – Maint of Grounds & Facilities for Distrb Substations	492	492
27 592.150 – Distribution Substations Inspections & Maint	11,761	9,747
28 Total	\$ 32,144	\$26,194

¹²⁶ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 11. SCE shows a forecast of \$31.831 million for its Substation Construction and Maintenance expenses on page 12, line three. This is an error. The test year forecast is \$32.144 million (DRA-SCE-095-TLG questions 5).

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Table 5-28
Substation Construction And Maintenance Expenses
2005-2009 Recorded / 2012 Forecast
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
562.150	\$1,543	\$2,041	\$2,202	\$2,379	\$1,624	\$2,019
568.150	2,065	2,099	2,044	1,675	1,853	1,967
569.150	91	91	266	119	124	138
570.150	8,928	10,072	8,233	7,865	10,893	12,881
582.150	247	217	256	134	212	165
588.150	665	611	742	670	683	674
590.150	1,893	2,023	1,993	2,199	2,162	2,047
591.150	316	1,036	689	356	62	492
592.150	10,466	11,224	11,335	8,641	10,038	11,761
Total	\$26,214	\$29,414	\$27,760	\$24,038	\$27,651	\$32,144

5 Source: 2005-2009 and 2012 data from Ex. SCE-03, Volume 4, Part 7, Chapters I-II, pages 34, 35,
6 36, 37, 38, 40, 41, and 43.

7 DRA does not take issue with SCE's test year forecast for the following Sub-
8 Accounts: \$2.019 million for 562.150 – Transmission Substation Expenses incurred
9 by non- TDBU Business Units, \$1.967 million for 568.150 – Transmission Substation
10 Maintenance Crew Supervision, \$0.138 million for 569.150 – Maintenance of
11 Grounds and Facilities for Transmission Substations, \$0.165 million for 582.150 –
12 Distribution Substation Expenses incurred by non- TDBU Business Units, \$2.047
13 million for 590.150 – Distribution Substation Maintenance Crew Supervision, and
14 \$0.492 million for Maintenance of Grounds and Facilities for Distribution Substations.
15 DRA reviewed SCE's testimony, workpapers, data request responses, and historical
16 expense levels for these Sub-Accounts and concludes that the forecasts appear
17 reasonable. DRA takes issue with SCE's test year forecasts for the Sub-Accounts
18 that are discussed below.

19 **1. 570.150 – Transmission Substation Inspection &**
20 **Maintenance**

21 SCE forecasted \$12.881 million for Sub-Account 570.150 (Labor of \$6.352
22 million and Non-Labor of \$6.529 million) for its Transmission Substation Inspection &

1 Maintenance.¹²⁷ SCE's forecast of \$12.881 million is an increase of \$1.988 million
 2 or 18.25% over 2009 recorded adjusted expenses of \$10.293 million. SCE's Sub-
 3 Account 570.150 includes the following line items: Circuit Breaker Maintenance
 4 Costs, Transformer Maintenance Costs, Relay Maintenance Costs, Miscellaneous
 5 Equipment Costs, and Capital Related Expense. DRA utilized SCE's last recorded
 6 year and a five year average as a basis for its forecast of \$9.370 million for SCE's
 7 Sub-Account 570.150. DRA's estimate is \$3.511 million less than SCE's forecast.
 8 Table 5-29 below shows SCE's recorded adjusted expenses for 2005-2009 and its
 9 TY 2012 forecast.¹²⁸ Table 5-30 shows the historical and forecast breakdown for
 10 the line items included in Sub-Account 570.150¹²⁹

11 **Table 5-29**
 12 **Transmission Substation Inspection & Maintenance Expense**
 13 **for Sub-Account 570.150**
 14 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$4,493	\$4,947	\$5,375	\$5,267	\$5,412	\$6,352
Non-Labor	4,435	5,125	2,858	2,598	5,481	6,529
Total	\$8,928	\$10,072	\$8,233	7,865	10,893	\$12,881

15
 16 **Table 5-30**
 17 **Breakdown of Line Item Forecast Included In**
 18 **Sub-Account 570.150**
 19 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Circuit Breaker Maint	\$1,712	\$1,875	\$1,679	\$1,850	\$1,655	\$1,883
Transformer Maint	572	648	694	630	1,076	687
Relay Maintenance	1,496	1,430	1,854	1,332	2,237	2,830
Misc Maintenance	2,965	3,127	3,399	3,009	2,790	3,235
Capital Related Exp	2,178	2,990	610	1,042	3,135	4,246
Total	\$8,923	\$10,070	\$8,236	\$7,863	\$10,893	\$12,881

¹²⁷ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 34.

¹²⁸ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 34.

¹²⁹ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 33.

1 SCE's expenses for the four line items recorded in Sub-Account 570.150
2 have fluctuated during the five year period (2005-2009). DRA analyzed the recorded
3 adjusted expenses and the forecast estimates for each individual line item to
4 calculate its test year estimates for Sub-Account 570.150. DRA does not take issue
5 with SCE's test year forecast for its line item for Transformer Maintenance of \$0.687
6 million that is included in its forecast of \$12.881 million for Sub-Account 570.150.
7 DRA reviewed SCE's testimony, workpapers, data request responses, and historical
8 expense levels for this line item and concludes that the forecast appears reasonable.
9 DRA takes issue with the following line items included in the forecast for Sub-
10 Account 570.150.

11
12 DRA forecasted \$1.655 million for SCE's line item for Transmission Circuit
13 Breaker Maintenance expenses utilizing SCE's last recorded year as a basis.¹³⁰
14 SCE's expenses fluctuated slightly during the five year period (2005-2009) with an
15 average for the period of \$1.754 million and the three year average (2007-2009) of
16 \$1.728 million.¹³¹

17
18 SCE's forecast is based on its proposed capital projects in the test year.
19 DRA's test year estimates for several of SCE's proposed capital projects are lower
20 than SCE's forecasts which it utilized to forecast this line item included in Sub-
21 Account 570.150.¹³² If DRA does not make a corresponding adjustment to SCE's
22 forecast for this line item the expenses would be overfunded in the test year. SCE

¹³⁰ SCE utilized its proposed capital projects for 2012-2014 and a five year average of historical cost-per-circuit breaker as a basis for its test year forecast (Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 17).

¹³¹ The Circuit Breaker Mechanism Maintenance (MM) SCE completed fluctuated during 2005-2009 with an average for the period of 532 Transmission MMs performed. SCE does not track the associated expenses for MMs separately (DRA-SCE-095-TLG question 8-g).

¹³² The detailed discussion and analysis of SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

1 has embedded costs in its historical expenses to address its test year activities.
2 DRA's use of SCE's 2009 recorded adjusted expenses of \$1.655 million is
3 comparable to historical levels and is a reasonable test year estimate.
4

5 DRA forecasted \$2.237 million for SCE's line item for Transmission Relay
6 Maintenance expenses utilizing SCE's last recorded year, the highest recorded for
7 the five year period (2005-2009), as a basis.¹³³ SCE's expenses increased by
8 \$0.741 million between 2005 and 2009 from \$1.496 million in 2005 to \$2.237 million
9 in 2009. The average for the five year period (2005-2009) is \$1.670 million and the
10 three year average (2007-2009) is \$1.808 million. The increase in 2009 of \$0.905
11 million over 2008 expenses was partly due to "increased relay testing".¹³⁴
12

13 SCE's request for an additional \$0.593 million or 26.51% over 2009 expenses
14 is not justified. SCE states that "multiple relay positions are being replaced by one
15 single relay".¹³⁵ The single relays are "more reliable digital relays".¹³⁶ SCE should
16 see some efficiency gains with a corresponding decrease in maintenance costs in
17 the test year. SCE states "one micro-processor relay replaces many electro-

¹³³ SCE utilized its proposed capital projects for 2012-2014 as a basis for its test year forecast (Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 26).

¹³⁴ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 25. SCE maintained and inspected an average of 2,533 Transmission Relays between 2005-2009 (DRA-SCE-095-TLG question 9-e).

¹³⁵ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 24. DRA notes that SCE has been installing the newer microprocessor based relays since the late 1980's (DRA-SCE-095-TLG question 9-f). SCE states "As relays have been replaced on the SCE system from electro-mechanical to microprocessor, the frequency by which they are inspected and tested have been reduced, yet the level of effort required during these inspections has increased" (DRA-SCE-095-TLG question 9-i).

¹³⁶ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 25.

1 mechanical relay units which drives down our volume of relay routine inspection and
2 maintenance, but increases the complexity and duration of each activity”.¹³⁷

3

4 SCE states that “new NERC requirements have classified 115 kV relays as
5 bulk power relays, which are now subject to NERC maintenance standards”.¹³⁸

6 DRA discovered in a meeting on February 10, 2011 between DRA and SCE that
7 SCE has been incurring costs related to “new and changing NERC reliability
8 standards” during the historical period, and that although SCE has been incurring
9 expenses it has not separately tracked those embedded costs in TDBU.¹³⁹

10 Additional funding to address NERC reliability standards is not required and SCE
11 has embedded costs that it can allocate in the test year to address its work activities
12 associated with the NERC reliability standards.

13

14 SCE’s forecast is also based on its proposed capital projects in the test year.
15 DRA’s test year estimates for several of SCE’s proposed capital projects are lower
16 than SCE’s forecasts which it utilized to forecast this line item included in Sub-
17 Account 570.150.¹⁴⁰ If DRA does not make a corresponding adjustment to SCE’s
18 forecast for this line item the expenses would be overfunded in the test year. SCE
19 should have embedded costs, due to the decrease in the volume of relays and the
20 efficiency gains, to address its test year activities. DRA’s use of SCE’s 2009
21 recorded adjusted expenses of \$2.237 million is more than SCE’s five year average

¹³⁷ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 23.

¹³⁸ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 26.

¹³⁹ SCE has embedded funding for this project and an example of SCE requesting funding in its TY 2009 GRC to address its NERC Critical Infrastructure project activities is shown in D.09-03-025 page 234.

¹⁴⁰ The detailed discussion and analysis on SCE’s proposed capital projects for the test year and DRA’s corresponding estimates for SCE’s capital projects will be addressed in Exhibits DRA-6 and DRA-7.

1 (2005-2009) of \$1.670 million and its three year average (2007-2009) of \$1.808
2 million, and is a reasonable test year estimate.

3

4 DRA forecasted \$2.709 million for SCE's line item for Transmission
5 Miscellaneous Equipment Maintenance expenses utilizing SCE's last recorded year
6 as a basis.¹⁴¹ SCE's expenses declined by \$0.609 million between 2007 and 2009
7 from \$3.399 million in 2007 to \$2.790 million in 2009. SCE's request for an
8 additional \$0.445 million or 15.95% over 2009 expenses is not justified. SCE states
9 that the "number of transmission substations maintained by SC&M is expected to
10 increase to 60".¹⁴²

11

12 SCE's forecast is based on its proposed capital projects in the test year.
13 DRA's test year estimates for several of SCE's proposed capital projects are lower
14 than SCE's forecasts which it utilized to forecast this line item included in Sub-
15 Account 570.150.¹⁴³ If DRA does not make a corresponding adjustment to SCE's
16 forecast for this line item the expenses would be overfunded in the test year. SCE
17 should have embedded costs in its historical expenses from completed projects that
18 it can allocate funding to address its test year activities.¹⁴⁴ DRA's use of SCE's

¹⁴¹ SCE's test year forecast is based on its cost per substation (Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 28).

¹⁴² Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 30.

¹⁴³ The detailed discussion and analysis on SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

¹⁴⁴ In SCE's TY 2009 GRC, it utilized Sub-Account 570.400 to record its Transmission Miscellaneous Maintenance expenses. In its TY 2012 GRC, SCE records these expenses to Sub-Account 570.150. SCE should have embedded funding from completed projects (i.e. Cable Trench Cover replacement project, Switchrack Lighting replacement project, etc.). DRA also notes that SCE's recorded adjusted 2009 expenses in Sub-Account 570.150 of \$2.790 million is less than its authorized amount in its 2009 GRC for these activities (D.09-03-025 page 65 through 68).

1 2009 recorded adjusted expenses of \$2.790 million is a reasonable test year
2 estimate.

3 DRA forecasted \$1.991 million for SCE's line item for Transmission Capital
4 Related expenses utilizing a five year average (2005-2009) as a basis.¹⁴⁵ SCE's
5 recorded expenses fluctuated significantly between 2005 and 2009. SCE's
6 calculated ratio for its capital expenditures associated with expenses recorded in
7 Sub Account 570.150 "fluctuates from year-to-year driven by the inherent variability
8 in the work".¹⁴⁶ SCE utilized "a 2005 to 2009 weighted average ratio of 1.1 percent"
9 because its "related expense to capital expenditure ratio has fluctuated over the last
10 five years".¹⁴⁷

11 SCE's request for an additional \$1.111 million or 35.44% over 2009 expenses
12 is not justified. SCE has embedded funding in its historical expenses to address its
13 test year activities. DRA requested additional information from SCE on its
14 embedded funding.

15

16 DRA asked:¹⁴⁸

17 In SCE's 2009 GRC, SCE requested \$8.805 million for Transmission
18 Substation Miscellaneous Equipment (which included funding for capital
19 related expenses) in Sub-Account 570.400. SCE was authorized
20 approximately \$7.999 million of its request, and a portion of the authorized
21 amount was for additional funding for SCE's capital related expenses.
22 Provide the documentation that explains in detail and demonstrates where
23 SCE recorded the additional funding it was authorized for capital related
24 expenses because it does not appear to DRA to be shown in SCE's Figure I-
25 12. (See D.09-03-025 page 68).

¹⁴⁵ SCE utilized its proposed capital projects for 2012-2014 as a basis for its test year forecast (Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 26).

¹⁴⁶ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 32.

¹⁴⁷ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 33.

¹⁴⁸ DRA-SCE-095-TLG question12-b.

1 SCE's response:

2 As stated on page 11 of SCE-01, "The Commission expects SCE to manage
3 its business between general rate case test years to optimize service to our
4 customers and work towards realizing our authorized rate of return. In 2009,
5 like nearly every other year, our recorded expenses varied from the specific
6 categories like in the 2009 GRC". SCE does not specifically allocate or
7 transfer authorized costs from one GRC sub-account to another. GRC
8 authorized revenues are allocated through the SCE budgeting process.

9 SCE's recorded adjusted expenses increased by \$2.093 million or 200.86%
10 between 2008 and 2009. SCE states it "did not forecast expenses in this work
11 category as an increment over 2009 recorded expenses, but rather as a "bottoms-
12 up" forecast based on the expected volume of capital work and expected ratio of
13 capital expenditure to capital related expense".¹⁴⁹

14

15 DRA's test year estimates for several of SCE's proposed capital projects are
16 lower than SCE's forecasts which it utilized to forecast this line item included in Sub-
17 Account 570.150.¹⁵⁰ If DRA does not make a corresponding adjustment to SCE's
18 forecast for this line item the expenses would be overfunded in the test year. SCE
19 should have embedded costs to address its test year activities. DRA's forecast of
20 \$1.991 million utilizing a five year average (2005-2009) addresses the inherent
21 variability and fluctuations in this line item and is a reasonable test year estimate.

22

23 **2. 588.150 – Miscellaneous Substation Expenses**

24 SCE forecasted \$0.674 million for Sub-Account 588.150 (Labor of \$0.233
25 million and Non-Labor of \$0.441 million) for its Miscellaneous Substation

¹⁴⁹ DRA-SCE-095-TLG question 12-a.

¹⁵⁰ The detailed discussion and analysis on SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

1 expenses.¹⁵¹ DRA utilized a five year average (2005-2009) as a basis for its
 2 forecast of \$0.249 million for SCE’s Sub-Account 588.150. DRA’s forecast is \$0.425
 3 million lower than SCE’s forecast. Table 5-31 below shows SCE’s recorded
 4 adjusted expenses for 2005-2009 and its TY 2012 forecast for Sub-account
 5 588.150.¹⁵²

6 **Table 5-31**
 7 **Miscellaneous Substation Expenses**
 8 **for Sub-Account 588.150**
 9 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$224	\$288	\$239	\$263	\$152	\$233
Non-Labor	441	323	503	405	531	441
Other	0	0	0	2	0	0
Total	\$665	\$611	\$742	\$670	\$683	\$674

10 SCE states that its expenses recorded to Sub-Account 588.150 “primarily
 11 includes payments to IT Business Unit for services provided, and employee
 12 recognition” and that its labor and non labor expenses recorded in this Sub-Account
 13 include employee recognition programs.¹⁵³ Table 5-32 below shows SCE’s
 14 recorded adjusted expenses for 2005-2009 for services provided by its IT Business
 15 Unit recorded to Sub-Account 588.150.¹⁵⁴

¹⁵¹ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 43.

¹⁵² Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 43.

¹⁵³ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 42 and 43.

¹⁵⁴ DRA-SCE-095-TLG question 6-j.

Table 5-32
Miscellaneous Substation Expenses
Costs for Services Provided by IT Business Unit
for Sub-Account 588.150
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Various Services	\$208	\$292	\$331	\$249	\$166	\$249

DRA made a normalized adjustment to SCE’s recorded adjusted historical expenses (2005-2009) of \$0.425 million recorded in Sub-Account 588.150 for ratemaking purposes.¹⁵⁵ DRA’s adjustment was made to remove discretionary costs associated with SCE’s employee recognition program (i.e., Spot Bonuses and Awards to Celebrate Excellence Recognition Points (ACE), etc.), which are inappropriate to charge to ratepayers. SCE’s employee recognition programs provide no clear or identifiable benefit to ratepayers and are not necessary to operate the utility business.

3. 592.150 – Distribution Substation Inspection & Maintenance

SCE forecasted \$11.761 million for Sub-Account 592.150 (Labor of \$6.924 million and Non-Labor of \$4.837 million) for its Distribution Substation Inspection & Maintenance.¹⁵⁶ SCE’s forecast of \$11.761 million is an increase of \$1.723 million or 17.16% more than its 2009 recorded adjusted expenses of \$10.038 million.

¹⁵⁵ SCE provided costs incurred for employee recognition for 2005 through 2009. In SCE’s response to DRA-SCE-095-TLG question 2, SCE provided historical expenses which included employee recognition. DRA compared the two responses and the numbers do not match for employee recognition. SCE states that Sub-Account 588.150 primarily records expenses for its IT and employee recognition expenses and provided its historical expenses for its IT costs in DRA-SCE-095-TLG question 6-j. Based on SCE’s testimony and information provided in SCE’s responses, DRA believes that SCE’s employee recognition expenses incurred are higher than SCE reported. Therefore DRA calculated its test year estimate by utilizing a five year average (2005-2009) of SCE’s expenses incurred for IT services provided in its response to DRA-SCE-095-TLG question 6-j (DRA-SCE-095-TLG question 6-g).

¹⁵⁶ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 35.

1 SCE's Sub-Account 592.150 includes the following line items: Circuit Breaker
 2 Maintenance Costs, Transformer Maintenance Costs, Relay Maintenance Costs,
 3 and Miscellaneous Equipment Costs. DRA utilized SCE's last recorded year as a
 4 basis for its forecast of \$9.747 million for SCE's Sub-Account 592.150. DRA's
 5 estimate is \$2.014 million less than SCE's forecast. Table 5-33 below shows SCE's
 6 recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.¹⁵⁷ Table 5-34
 7 shows the historical and forecast breakdown for the line items included in Sub-
 8 Account 592.150¹⁵⁸

9
 10 **Table 5-33**
 11 **Distribution Substation Inspection & Maintenance Expense**
 12 **for Sub-Account 592.150**
 13 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$5,129	\$5,590	\$5,912	\$4,845	\$6,087	\$6,924
Non-Labor	5,337	5,634	5,423	3,796	3,961	4,837
Total	\$10,466	\$11,224	\$11,335	\$8,641	\$10,038	\$11,761

14
 15 **Table 5-34**
 16 **Breakdown of Line Item Forecast Included In**
 17 **Sub-Account 592.150**
 18 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Circuit Breaker Maint	\$3,379	\$3,473	\$3,212	\$2,936	\$3,257	\$3,460
Transformer Maint	1,378	1,684	1,503	885	1,779	1,488
Relay Maintenance	568	778	819	1,053	1,461	1,944
Misc Maintenance	5,142	5,291	5,800	3,771	3,541	4,868
Total	\$10,467	\$11,226	\$11,334	\$8,645	\$10,038	\$11,760

19
¹⁵⁷ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 35.

¹⁵⁸ Ex. SCE-03, Volume 4, Part 7, Chapters I-II page 34.

1 SCE's expenses for the four line items recorded in Sub-Account 592.150
2 have fluctuated during the five year period (2005-2009). DRA analyzed the recorded
3 adjusted expenses and the forecast estimates for each individual line item to
4 calculate its test year estimates for Sub-Account 592.150. DRA does not take issue
5 with SCE's test year forecast for its line item for Transformer Maintenance of \$1.488
6 million. DRA reviewed SCE's testimony, workpapers, data request responses, and
7 historical expense levels for this line item and concludes that the forecast appears to
8 be reasonable. DRA takes issue with the following line items included in the
9 forecast for Sub-Account 592.150.

10
11 DRA forecasted \$3.257 million for SCE's line item for Distribution Circuit
12 Breaker Maintenance expenses utilizing SCE's last recorded year as a basis.¹⁵⁹
13 SCE's expenses declined each year between 2006 and 2008 from \$3.473 million in
14 2006 to \$2.936 million in 2008 and then increased by \$0.321 million in 2009 to
15 \$3.257 million. The average for the five year period (2005-2009) is \$3.251 million
16 and the three year average (2007-2009) is \$3.135 million.¹⁶⁰

17
18 SCE's forecast is based on its proposed capital projects in the test year.
19 DRA's test year estimates for several of SCE's proposed capital projects are lower
20 than SCE's forecasts which it utilized to forecast this line item included in Sub-
21 Account 592.150.¹⁶¹ If DRA does not make a corresponding adjustment to SCE's

¹⁵⁹ SCE utilized its proposed capital projects for 2012-2014 and a five year average of historical cost-per-circuit breaker as a basis for its test year forecast (Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 17).

¹⁶⁰ The Circuit Breaker Mechanism Maintenance (MM) SCE completed fluctuated during 2005-2009 with an average for the period of 3,295 Distribution MMs performed. SCE does not track the associated expenses for MMs separately (DRA-SCE-095-TLG question 8-g).

¹⁶¹ The detailed discussion and analysis on SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

1 forecast for this line item the expenses would be overfunded in the test year. SCE
2 has embedded costs in its historical expenses to address its test year activities.

3
4 DRA's use of SCE's 2009 recorded adjusted expenses of \$3.257 million is
5 comparable to SCE's five year average (2005-2009) of \$3.251 million and its three
6 year average (2007-2009) of \$3.135 million, and is a reasonable test year estimate.

7
8 DRA forecasted \$1.461 million for SCE's line item for Distribution Relay
9 Maintenance expenses utilizing SCE's last recorded year, the highest recorded for
10 the five year period (2005-2009), as a basis.¹⁶² SCE's expenses increased by
11 \$0.893 million between 2005 and 2009 from \$0.568 million in 2005 to \$1.461 million
12 in 2009. The average for the five year period (2005-2009) is \$0.936 million and the
13 three year average (2007-2009) is \$1.111 million. The increase in 2009 of \$0.408
14 million over 2008 expenses was partly due to "increased relay testing".¹⁶³

15
16 SCE's request for an additional \$0.483 million or 33.06% over 2009 expenses
17 is not justified. SCE states that "multiple relay positions are being replaced by one
18 single relay".¹⁶⁴ The single relays are "more reliable digital relays".¹⁶⁵ Based on
19 this, DRA believes that SCE should see some efficiency gains and a corresponding
20 decrease in maintenance costs in the test year. SCE states "one micro-processor

¹⁶² SCE utilized its proposed capital projects for 2012-2014 as a basis for its test year forecast (Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 26).

¹⁶³ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 25. SCE maintained and inspected an average of 3,262 Distribution Relays between 2005-2009 (DRA-SCE-095-TLG question 9-e).

¹⁶⁴ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 24. DRA notes that SCE has been installing the newer microprocessor based relays since the late 1980's (DRA-SCE-095-TLG question 9-f). SCE states "As relays have been replaced on the SCE system from electro-mechanical to microprocessor, the frequency by which they are inspected and tested have been reduced, yet the level of effort required during these inspections has increased" (DRA-SCE-095-TLG question 9-i).

1 relay replaces many electro-mechanical relay units which drives down our volume of
2 relay routine inspection and maintenance, but increases the complexity and duration
3 of each activity”.¹⁶⁶

4
5 SCE states that “two new NERC regulations require supplementary
6 maintenance associated with substation protection equipment” which require input
7 calibration of current transformers and annual re-set of passwords on relays.¹⁶⁷
8 DRA discovered in a meeting on February 10, 2011 between DRA and SCE that
9 SCE has been incurring costs related to “new and changing NERC reliability
10 standards” during the historical period, and that although SCE has been incurring
11 expenses it has not separately tracked those embedded costs in TDBU.¹⁶⁸
12 Additional funding to address NERC reliability standards is not required and SCE
13 has embedded costs that it can allocate in the test year to address its work activities
14 associated with the NERC reliability standards.

15
16 SCE’s forecast is also based on its proposed capital projects in the test year.
17 DRA’s test year estimates for several of SCE’s proposed capital projects are lower
18 than SCE’s forecasts which it utilized to forecast this line item included in Sub-
19 Account 592.150.¹⁶⁹ If DRA does not make a corresponding adjustment to SCE’s
20 forecast for this line item the expenses would be overfunded in the test year. SCE

(continued from previous page)

¹⁶⁵ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 25.

¹⁶⁶ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 23.

¹⁶⁷ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 26.

¹⁶⁸ SCE has embedded funding for this project and an example of SCE requesting funding in its 2009 GRC to address its NERC Critical Infrastructure project activities is shown in D.09-03-025 page 234.

¹⁶⁹ The detailed discussion and analysis on SCE’s proposed capital projects for the test year and DRA’s corresponding estimates for SCE’s capital projects will be addressed in Exhibits DRA-6 and DRA-7.

1 should have embedded costs, due to the decrease in the volume of relays and the
2 efficiency gains, to address its test activities.

3
4 DRA's use of SCE's 2009 recorded adjusted expenses of \$1.461 million
5 results in a forecast that is more than SCE's five year average (2005-2009) of
6 \$0.936 million and its three year average (2007-2009) of \$1.111 million, and is a
7 reasonable test year estimate.

8
9 DRA forecasted \$3.541 million for SCE's line item for Distribution
10 Miscellaneous Equipment Maintenance expenses utilizing SCE's last recorded year
11 as a basis.¹⁷⁰ SCE's expenses declined by \$2.259 million between 2007 and 2009
12 from \$5.800 million in 2007 to \$3.541 million in 2009.

13
14 SCE's request for an additional \$1.327 million or 37.48% over 2009 expenses
15 is not justified. SCE states that the "number of distribution substations that SC&M
16 has to maintain will increase as new Load Growth projects are implemented".¹⁷¹
17 SCE's forecast is based on its proposed Load Growth capital projects in the test
18 year. DRA's test year estimates for several of SCE's proposed capital projects are
19 lower than SCE's forecasts which it utilized to forecast this line item included in Sub-
20 Account 592.150.¹⁷² If DRA does not make a corresponding adjustment to SCE's
21 forecast for this line item the expenses would be overfunded in the test year. SCE
22 should have embedded costs in its historical expenses from completed projects that

¹⁷⁰ SCE's test year forecast is based on its cost per substation (Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 28).

¹⁷¹ Ex. SCE-03, Volume 4, Part 7, Chapters I-II, page 31.

¹⁷² The detailed discussion and analysis on SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

1 it can allocate funding to address its test activities.¹⁷³ DRA's use of SCE's 2009
 2 recorded adjusted expenses of \$3.541 million is a reasonable test year estimate.

3 **G. Transmission**

4 SCE forecasted \$56.364 million for its Transmission expenses.¹⁷⁴ SCE
 5 developed its forecast by utilizing its 2009 recorded adjusted expenses for Sub-
 6 Accounts 563.160, 564.160, 566.160, 567.160, and 571.160 plus incremental
 7 expenses for proposed projects and work activities. The corresponding DRA
 8 estimate for SCE's Transmission expenses is \$45.360 million, which is \$11.004
 9 million less than SCE's forecast.

10
 11 SCE combined the forecasted expenses from five Sub-Accounts to calculate
 12 its forecast of \$56.364 million for its Transmission expenses which are summarized
 13 in Figure 5-5. Table 5-35 below shows SCE's recorded adjusted expenses for
 14 2005-2009 and its TY 2012 forecast.

15 Figure 5-5
 16 Thousands of 2009 Dollars

	SCE	DRA
18 563.160 – Overhead Transmission Line Inspection Exp	\$ 3,851	\$ 2,683
19 564.160 – Underground Transmission Line Inspection	991	720
20 566.160 – Transmission Miscellaneous Expense	7,230	5,296
21 567.160 – Transmission Line Rents	8,224	5,538
22 571.160 – Transmission Maintenance	36,068	31,123
23 Total	\$ 56,364	\$45,360

¹⁷³In SCE's TY 2009 GRC, it utilized Sub-Account 592.400 to record its Distribution Miscellaneous Maintenance expenses. In its TY 2012 GRC SCE records these expenses to Sub-Account 592.150. SCE should have embedded funding from completed projects (i.e. Trench Cover replacement project, Switchrack Lighting replacement project, etc.). DRA also notes that SCE's recorded adjusted 2009 expenses in Sub-Account 592.150 of \$3.541 million is less than its 2006 recorded adjusted expenses and less than it was authorized in its 2009 GRC for these activities (D.09-03-025 page 96).

¹⁷⁴Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 78.

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Table 5-35
Transmission Expenses
2005-2009 Recorded / 2012 Forecast
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
563.160	\$2,475	\$2,833	\$3,925	\$3,364	\$2,670	\$3,851
564.160	707	760	1,186	941	720	991
566.160	4,520	5,745	7,373	5,286	5,598	7,230
567.160	1,266	3,514	2,262	3,834	5,538	8,224
571.160	18,059	26,681	24,121	22,516	34,242	36,068
Total	\$27,037	\$39,533	\$38,867	\$35,941	\$48,768	\$56,364

5 Source: 2005-2009 and 2012 data from Ex. SCE-03, Volume 4, Part 8, Chapters I-II, pages 87, 105,
6 107, 108, and 109.

7 **1. 563.160 – Overhead Transmission Line Inspection**

8 SCE forecasted \$3.851 million for Sub-Account 563.160 (Labor of \$2.336
9 million and Non-Labor of \$1.515 million) for its Overhead Transmission Line
10 expenses.¹⁷⁵ SCE's forecast of \$3.851 million is an increase of \$1.181 million or
11 44.23% over 2009 recorded adjusted expenses of \$2.670 million. SCE's Sub-
12 Account 563.160 includes the following line items: Overhead Transmission Line
13 Inspection Expense and Intrusive Pole Inspections. DRA utilized SCE's last
14 recorded year as a basis for its forecast of \$2.683 million for SCE's Sub-Account
15 563.160. DRA's test year estimate is \$1.168 million less than SCE's forecast.

16

17 Table 5-36 below shows SCE's recorded adjusted expenses for 2005-2009
18 and its TY 2012 forecast.¹⁷⁶ Table 5-37 shows the historical and forecast
19 breakdown for the line items included in Sub-Account 563.160.¹⁷⁷

¹⁷⁵ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 107.

¹⁷⁶ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 107.

¹⁷⁷ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 83 and 85.

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Table 5-36
Overhead Transmission Line Inspection Expense
for Sub-Account 563.160
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$1,857	\$2,043	\$2,449	\$2,461	\$2,184	\$2,336
Non-Labor	618	790	1,476	903	486	1,515
Total	\$2,475	\$2,833	\$3,925	\$3,364	\$2,670	\$3,851

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Table 5-37
Breakdown of Line Item Forecast Included In
Sub-Account 563.160
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Overhead Trans Line Inspection Exp	\$2,475	\$2,836	\$3,927	\$3,274	\$2,609	\$3,171
Intrusive Pole Inspec	0	0	0	87	60	680
	\$2,475	\$2,836	\$3,927	\$3,361	\$2,669	\$3,851

10 SCE's request for an increase of 44.23% over 2009 recorded adjusted
11 expenses is not justified. SCE's expenses for two line items recorded in Sub-
12 Account 563.160 fluctuated during the five year period (2005-2009). DRA analyzed
13 the recorded adjusted expenses and the forecast estimates for each individual line
14 item to calculate its test year estimates for Sub-Account 563.160.

15

16 DRA forecasted \$2.609 million for SCE's line item for Overhead Transmission
17 Line Inspection expenses utilizing SCE's last recorded year as a basis. SCE's
18 expenses were relatively stable between 2005 and 2006 with an average for the two
19 years of \$2.655 million. In 2007 SCE's expenses increased by \$1.091 million over
20 2006 expenses due in part to an increase in wildfires. SCE's expenses declined
21 each year between 2007 and 2009 from \$3.927 million in 2007 to \$2.609 million in
22 2009, back down to SCE's historical levels comparable to the expenses recorded in

1 2005 and 2006. SCE states “Overall, the expenses in 2008 were higher than the
2 historical average because of the many wildfires that occurred in 2008”.¹⁷⁸

3
4 SCE’s overhead inspection expense forecast is based on a five-year average
5 of annual inspection expenses-per-transmission line miles for 2005-2009 and SCE
6 forecasted adding additional line miles in 2010-2012. Based on SCE’s recorded
7 adjusted expenses, the amount of line miles in SCE’s system does not appear to
8 have caused major increases in historical expenses (2005-2009) recorded to Sub-
9 Account 563.160.¹⁷⁹ Further, SCE has embedded funding in its historical expenses
10 to address its Transmission Line Patrols. It is inappropriate to require increased
11 ratepayer funding for activities that already have costs embedded in SCE’s historical
12 expenses; no additional ratepayer funding should be required over SCE’s 2009
13 recorded adjusted expenses of \$2.609 million.¹⁸⁰ DRA’s use of SCE’s 2009
14 recorded adjusted expenses of \$2.609 million is a reasonable test year estimate for
15 SCE to address the activities recorded to this Sub-Account.

16
17 DRA forecasted \$74,000 for SCE’s line item for Intrusive Pole Inspections
18 expenses utilizing a two year average (2008 and 2009). SCE’s forecast of \$0.680

¹⁷⁸ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 83.

¹⁷⁹ SCE made a similar argument in its TY 2009 GRC regarding expense increases in patrols due to its forecasted increase in line miles. SCE was authorized additional funding to address its Transmission Line Patrols, however, DRA notes that SCE’s 2009 recorded adjusted expenses of \$2.609 million recorded to Sub-Account 563.160 do not reflect the increase in authorized funding or the increase in expenses due to increasing line miles (D.09-03-025 page 56).

¹⁸⁰ SCE has embedding funding in its historical expenses that can be allocated towards projects recording to Sub-Account 563.160. In SCE’s TY 2009 GRC (D.09-03-025 page 55 to 56), SCE utilized Sub-Account 563.100 to record work activities and associated expenses that are now recorded in its TY 2012 GRC to Sub-Account 563.160. SCE was authorized approximately \$18.851 million (in 2009 constant dollars) for Sub-Account 563.100, and of that amount, SCE’s recorded adjusted 2009 expenses only show \$6.093 million (2009 constant dollars). SCE does not state the Sub-Accounts where the funding was allocated and recorded (DRA-SCE-085-TLG question 1-a).

1 million is an increase of 103% over 2009 recorded adjusted expenses. SCE only
2 provided two years of recorded adjusted expenses (2008-2009) in its Figure II-38 for
3 review and analysis.¹⁸¹ SCE states “SCE began specifically tracking transmission
4 intrusive pole inspection program costs in 2008”.¹⁸² SCE did not provide
5 information in its testimony or data request responses to further discuss and explain
6 in detail the meaning of that statement. SCE also did not provide any
7 documentation that explained in detail why it did not provide recorded adjusted
8 expenses in its GRC testimony, where it was requesting ratepayer funding, for the
9 years 2005-2007 for review and analysis.¹⁸³

10
11 SCE has embedded funding in its historical expenses that it can allocate in
12 the test year to address its Transmission Intrusive Pole inspections. It is
13 inappropriate to require increased ratepayer funding for activities that already have
14 costs embedded in SCE’s historical expenses; no additional funding should be
15 required of ratepayers.

17 **2. 564.160 – Underground Transmission Line Inspection**

18 SCE forecasted \$0.991 million for Sub-Account 564.160 (Labor of \$0.742
19 million and Non-Labor of \$0.249 million) for its Underground Transmission Line

¹⁸¹ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 85.

¹⁸² Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 86.

¹⁸³ In response to a data request, SCE provided recorded costs (which lacked support and the basis for the numbers), for 2005-2007 and transmission pole inspections lumped together with corrections. However, SCE did not provide any discussion regarding the two years of data provided in its testimony or the three years of missing data. SCE did not provide an explanation for the statement in its testimony that “SCE began specifically tracking transmission intrusive pole inspection program costs in 2008”. Based on SCE’s testimony and its response, DRA has concerns with relying on this information. SCE has embedded funding to address this activity in the test year and no additional ratepayer funding is required (DRA-SCE-085-TLG questions 5-a and 5-c).

1 Inspection expenses.¹⁸⁴ DRA utilized SCE's last recorded year as a basis for its
 2 forecast of \$0.720 million for SCE's Sub-Account 564.160. DRA's test year estimate
 3 is \$0.271 million less than SCE's forecast. Table 5-38 below shows SCE's recorded
 4 adjusted expenses for 2005-2009 and its TY 2012 forecast.¹⁸⁵

5
 6 **Table 5-38**
 7 **Underground Line Inspection Expense**
 8 **for Sub-Account 564.160**
 9 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$497	\$584	\$763	\$727	\$618	\$742
Non-Labor	210	176	423	214	102	249
Total	\$707	\$760	\$1,186	\$941	\$720	\$991

10 SCE's expenses were relatively stable between 2005 and 2006 with an
 11 average for the two years (2005-2006) of \$0.734 million. In 2007, SCE's expenses
 12 increased by \$0.426 million over 2006 expenses due in part to an increase in the
 13 "number of requests to locate and mark underground electric facilities".¹⁸⁶ SCE's
 14 expenses declined each year between 2007 and 2009 from \$1.186 million in 2007 to
 15 \$0.720 million in 2009, back down to SCE's historical levels comparable to the
 16 expenses recorded in 2005 and 2006.

17
 18 SCE's underground inspection expense forecast is based on a five-year
 19 average of annual inspection expenses per underground transmission line miles for
 20 2005-2009.¹⁸⁷ SCE's forecast includes adding additional line miles in 2010-2012.
 21 Based on SCE's recorded adjusted expenses the amount of line miles in SCE's

¹⁸⁴ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 87.

¹⁸⁵ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 87.

¹⁸⁶ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 87.

¹⁸⁷ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 88.

1 system does not appear to have caused major increases in Sub-Account 564.160
2 during the historical period (2005-2009). Further, SCE has embedded funding in its
3 historical expenses to address this activity in the test year.¹⁸⁸ It is inappropriate to
4 require increased ratepayer funding for activities that already have costs embedded
5 in SCE's historical expenses and no additional funding is required over SCE's 2009
6 recorded adjusted expenses of \$0.720 million. DRA's use of SCE's 2009 recorded
7 adjusted expenses of \$0.720 million is a reasonable test year estimate for SCE to
8 address the activities recorded to this Sub-Account.

9 **3. 566.160 – Transmission Miscellaneous Expense**

10 SCE forecasted \$7.230 million for Sub-Account 566.160 (Labor of \$4.702
11 million and Non-Labor of \$2.528 million) for its Transmission Miscellaneous
12 expenses.¹⁸⁹ SCE's forecast of \$7.230 million is an increase of \$1.632 million or
13 29.15% over 2009 recorded adjusted expenses of \$5.598 million. SCE's Sub-
14 Account 566.160 includes the following line items: Miscellaneous Transmission
15 Expense and Other Expense. DRA utilized SCE's last recorded year as a basis for
16 its forecast of \$5.296 million for SCE's Sub-Account 566.160. DRA's test year
17 estimate is \$1.934 million less than SCE's forecast.

18
19 Table 5-39 below shows SCE's recorded adjusted expenses for 2005-2009
20 and its TY 2012 forecast.¹⁹⁰ Table 5-40 shows the historical and forecast
21 breakdown for the line items included in Sub-Account 566.160.¹⁹¹
22

¹⁸⁸ DRA-SCE-085-TLG question 1-b.

¹⁸⁹ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 108.

¹⁹⁰ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 108.

¹⁹¹ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 101 and 104.

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Table 5-39
Transmission Miscellaneous Expense
for Sub-Account 566.160
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$1,284	\$1,513	\$2,075	\$2,134	\$3,007	\$4,702
Non-Labor	3,236	4,232	5,298	3,152	2,521	2,528
Total	\$4,520	\$5,745	\$7,373	\$5,286	\$5,598	\$7,230

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Table 5-40
Breakdown of Line Item Forecast Included In
Sub-Account 566.160
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Miscellaneous Trans Exp	\$4,356	\$5,634	\$7,186	\$5,026	\$4,904	\$5,140
Other Expenses	159	105	187	258	694	2,090
Total	\$4,515	\$5,739	\$7,373	\$5,284	\$5,598	\$7,230

11 SCE's expenses for the two line items recorded in Sub-Account 566.160
12 fluctuated during the five year period (2005-2009). DRA analyzed the recorded
13 adjusted expenses and the forecast estimates for each individual line item to
14 calculate its test year estimate for Sub-Account 566.160.

15

16 DRA forecasted \$4.904 million for SCE's line item for Miscellaneous
17 Transmission expenses utilizing SCE's last recorded year as a basis. SCE's
18 expenses declined by \$2.282 million between 2007 and 2009 from \$7.186 million in
19 2007 to \$4.904 million in 2009. The decreases in recorded expenses were due to
20 SCE's "concentrated efforts on encroachment enforcement".¹⁹²

¹⁹² Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 102.

1 SCE's forecast is based on its spending per transmission line mile in 2009
2 times the total line miles in 2010-2012, because the average spending has remained
3 relatively constant the past two years and is expected to remain at this level going
4 forward. Based on SCE's recorded adjusted expenses the amount of line miles in
5 SCE's system does not appear to have caused major increases in Sub-Account
6 566.160 during the historical period (2005-2009). DRA requested additional
7 information from SCE regarding its test year request.

8
9 DRA asked: **193**

10 Provide the documentation that explains in detail and demonstrates the
11 relationship between SCE's total transmission line miles and its recorded
12 adjusted expenses for Miscellaneous expenses for 2005 through 2009.
13 Based on SCE's testimony, the increases and decreases between 2005 and
14 2009 were due specifically to "Corporate Real Estate support services for
15 encroachment work".
16

17 SCE's response:

18 SCE's land rights of way are found throughout SCE's transmission system,
19 and TDBU and Corporate Real Estate are jointly responsible for inspecting
20 and identifying encroachments and infractions on these properties throughout
21 the transmission system. SCE finds that the total cost per transmission line
22 mile is an appropriate basis for both assessing recorded costs and
23 forecasting future costs in this activity.
24

25 DRA asked: **194**

26 SCE forecasted \$5.140 million for its Miscellaneous expenses which is
27 recorded in Sub-Account 566.160 and included in the forecast of \$7.230
28 million. SCE's labor expenses recorded for Miscellaneous expenses
29 increased by \$1.369 million between 2005 and 2009.
30 Provide the documentation that explains in detail and demonstrates why
31 SCE's current funding level, which includes an increase of \$1.369 million, is
32 insufficient to address its work load in the test year.
33

193 DRA-SCE-085-TLG question 6-f.

194 DRA-SCE-085-TLG question 6-c.

1 SCE's response:

2 The \$0.124 million increase from 2009 to 2012 in labor expenses in this
3 activity is based on the increased transmission line miles as shown in Figure
4 II-44 of the testimony. SCE believes it is appropriate to request additional
5 funding for this account because the workload for the activities will be
6 increasing based on the new transmission lines.

7 SCE's responses do not explain the relationship between the decreases in
8 recorded expenses for this line item during the historical period, and the increases in
9 line miles, nor do they demonstrate that SCE's current funding level is insufficient.
10 SCE has embedded costs in its historical expenses from completed projects that it
11 can allocate to address its test year activities. DRA's use of SCE's 2009 recorded
12 adjusted expenses of \$4.904 million is comparable to SCE's recent expense levels
13 and is a reasonable test year estimate.

14
15 SCE's forecast for the line item, Other Expenses of \$2.090 million or 201.15%
16 increase over 2009 recorded expenses of \$0.694 million is not justified. This line
17 item includes estimates for the following: Communication Line expenses of \$0.102
18 million, Employee Recognition of \$0.068 million, Information meetings of \$0.290
19 million and Transmission Program expense (a multi-year bonus program provided to
20 transmission linemen) of \$1.630 million.¹⁹⁵ SCE states "This account also includes
21 the spot bonus and ACE awards program which are used to motivate and reward
22 employees who perform additional responsibilities in an exceptional manner or take
23 on tasks that require additional time commitments". SCE further states in regards to
24 its Transmission Program that "if an employee volunteers for the program and
25 commits to being trained for three years, a bonus and an opportunity to certify for Air
26 Operations work is provided".¹⁹⁶

¹⁹⁵ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 104. SCE also provided a line item breakdown of historical expenses (2005-2009) and test year estimates for its Other Expenses recorded to Sub-Account 566.160 in its workpapers (Ex. SCE-03, Volume 4, Part 8, Ch. II, page 45).

¹⁹⁶ Ex. SCE-03, Volume 4, Part 8, Chapters I-II page 103.

1 DRA forecasts \$0.392 million for SCE's line item for Other Expenses
2 recorded to Sub-Account 566.160. DRA utilized SCE's test year estimates for its
3 Communication Line expenses of \$0.102 million and Information meetings of \$0.290
4 million, included in SCE's forecast for the Other Expense line item. DRA's test year
5 estimate excludes SCE's test year forecast of \$0.068 million for Employee
6 Recognition and \$1.630 million for its Transmission Program expenses (a multi-year
7 bonus program provided to transmission linemen)¹⁹⁷ recorded in Sub-Account
8 566.160 for ratemaking purposes. DRA's adjustment removes discretionary costs
9 associated with SCE's employee recognition program Spot Bonuses, Awards to
10 Celebrate Excellence Recognition Points (ACE), and its multi-year bonus plan, all of
11 which are inappropriate for ratepayer funding.¹⁹⁸ SCE's employee recognition
12 programs provide no clear or identifiable benefit to ratepayers and is not necessary
13 to operate the utility business. SCE can continue to offer these benefit programs to
14 its employees at its shareholders expense.¹⁹⁹

15

16 **4. 567.160 – Transmission Line Rents**

17 SCE forecasted \$8.224 million for Sub-Account 567.160 (Non-Labor of
18 \$7.408 million and Other Exp of \$0.816 million) for its Transmission Line Rents
19 expenses.²⁰⁰ SCE's forecast of \$8.224 million is an increase of \$2.686 million or
20 48.50% over 2009 recorded adjusted expenses of \$5.538 million. DRA utilized
21 SCE's last recorded year as a basis for its forecast of \$5.538 million for SCE's Sub-

¹⁹⁷ SCE utilized a Budget-Based method to calculate its test year forecast of \$1.630 million for its Transmission Program (multi-year bonuses) which was established in 2009.

¹⁹⁸ In SCE's responses to DRA-SCE-085-TLG question 7-h and 7-g, SCE provided information on its Transmission Program expenses (a multi bonus program for linemen) that are recorded to Sub-Account 566.160.

¹⁹⁹ SCE's Air Operations and associated training costs as well as the salary for SCE's Transmission linemen are already funded in rates by ratepayers (DRA-SCE085-TLG question 7-j).

²⁰⁰ EX. SCE-03, Volume 4, Part 8, Chapters I-II, page 105.

1 Account 567.160. DRA's test year estimate is \$2.686 million less than SCE's
2 forecast. Table 5-41 below shows SCE's recorded adjusted expenses for 2005-
3 2009 and its TY 2012 forecast.²⁰¹

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Table 5-41
Transmission Line Rents
for Sub-Account 567.160
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$0	\$0	\$0	\$0	\$0	\$0
Non-Labor	450	2,698	1,446	3,018	4,722	7,480
Other Expense	816	816	816	816	816	816
Total	\$1,266	\$3,514	\$2,262	\$3,834	\$5,538	\$8,224

9 SCE's request for an increase of 48.50% over 2009 recorded adjusted
10 expenses is unreasonable based on its historical expenses levels. SCE's non-labor
11 expenses fluctuated during the five year period (2005-2009) and increased by
12 56.46% in 2009 over 2008 expenses. The fluctuations during the five year period
13 (2005-2009) were apparently due in part to "the timing of line rent payments" and
14 increases in line rent contracts by the Bureau of Land Management and the U.S.
15 Forest Service.²⁰²

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SCE states that The Bureau of Land Management and U.S. Forest Service
"implemented unprecedented rate increases late in 2008 for all rental periods
beginning in 2009".²⁰³ SCE provided DRA with a copy of the "Federal Register"
issued by the Department of the Interior, Bureau of Land Management, which was
issued on October 31, 2008. SCE did not provide DRA with specific documentation
and reference material or the specific contracts (demonstrating the detailed

²⁰¹ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 105.

²⁰² Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 106.

²⁰³ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 106.

1 breakdown of expenses and the direct impact on its test year forecast) relating
2 directly to this document for DRA's review and analysis to determine the
3 reasonableness of SCE's requested test year increase of 48.50%. SCE stated
4 "There is no contract between SCE and the BLM, however attached is the final rule
5 from the Bureau of Land Management documenting the increase in line rents for
6 BLM land".²⁰⁴

7
8 SCE did not provide sufficient documentation to support additional ratepayer
9 funding of 48.50% over 2009 recorded expenses of \$5.538 million in the test year for
10 Sub-Account 567.160. SCE has embedded funding in its historical expenses to
11 address its line rent increases, since SCE's 2009 recorded adjusted TDBU O&M
12 expenses were \$48 million less than it was authorized in its 2009 GRC.²⁰⁵ DRA's
13 forecast of \$5.538 million, utilizing SCE's 2009 recorded adjusted expense, the
14 highest recorded for the five year period (2005-2009), is a reasonable method to
15 forecast SCE's test year activities recorded to Sub-Account 567.160.

17 **5. 571.160 – Transmission Maintenance**

18 SCE forecasted \$36.068 million for Sub-Account 571.160 (Labor of \$10.937
19 million and Non-Labor of \$25.131 million) for its Transmission Maintenance
20 expenses.²⁰⁶ SCE's Sub-Account 571.160 includes the following line items:
21 Transmission Maintenance expense, Insulator Washing, Road and Right of Way
22 (ROW) Maintenance, Capital-Related Expense. DRA utilized SCE's last recorded
23 year as a basis for its forecast of \$31.123 million for SCE's Sub-Account 571.160.
24 DRA's test year estimate is \$4.945 million less than SCE's forecast.

25

²⁰⁴ DRA-SCE-085-TLG question 13.

²⁰⁵ Ex. SCE-03, Volume 1, Chapters I-VI, page 20.

²⁰⁶ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 109.

1 Table 5-42 below shows SCE's recorded adjusted expenses for 2005-2009
 2 and its TY 2012 forecast.²⁰⁷ Table 5-43 shows the historical and forecast
 3 breakdown for the line items included in Sub-Account 571.160.²⁰⁸

4
 5 **Table 5-42**
 6 **Transmission Maintenance Expense**
 7 **for Sub-Account 571.160**
 8 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$5,670	\$7,047	\$7,702	\$7,265	\$8,122	\$10,937
Non-Labor	12,389	19,634	16,419	15,251	26,120	25,131
Total	\$18,059	\$26,681	\$24,121	\$22,516	\$34,242	\$36,068

9
 10 **Table 5-43**
 11 **Breakdown of Line Item Forecast Included In**
 12 **Sub-Account 571.160**
 13 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Transmission Maint	\$6,643	\$12,165	\$9,459	\$6,228	\$9,810	\$8,861
Insulator Washing	2,946	3,354	4,202	4,524	3,709	3,929
Road & ROW Maint	7,635	9,709	8,243	6,738	10,794	9,043
Capital-Related Exp	828	1,452	2,222	5,022	9,929	14,235
Total	\$18,052	\$26,680	\$24,126	\$22,512	\$34,242	\$36,068

14 SCE's expenses for the four line items recorded in Sub-Account 571.160
 15 fluctuated during the five year period (2005-2009). DRA analyzed the recorded
 16 adjusted expenses and the forecast estimates for each individual line item to
 17 calculate its test year estimate for Sub-Account 571.160. DRA does not take issue
 18 with SCE's test year forecast for its line item for Transmission Maintenance of
 19 \$8.861 million that is included in its forecast of \$36.068 million for Sub-Account
 20 571.160. DRA reviewed SCE's testimony, workpapers, data request responses, and

²⁰⁷ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 109.

²⁰⁸ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 92, 94, 97, and 99.

1 historical expense levels for this line item and the forecast appears to be reasonable.
2 DRA takes issue with the following line items included in the forecast for Sub-
3 Account 571.160.

4
5 DRA forecasted \$3.709 million for SCE's line item for Insulator Washing
6 expenses utilizing SCE's last recorded year as a basis. SCE's expenses fluctuated
7 between 2005 and 2009 with an average for the five year period (2005-2009) of
8 \$3.747 million. SCE's expenses declined between 2008 and 2009 by \$0.815 million
9 from \$4.524 million in 2008 to \$3.709 million in 2009. The decline was due to "the
10 retirement of several older wash vehicles. These older vehicles had remained in
11 service for an extended period of time while problems with newer wash vehicles
12 being brought into service were identified and corrected. Once the newer vehicles
13 began performing at acceptable levels, the older vehicles were retired".²⁰⁹

14
15 SCE's Insulator Washing expense forecast is based on a five-year average of
16 annual inspection expenses per transmission line mile for 2005-2009.²¹⁰ SCE
17 forecasted adding additional line miles in 2010-2012. Based on SCE's recorded
18 adjusted expenses, the amount of line miles in SCE's system does not appear to
19 have caused major increases in historical expenses (2005-2009) recorded to Sub-
20 Account 571.160. DRA requested additional information from SCE on its test year
21 forecast.

22
23 DRA asked:²¹¹

24 In SCE's 2009 GRC SCE requested and was authorized (D.09-03-025 page
25 71) an additional \$2.007 million for Insulator Washing. This additional funding
26 of \$2.007 million was in addition to its 2006 recorded adjusted expenses for
27 insulator washing of \$3.035 million. Provide the documentation that explains

²⁰⁹ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 95.

²¹⁰ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 83.

²¹¹ DRA-SCE-085-TLG question 10-b.

1 in detail and demonstrates why SCE's recorded adjusted expenses for 2005
2 through 2009 does not reflect the 2006 recorded expenses of \$3.035 million
3 (provided by SCE in its 2009 GRC) plus its 2009 additional authorized funding
4 of \$2.007 million for insulator washing.
5

6 SCE's response:

7 The \$3.035 million in 2006 recorded expenses provided in the 2009 GRC are
8 in constant 2006\$. The number was escalated to constant 2009\$, to \$3.354
9 million, in the 2012 GRC. The 2009 recorded expenses were less than what
10 was authorized in the 2009 GRC because of various factors, including the
11 retirement of older wash vehicles, (as discussed on page 95 of the
12 testimony), higher rainfall amounts and less onshore flow, which reduced the
13 need for insulator washing, and management discretion to use resources in
14 other areas.
15

16 DRA asked: 212

17 In SCE's 2009 GRC, SCE requested \$13.336 million for Poles and Structures
18 recorded in Sub-Account 571.100. SCE was authorized approximately
19 \$10.264 million of its request. In SCE's 2009 GRC, SCE requested \$16.643
20 million for Insulators and Conductors recorded in Sub-Account 571.200. SCE
21 was authorized approximately \$11.652 million of its request. SCE's 2009
22 authorized amounts totaled approximately \$21.916 million to address its work
23 activity for Poles and Structures and Insulators and Conductors. SCE's 2009
24 recorded adjusted expenses for its Transmission Maintenance expenses of
25 \$8.861 million (which includes work activities on transmission poles,
26 transmission towers/structures, and transmission conductors) and its 2009
27 recorded adjusted expenses for Insulator Washing of \$3.929 million together
28 total \$12.790 million.

29 Provide the documentation that explains the discrepancy between the 2009
30 recorded adjusted expenses totaling \$12.790 million for work activities on
31 transmission poles, transmission towers/structures, transmission conductors,
32 and insulator washing and SCE's 2009 authorized funding of approximately
33 \$21.916 million to address the above work activities. In the response be sure
34 to address specifically where SCE diverted authorized funding of
35 approximately \$9.126 million.
36

37 SCE's response:

38 As stated on page 11 of SCE-01, "The Commission expects SCE to manage
39 its business between general rate case test years to optimize service to our

212 DRA-SCE-085-TLG question 9.

1 customers and work toward realizing our authorized rate of return. In 2009,
2 like nearly every other year, our recorded expenses varied from the specific
3 categories authorized in the 2009 GRC decision”.
4 SCE does not specifically allocate or transfer authorized costs from one GRC
5 sub-account to another. GRC authorized revenues are allocated through the
6 SCE budgeting process.

7 SCE has embedded funding in its historical expenses to address its Insulator
8 Washing activities. It is inappropriate to require increased ratepayer funding for
9 activities that already have costs embedded in SCE’s historical expenses; therefore
10 no additional funding is required over SCE’s 2009 recorded adjusted expenses of
11 \$3.709 million. DRA’s use of SCE’s 2009 recorded adjusted expenses of \$3.709
12 million is a reasonable test year estimate for SCE to address its activities recorded
13 to this Sub-Account.

14
15 DRA forecasted \$8.624 million for SCE’s line item for Road and ROW
16 Maintenance expenses utilizing a five year average (2005-2009) as a basis. SCE’s
17 expenses fluctuated significantly between 2005 and 2009 with an average for the
18 five year period (2005-2009) of \$8.624 million and a three year average (2007-2009)
19 of \$8.592 million. SCE’s expenses declined between 2006 and 2008 by \$2.971
20 million from \$9.709 million in 2006 to \$6.738 million in 2008. SCE’s 2009 expenses
21 increased by \$4.056 million or 60.20% over 2008 recorded expenses of \$6.738
22 million. SCE does not provide a detailed discussion in its testimony or data request
23 responses on the specific cause of the increase between 2008 and 2009 of 60.20%.

24
25 SCE’s Road and ROW Maintenance expense forecast is based on a five-year
26 average (2005-2009) of its cost per line mile times the miles of overhead
27 transmission lines.²¹³ SCE forecasted adding additional line miles in 2010-2012.
28 Based on SCE’s recorded adjusted expenses, the amount of line miles in SCE’s
29 system does not appear to have caused major increases in historical expenses

²¹³ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 97.

1 (2005-2009) recorded to Sub-Account 571.160. DRA requested additional
2 information from SCE on its test year forecast.

3

4 DRA asked: 214

5 Provide copies of SCE's cost benefit analysis prepared by its management
6 that determined that it required an increase of 174.8% to address its Road
7 and ROW maintenance needs in the test year.

8

9 SCE's response:

10 SCE did not perform a cost-benefit analysis related to road and ROW
11 maintenance. As stated in response to DRA-SCE-085-TLG Question 11d,
12 the increased labor costs will be offset by a decrease in contracted resources,
13 and SCE is not requesting any increased funding beyond the five-year cost
14 per transmission line mile for Road and ROW Maintenance expenses. In fact,
15 SCE's test year request for road and ROW maintenance is 16% less than
16 recorded adjusted 2009 expenses.

17

18 DRA asked: 215

19 Provide the documentation that demonstrates specifically how SCE
20 incorporated the salary savings from employee retirements during the
21 historical years into its test year forecast.

22

23 SCE's response:

24 SCE's forecast in this activity is based on the amount of work that needs to be
25 performed, and the recorded expenses associated with a unit volume of work.
26 SCE did not specifically incorporate any salary savings from employee
27 retirements. As employees retire, other employees are promoted to take their
28 place, with associated increase in hourly pay. SCE respectfully suggests that
29 the retirement of employees has little to no bearing on the cost of road and
30 ROW maintenance expenses.

214 DRA-SCE-085-TLG question 11-e.

215 DRA-SCE-085-TLG question 11-c.

1 SCE's responses do not justify an increase in labor expenses of 174.85% in
2 the test year. SCE states "In D.89-12-057, the CPUC stated that for those accounts
3 which have significant fluctuations in recorded expenses from year to year, an
4 average of recorded expenses is appropriate".²¹⁶ DRA recommends a five year
5 average of \$8.624 million as its test year forecast. Utilizing SCE's recorded adjusted
6 expenses in this line item recorded to Sub-Account 571.160 is a reasonable test
7 year estimate for SCE to address its activities in the test year.

8
9 DRA forecasted \$9.929 million for SCE's line item for Capital-Related
10 expenses utilizing SCE's last recorded year, the highest level of recorded
11 expenditures, as a basis for its estimate. SCE's test year forecast of \$14.235 million
12 for its Capital-Related expenses is an increase of 43.37% over 2009 recorded
13 adjusted expenses and is excessive. SCE's expenses increased by \$9.101 million
14 between 2005 and 2009 from \$0.828 million in 2005 to \$9.929 million in 2009.
15 SCE's recorded adjusted expenses for its line item Capital-Related expenses
16 averaged \$3.891 million over the five year period (2005-2009) and averaged \$5.724
17 million over the three year period (2007-2009). SCE states "Capital related expense
18 can vary significantly based on the specific projects being implemented in a given
19 year".²¹⁷ SCE's recorded expenses increased by \$4.907 million or 97.71%
20 between 2008 and 2009 from \$5.022 million in 2008 to \$9.929 million in 2009.

21
22 SCE utilized "a 2005 to 2009 weighted average ratio of 3.6 percent" to
23 estimate future expenses. SCE states further "The 2010-2012 forecasts were
24 calculated by multiplying this ratio and the forecast transmission capital expenditures
25 that have a related expense component, for each year. The 2012 transmission

²¹⁶ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 97.

²¹⁷ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 99.

1 capital expenditure total was normalized using 2012-2014 expenditures”.²¹⁸ DRA
2 requested additional information from SCE on its test year forecast.

3

4 DRA asked:²¹⁹

5 SCE’s non-labor expenses increased by \$8.265 million between 2005 and
6 2009 from \$0.534 million to \$8.799 million. Provide the documentation that
7 explains in detail and demonstrates why SCE’s current funding level, which
8 includes the increase of \$8.265 million, is insufficient to address its work load
9 in the test year in order to fully justify SCE’s request for additional funding
10 over 2009 recorded adjusted expenses of \$3.816 million which is a 43.37%
11 increase.
12

13 SCE’s response:

14 The 2009 recorded expenses are insufficient because SCE is forecasting a
15 significant increase in the amount of capital work that leads to capital-related
16 expenses. SCE used the five-year average of ratio of capital-related
17 expenses to capital expenditures to forecast these expenses. The recorded
18 2009 capital expenditures totaled \$570 million in 2009 and is forecast to
19 increase to \$1.304 billion in 2012. The 2012 transmission capital expenditure
20 total was normalized using 2012-2014 expenditures. Page 41 of the
21 workpapers contains the calculations for the capital-related expenses
22 forecast.
23

24 DRA asked:²²⁰

25 Provide the supporting documentation that shows the breakdown of the
26 calculation of the \$3.816 million increase in non-labor expenses and which
27 demonstrates in detail the basis for each individual estimate included in the
28 proposed increase of \$3.816 million.
29

30 SCE’s response:

31 The increase in non-labor expenses between 2009 and 2012 is based entirely
32 on the significant increase in capital work that creates capital-related

²¹⁸ Ex. SCE-03, Volume 4, Part 8, Chapters I-II, page 99.

²¹⁹ DRA-SCE-085-TLG question 12-f.

²²⁰ DRA-SCE-085-TLG question 12-h.

1 expenses, such as major transmission line projects and deteriorated pole
2 replacements, which increase the total forecast for capital-related expenses...

3 The Commission may not adopt SCE's proposed capital expenditures. DRA's
4 test year estimates for several of SCE's proposed capital projects are lower than
5 SCE's forecasts which SCE utilized to forecast Sub-Account 571.160.²²¹ If DRA
6 does not make a corresponding adjustment to the test year estimates proposed by
7 SCE for this line item, the Capital-Related expenses will be significantly overfunded
8 in the test year.

9
10 SCE's method utilized to forecast its Capital-Related expenses is
11 unnecessarily complicated and difficult to follow, and is based on significant capital
12 increases in the test year. DRA's use of SCE's 2009 recorded adjusted expenses of
13 \$9.929 million, the highest level of expenditures for the five year period (2005-2009)
14 as a basis is a reasonable test year method.

15

16 **H. Grid Operations**

17 SCE forecasted \$89.707 million for its Grid Operations expenses.²²² SCE
18 developed its forecast by utilizing its 2009 recorded adjusted expenses for Sub-
19 Accounts 560.170, 561.170, 562.170, 573.170, 582.170, 583.170, 585.170, 587.170,
20 588.170, 593.170, 596.170, and 598.170 plus incremental expenses for proposed
21 projects and work activities. The corresponding DRA estimate for SCE's Grid
22 Operations expenses is \$71.972 million, which is \$17.735 million less than SCE's
23 forecast.

²²¹ The detailed discussion and analysis on SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

²²² Ex. SCE-03, Volume 4, Part 5, Chapters I-II, Page 13.

1 SCE combined the forecasted expenses from twelve Sub-Accounts to
 2 calculate its forecast of \$89.707 million for its Grid Operations which are
 3 summarized in Figure 5-6. Table 5-44 below shows SCE's recorded adjusted
 4 expenses for 2005-2009 and its TY 2012 forecast.

5 Figure 5-6
 6 Thousands of 2009 Dollars

	SCE	DRA
8 560.170 – Transmission Substation Supervision Costs	\$ 757	\$ 757
9 561.170 – Grid Control Center Costs	6,057	4,472
10 562.170 – Transmission Substation Costs	10,640	10,293
11 573.170 – Transmission Related Storm Costs	3,731	1,312
12 582.170 – Distribution Substation Costs	14,909	14,425
13 583.170 – Overhead Line Operations	4,722	4,129
14 585.170 – Street Light Patrols	585	585
15 587.170 – Customer Generated Troublemaker Work Costs	7,608	7,608
16 588.170 – Other Grid Operations Costs	6,317	5,049
17 593.170 – Breakdown Maintenance of Overhead Lines	10,307	8,996
18 596.170 – Street Light Maintenance	5,341	5,341
19 598.170 – Distribution Related Storm	18,732	9,005
20 Total	\$89,707	\$71,972

21 **Table 5-44**
 22 **Grid Operations Expenses**
 23 **2005-2009 Recorded / 2012 Forecast**
 24 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
560.170	\$765	\$771	\$675	\$715	\$736	\$757
561.170	3,846	3,588	3,958	4,085	4,472	6,057
562.170	9,921	10,290	10,385	10,252	10,632	10,640
573.170	7,418	7,301	2,097	657	1,181	3,731
582.170	13,986	14,462	14,853	14,291	14,547	14,909
583.170	2,130	2,535	3,480	4,095	4,129	4,722
585.170	1,506	1,778	744	715	503	585
587.170	7,090	7,234	7,870	8,180	7,608	7,608
588.170	2,737	2,970	3,746	4,671	5,944	6,317
593.170	7,737	8,196	9,046	7,030	8,996	10,307
596.170	6,034	6,618	6,946	6,022	5,565	5,341
598.170	18,610	23,552	22,175	20,321	9,005	18,732
Total	\$81,780	\$89,295	\$85,975	\$81,034	\$73,318	\$89,707

25 Source: 2012 data from Ex. SCE-03, Volume 4, Part 5, Chapters I-II, Page 13, and 2005-2009 data
 26 from pages 16, 23, 24, 25, 31, 34, 36, 39, 40, 42, 44, and 51.

1 DRA does not take issue with SCE's test year forecast for the following Sub-
 2 Accounts: \$0.757 million for 560.170 – Transmission Substation Supervision Costs,
 3 \$0.585 million for 585.170 – Street Light Patrols, \$7.608 million for 587.170 –
 4 Customer Generated Troubeman Work Costs, and \$5.341 million for 596.170 –
 5 Street Light Maintenance. DRA reviewed SCE's testimony, workpapers, data
 6 request responses, and historical expense levels for these Sub-Accounts and the
 7 forecasts appear to be reasonable. DRA takes issue with SCE's test year forecasts
 8 for the Sub-Accounts that are discussed below.

9 **1. 561.170 – Grid Control Center Costs**

10 SCE forecasted \$6.057 million for Sub-Account 561.170 (Labor of \$4.860
 11 million and Non-Labor of \$1.197 million) for its Grid Control Center Costs. SCE's
 12 forecast of \$6.057 million is an increase of \$1.585 million or 35.44% over 2009
 13 recorded expenses of \$4.472 million. DRA utilized SCE's 2009 recorded adjusted
 14 expenses, the highest level of expenditures for the five year period, as a basis and
 15 forecasted \$4.472 million for Sub-Account 561.170. DRA's estimate is \$1.582
 16 million lower than SCE's test year forecast. Table 5-45 below shows SCE's
 17 recorded adjusted expenses for 2005-2009 and its TY 2012 forecast. ²²³

18
 19 **Table 5-45**
 20 **Grid Control Center Costs**
 21 **for Sub-Account 561.170**
 22 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$3,379	\$3,422	\$3,715	\$3,477	\$3,588	\$4,860
Non-Labor	467	166	243	608	884	1,197
Total	\$3,846	\$3,588	\$3,958	\$4,085	\$4,472	\$6,057

23

²²³ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 16.

1 SCE's requested increase of 35.44% over 2009 recorded adjusted expenses
2 is not justified when compared to historical levels. SCE's recorded adjusted
3 expenses recorded to Sub-Account 561.170 averaged \$3.990 million over the five
4 year period (2005-2009) and averaged \$4.172 million over the three year period
5 (2007-2009).

6
7 SCE's labor expenses are forecasted to increase to \$4.860 million in the test
8 year for Sub-Account 561.170 which is an increase of \$1.272 million over 2009
9 recorded adjusted labor expenses of \$3.588 million. SCE's labor expenses
10 remained relatively stable²²⁴ during the five year period (2005-2009) with an
11 average for the period of \$3.516 million. SCE states that it "will add employees to
12 Grid Control Management" due to "continuously increasing work resulting from new
13 and changing NERC reliability standards", and its "need to begin staffing the
14 Alternate Grid Control Center".²²⁵

15
16 Based on the information SCE provided, it appears that SCE never had
17 permanent staffing at its Alternate Grid Control Center.²²⁶ Further, SCE did not
18 provide any documentation that demonstrated specific and identifiable problems
19 which prevented it from successfully managing all associated work activities relating
20 to its Alternate Grid Control Center during 2005 through 2009. SCE's proposal to
21 hire ten additional employees during the three year rate case cycle to address work
22 recorded to Sub-Account 561.170 is suspect, since SCE has only hired four
23 employees to address these work activities between 2005-2009. SCE states that it

²²⁴ SCE states that its "labor costs for Sub-account 561.170 were relatively constant for the period from 2005 to 2009". Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 16.

²²⁵ Ex. SCE-03, Volume 4, part 5, Chapters I-II, page 17.

²²⁶ DRA notes that in SCE's TY 2009 GRC, SCE's TDBU requested and was authorized substantial funding in various Sub-Accounts to address new hires to account for employee retirement and work related projects, yet SCE did not staff its Alternate Grid Control Center.

1 “increased the number of Power System Operators and Power System Planners
2 from 25 in 2005 to 29 in 2009”.²²⁷

3
4 DRA discovered in a meeting on February 10, 2011 between DRA and SCE
5 that SCE has been incurring costs related to “new and changing NERC reliability
6 standards” during the historical period, and that although SCE has been incurring
7 expenses it has not separately tracked those embedded costs in TDBU.²²⁸

8 Although SCE states that it has “continuously increasing work resulting from new
9 and changing NERC reliability standards”, SCE’s recorded adjusted labor expenses
10 in Sub-Account 561.170 have remained relatively stable with 2009 being the highest
11 recorded expense level. Additional funding to address NERC reliability standards is
12 not required and SCE has embedded costs that it can allocate in the test year to
13 address its work activities associated with the NERC reliability standards.

14
15 DRA asked SCE for additional information on its requested increase for
16 additional staffing that were associated with the \$1.585 million expense increase in
17 Sub-Account 561.170.

18
19 DRA asked:²²⁹

20 Provide SCE’s staffing level (as of December 31) for each year (2005-2009)
21 that recorded expenses to Sub-Account 561.170. Provide the total number of

²²⁷ In SCE’s TY 2009 GRC SCE was authorized \$10.691 million (in 2009 constant dollars) for FERC Account 561. Of that amount, \$4.906 million was authorized to address activities recorded in Sub-Account 561.170 (the remainder of the authorized amount was to address activities in Sub-Account 561.210). SCE’s 2009 recorded adjusted expenses for Sub-Account 561.170 is \$4.472 million, which is less than authorized, and the embedded funding can be allocated in the test year for SCE’s test year activities (DRA-SCE-TLG-067 question 1-b).

²²⁸ SCE has embedded funding for this project and an example of SCE requesting funding in its TY 2009 GRC to address its NERC Critical Infrastructure project activities is shown in D.09-03-025 page 234.

²²⁹ SCE’s response to DRA-SCE-067-TLG question 5-c.

1 positions included in the \$1.585 million increase and a detailed breakdown of
2 the calculation of the \$1.585 million increase (including overtime, bonuses,
3 contracts, etc.).
4

5 SCE's response:

6 In general and as discussed in other responses to DRA data requests,
7 expenses recorded in FERC Sub-accounts are activity-based and are
8 therefore driven by the amount of work performed and not a count of
9 employees. Our employees may perform different types of work and charge
10 multiple FERC Sub-accounts during a year. We therefore, cannot provide a
11 meaningful count of positions by FERC Sub-account".
12

13 DRA asked: 230

14
15 Provide the documentation that explains in detail how many employees
16 SCE hired during 2005 and 2009 in its Grid Control Center to "begin staffing
17 the Alternate Grid Control Center" and "to continue to fill our training pipeline".
18

19 SCE's response:

20
21 As we discuss in testimony, we have not yet staffed our Alternate Grid Control
22 Center and part of our reason for planning to hire 10 employees is to do so.
23 As mentioned in testimony, this new practice "provides a level of security in
24 alignment with others in the area, such as the California ISO and the WECC
25 Reliability Coordinator function".
26

27 DRA asked: 231

28
29 Provide the documentation that explains in detail how SCE managed its
30 Alternate Grid Control Center during 2005-2009.
31

32 SCE's response:

33 During the recorded period, we maintained the Alternate Grid Center as a
34 backup facility but did not permanently staff Power System Operators there.
35 This meant, in the case of a catastrophic loss of the primary Grid Control
36 Center, we would temporarily assign employees from the primary Grid Control
37 Center to the Alternate Control Center and continue system operations from
38 there. By manning the Alternate Grid Control Center with a minimal number

230 SCE's response to DRA-SCE-067-TLG question 5-e.

231 SCE's response to DRA-SCE-067-TLG question 5-f.

1 of employees during times of highest risk, we would greatly reduce the time it
2 would take the Alternate Grid Control center to become fully functional in the
3 case of a catastrophe and continue to maintain reliable control of the system
4 or initiate restoration of energy when required. As mentioned in testimony,
5 this new practice “provides a level of security in alignment with others in the
6 area, such as California ISO and the WECC Reliability Coordinator function”.
7

8 DRA asked:²³²

9 Provide the documentation that explains in detail if SCE’s Grid Control Center
10 employees had any work projects during 2005-2009 that was associated with
11 new and changing NERC reliability standards. If so, state how SCE managed
12 the increased workload considering its recorded adjusted labor expenses
13 remained relatively flat during the last five years.
14

15 SCE’s response:

16
17 NERC has updated its reliability standards during the historical period and we
18 expect NERC to continue to do so. As shown in Figure I-24 we have, in fact,
19 increased the number of Power System Operators and Power System
20 Planners from 25 in 2005 to 29 in 2009. We expect NERC to continue to add
21 new standards in the future and have considered this in developing our hiring
22 plans. As discussed in our response to question 5(b), increasing reliability
23 regulation is one of three main factors driving our plan to hire 10 Power
24 system Operators, the other two being our need to staff an Alternate Grid
25 Control Center and the anticipated retirement of a large number of Grid
26 Control employees.

27 SCE’s responses do not justify additional funding. Based on SCE’s
28 statements, it does not appear that SCE actually plans on having permanent staffing
29 at its Alternate Grid Control Center in the test year, as it claims. SCE states “By
30 manning the Alternate Grid Control Center with a minimal number of employees
31 during times of highest risk”. This is what SCE is currently doing, and additional
32 staffing is not required. DRA’s use of SCE’s 2009 recorded adjusted expenses of
33 \$4.472 million as a basis for its test year estimate for Sub-Account 561.170 is a
34 sufficient forecast for 2012 based on recent expense history.

²³² SCE’s response to DRA-SCE-067-TLG question 5-d.

2. 562.170 – Transmission Substation Costs

SCE forecasted \$10.640 million for Sub-account 562.170 (Labor of \$8.731 million and Non-Labor of \$1.909 million) for its Transmission Substation Costs. SCE utilized the number of substations in its system and the total expenses recorded in Sub-Accounts 562.170 – Transmission Substation Costs, 582.170 – Distribution Substation Costs, and 560.170 – Transmission Substation Supervision Costs to calculate its total expense per substation. SCE used the average expenses per substation for the recorded period and multiplied it by its forecast of the number of substations expected in the system in 2012. SCE then allocated the costs to the three Sub-Accounts mentioned above by calculating a ratio of expenses.²³³

SCE’s forecasting method is unnecessarily complicated and difficult to follow. DRA utilized a five year average (2005-2009) and forecasted \$10.293 million (Labor of \$8.669 million and Non-Labor of \$1.624 million) for Sub-Account 562.170 and is more reasonable when compared to SCE’s method. DRA’s forecast is \$0.347 million less than SCE’s test year estimate. SCE’s expenses fluctuated during the five year period (2005-2009) and DRA’s used of a five year average addresses this fluctuation. Table 5-46 below shows SCE’s recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.²³⁴

**Table 5-46
Transmission Substation Costs
for Sub-Account 562.170
(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$8,417	\$8,722	\$8,784	\$8,699	\$8,724	\$8,731
Non-Labor	1,504	1,568	1,601	1,553	1,908	1,909
Total	\$9,921	\$10,290	\$10,385	\$10,252	\$10,632	\$10,640

²³³ Ex. SCE-03 Volume 4, Part 5, Chapters I-II, page 26.

²³⁴ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 24.

1 DRA made a normalized adjustment to SCE's recorded adjusted historical
 2 expenses (2005-2009) of \$15,369 recorded in Sub-Account 562.170 for ratemaking
 3 purposes. DRA's adjustment was made to remove discretionary costs associated
 4 with SCE's employee recognition program Spot Bonuses and Awards to Celebrate
 5 Excellence Recognition Points (ACE), which are inappropriate to charge to
 6 ratepayers. SCE's employee recognition programs provide no clear or identifiable
 7 benefit to ratepayers and are not necessary to operate the utility business.²³⁵

8 **3. 573.170 – Transmission Related Storm Costs**

9 SCE forecasted \$3.731 million for Sub-Account 573.170 (Labor of \$1.036
 10 million and Non-Labor of \$2.695 million) for its Transmission Related Storm
 11 Costs.²³⁶ SCE's forecast of \$3.731 million is an increase of \$2.550 million or
 12 215.92% over 2009 recorded adjusted expenses of \$1.181 million. DRA utilized a
 13 three year average (2007-2009) as a basis for its forecast of \$1.312 million for
 14 SCE's Sub-account 573.170. DRA's estimate is \$2.550 million less than SCE's
 15 estimate. Table 5-47 below shows SCE's recorded adjusted expenses for 2005-
 16 2009 and its TY 2012 forecast.²³⁷

17 **Table 5-47**
 18 **Transmission Related Storm Costs**
 19 **for Sub-Account 573.170**
 20 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$2,121	\$1,317	\$1,002	\$275	\$462	\$1,036
Non-Labor	5,297	5,984	1,095	382	719	2,695
Total	\$7,418	\$7,301	\$2,097	\$657	\$1,181	\$3,731

²³⁵ In SCE's response to DRA-SCE-067-TLG question 2, SCE provided a spreadsheet, which included recorded adjusted expenses for 2005-2009 incurred for its employee recognition awards recorded to Sub-Account 562.170. DRA removed expenses totaling \$15,369 from its test year estimate which was based on a five year average.

²³⁶ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 39.

²³⁷ SCE-03, Volume 4, Part 5, Chapters I-II, page 39.

1 SCE records expenses in Sub-Account 573.170 associated with various
2 storms that cause routine outages and storms that can be more severe (i.e., major
3 storms: rain, wind, heat, forest fires, and natural disasters).²³⁸ In some years the
4 weather conditions can be more severe and some storms can last for several days,
5 thus incurring more costs. SCE has the opportunity to recover costs incurred for
6 major emergencies and catastrophic events through the Catastrophic Event
7 Memorandum Account (CEMA) mechanism.²³⁹ When SCE files its CEMA, it is
8 supposed to remove all costs associated with the emergency from its Sub-
9 Accounts.²⁴⁰ The CEMA proceeding determines the amount that SCE will be able
10 to recover under the specific requirements of Public Utilities Code section 454.9.
11 For the GRC filing, SCE is supposed to remove all specific one time major
12 emergency costs related to CEMA events from its test year forecast.²⁴¹
13

14 DRA is concerned that SCE did not remove all its CEMA related costs from its
15 recorded expenses, based on SCE's recorded adjusted expenses, and that some of
16 these costs are included in SCE's test year forecast which is based on a five year
17 average. Based on this concern, and its review of SCE's recorded adjusted

²³⁸ SCE-03 Volume 4, Part 5, Chapters I-II, page 38. SCE has three levels of storms: Category 1 Storm – Localized to a geographic area, more routine, Category 2 Storm – the event impacts multiple zones and additional resources may be needed, and Category 3 Storm – (Catastrophic) major event, requires additional resources, restoration of service may be prolonged beyond 72 hours (DRA-SCE-067-TLG question 9-a).

²³⁹ The Governor of California or the President of the United States must declare a disaster or state emergency in order for CEMA recovery.

²⁴⁰ SCE states “Note that we recovered the costs related to some of the declared storms through CEMA filings. Costs related to those storms have been removed are not included in sub-accounts 573.170 and 598.170 as shown in the workpapers on pages 150-187” (DRA-SCE-067-TLG question 9-a).

²⁴¹ SCE's major emergencies are considered specific one-time events and the associated expenses should be removed from its GRC filing or ratepayers will be paying multiple times during the rate case cycle for the one time event in addition to new major events that may happen later.

1 expenses, DRA utilized a three year average (2007-2009). DRA used these years in
2 its estimate because they appear to be more normal and routine years compared to
3 the recorded costs for the years 2005 and 2006. DRA notes that SCE's expenses
4 declined each year between 2005 and 2008 by \$6.761 million from \$7.418 million in
5 2005 to \$0.657 million in 2008. In 2009, SCE's expenses increased to \$1.181
6 million. DRA's estimate of \$1.312 million based on a three year average is a
7 reasonable method to forecast SCE's test year expenses for Sub-Account 573.170.

8 **4. 582.170 – Distribution Substation Costs**

9 SCE forecasted \$14.909 million for Sub-account 582.170 (Labor of \$12.750
10 million and Non-Labor of \$2.159 million) for its Distribution Substation Costs. SCE
11 utilized the number of substations in its system and the total expenses recorded in
12 Sub-Accounts 582.170 – Distribution Substation Costs, 562.170 – Transmission
13 Substation Costs, and 560.170 – Transmission Substation Supervision Costs to
14 calculate its total expense per substation. SCE used the average expenses per
15 substation for the recorded period and multiplied it by its forecast of the number of
16 substations expected in the system in 2012. SCE then allocated the costs to the
17 three Sub-Accounts mentioned above by calculating a ratio of expenses.²⁴²

18 SCE's forecasting method is unnecessarily complicated and difficult to follow.
19 DRA utilized a five year average (2005-2009) and forecasted \$14.425 million (Labor
20 of \$12.716 million and Non-Labor of \$1.709 million) for Sub-Account 582.170 and is
21 more reasonable when compared to SCE's method. DRA's forecast is \$0.484
22 million less than SCE's test year estimate. SCE's expenses fluctuated during the
23 five year period (2005-2009) and DRA's use of a five year average addresses this
24 fluctuation. Table 5-48 below shows SCE's recorded adjusted expenses for 2005-
25 2009 and its TY 2012 forecast.²⁴³

²⁴² Ex. SCE-03 Volume 4, Part 5, Chapters I-II, page 26.

²⁴³ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 25.

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Table 5-48
Distribution Substation Costs
for Sub-Account 582.170
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$12,601	\$12,886	\$13,090	\$12,567	\$12,439	\$12,750
Non-Labor	1,385	1,576	1,763	1,724	2,108	2,159
Total	\$13,986	\$14,462	\$14,853	\$14,291	\$14,547	\$14,909

5 DRA made a normalized adjustment to SCE's recorded adjusted historical
6 expenses (2005-2009) of \$13,121 recorded in Sub-Account 582.170 for ratemaking
7 purposes. DRA's adjustment was made to remove discretionary costs associated
8 with SCE's employee recognition program Spot Bonuses and Awards to Celebrate
9 Excellence Recognition Points (ACE), which are inappropriate to charge to
10 ratepayers. SCE's employee recognition programs provide no clear or identifiable
11 benefit to ratepayers and are not necessary to operate the utility business.²⁴⁴

12 **5. 583.170 – Overhead Line Operations**

13 SCE forecasted \$4.722 million for Sub-Account 583.170 (Labor of \$3.744
14 million and Non-Labor of \$0.987 million) for its Distribution Line Operations
15 expenses.²⁴⁵ SCE's forecast of \$4.722 million is an increase of \$0.593 million or
16 14.36% over 2009 recorded adjusted expenses of \$4.129 million. DRA utilized
17 SCE's last recorded year, the highest level of expenditures for the five year period,
18 as a basis for its forecast of \$4.129 million for SCE's Sub-account 583.170. DRA's
19 estimate is \$0.593 million less than SCE's estimate. Table 5-49 below shows SCE's
20 recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.²⁴⁶

²⁴⁴ In SCE's response to DRA-SCE-067-TLG question 2, SCE provided a spreadsheet, which included recorded adjusted expenses for 2005-2009 incurred for its employee recognition awards recorded to Sub-Account 582.170. DRA removed expenses totaling \$13,121 from its test year estimate which was based on a five year average.

²⁴⁵ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 31.

²⁴⁶ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 31.

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Table 5-49
Distribution Line Operations
for Sub-Account 583.170
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$1,672	\$2,054	\$2,464	\$3,128	\$3,276	\$3,744
Non-Labor	458	481	1,016	967	853	978
Total	\$2,130	\$2,535	\$3,480	\$4,095	\$4,129	\$4,722

5 SCE's expenses increased by \$1.999 million between 2005 and 2009,
6 with 2009 recording the highest level of expenditures of \$4.129 million. SCE
7 states that the increase is due to "increasing age and size of our distribution
8 system" and the change in work activities.²⁴⁷ The five year average is \$3.274
9 million and the three year average (2007-2009) is \$3.901 million. SCE's forecast
10 was based on its historical and projected capital expenditures for breakdown
11 maintenance. SCE's labor expenses are forecasted to increase by \$0.468
12 million in the test year from \$3.276 million in 2009 to \$3.744 million in the test
13 year. The five year average (2005-2009) for recorded adjusted labor expenses is
14 \$2.219 million and the three year average (2007-2009) is \$2.956 million. DRA
15 notes that SCE's labor expenses increased by \$1.604 million between 2005 and
16 2009. SCE did not provide any documentation that demonstrated that its current
17 labor funding level, which includes an increase of \$1.604 million, is insufficient to
18 address its test year needs.²⁴⁸

19

20 DRA takes issue with SCE's forecast for Sub-Account 583.170 because the
21 forecast is based on increases in SCE's proposed capital projects in the test year.

²⁴⁷ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 31.

²⁴⁸ DRA requested additional information from SCE on why its current funding level, which included a labor expense increase during the historical period of \$1.604 million, was insufficient to address its test years needs (DRA-SCE-067-TLG question 12-b).

1 DRA's test year estimates for several of SCE's proposed capital projects²⁴⁹ are
2 lower than SCE's forecasts which SCE utilized to forecast its Sub-Account 583.170.
3 If DRA does not make a corresponding adjustment to SCE's forecast for Sub-
4 Account 583.170 the expenses would be overfunded.

5
6 DRA's test year estimate of \$4.129 million based on SCE's 2009 recorded
7 expenses, which is the highest level of expenses recorded for the five year period
8 and is more than the three year and five year averages, is a reasonable test year
9 estimate.

10 **6. 588.170 – Other Grid Operations Costs**

11 SCE forecasted \$6.317 million for Sub-Account 588.170 (Labor of \$4.745
12 million and Non-Labor of \$1.572 million) for its Other Grid Operations Costs.²⁵⁰
13 SCE's Sub-Account 588.170 includes test year forecasts for the following line items:
14 Circuit Mapping, Outage Data Management, Street Light Mapping and Inventory and
15 Other expenses (Informational meetings and employee recognition awards). The
16 corresponding DRA estimate is \$5.049 for SCE's Sub-Account 588.170. DRA's
17 estimate is \$1.268 million less than SCE's forecast.

18 Table 5-50 below shows SCE's recorded adjusted expenses for 2005-2009
19 and its TY 2012 forecast.²⁵¹ Table 5-51 shows the historical and forecast expense
20 breakdown for the line items included in the forecast for Sub-Account 588.170.²⁵²

²⁴⁹ The detailed discussion and analysis on SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

²⁵⁰ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 51.

²⁵¹ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 51. SCE's recorded adjusted labor expenses increased by \$2.475 million between 2005 and 2009. DRA requested additional information on the positions, salary, overtime, bonuses, etc included in the increase of \$2.475 million. In SCE's response SCE stated "The recorded costs in Sub-Account 588.170 are activity-based and not tied to particular positions" and SCE stated further that "For this reason, we cannot provide a list of positions that directly account for the increase in labor

(continued on next page)

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**Table 5-50
Other Grid Operations Costs
for Sub-Account 588.170
(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$2,169	\$2,448	\$3,681	\$4,393	\$4,644	\$4,745
Non-Labor	568	522	65	278	1,300	1,572
Total	\$2,737	\$2,970	\$3,746	\$4,671	\$5,944	\$6,317

5
6

**Table 5-51
Breakdown of Line Item Forecast Included In
Sub-Account 588.170
(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Circuit Mapping	\$1,212	\$1,352	\$1,408	\$1,354	\$1,906	\$1,906
Outage Data Mgmt	0	0	1,396	1,671	1,936	1,936
Street Light Mapping & inventory	1,391	1,490	819	853	1,185	1,453
Other Expenses	133	127	122	792	917	1,022
Total	\$2,736	\$2,969	\$3,745	\$4,670	\$5,944	\$6,317

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11 SCE's recorded adjusted expenses for Sub-Account 588.170 averaged
12 \$4.787 million over the three year period (2007-2009) and averaged \$4.014 million
13 over the five year period (2005-2009). SCE's expenses for the four line items
14 recorded in Sub-Account 588.170 have, for the most part, fluctuated during the five
15 year period (2005-2009). DRA analyzed the recorded adjusted expenses and the
16 forecast estimates for each individual line item separately to calculate its test year
17 estimate for Sub-Account 588.170. The methods DRA utilized addresses the
18 fluctuations in the historical expenses and the lack of comparable historical data on
19 the recorded adjusted expenses that SCE previously recorded in other Sub-
20 Accounts and then transferred expenses to Sub-Account 588.170.

(continued from previous page)
costs for sub-account 588.170 between 2005 and 2009" (DRA-SCE-067-TLG question 7-f).

252 Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 53.

1 DRA forecasted \$1.446 million for SCE's line item for Circuit Mapping
2 expenses by utilizing a five year average (2005-2009). DRA's estimate is \$0.460
3 million less than SCE's estimate. SCE's Circuit Mapping expenses fluctuated
4 slightly between 2005 and 2008 averaging \$1.332 million for the four year period
5 (2005-2008) before increasing by \$0.552 million, from \$1.354 million in 2008 to
6 \$1.906 million in 2009. SCE did not provide any verifiable or comparable historical
7 expenses or a breakdown of the line item detail totaling the increase of \$0.552
8 million for analysis. Therefore, DRA utilized a five year average to address
9 fluctuations and its concerns on the 40.77% increase between 2008 and 2009 for
10 SCE's Circuit Mapping expenses.

11
12 DRA forecasted \$1.668 million for SCE's line item for Outage Data
13 Management expenses by utilizing a three year average (2007-2009). DRA's
14 estimate is \$0.268 million less than SCE's estimate. SCE does not show any
15 recorded expenses for 2005 and 2006 for its Outage Data Management line item
16 and does not provide an explanation for why there is no recorded or comparable
17 historical data in its testimony on this specific line item. Expenses increased
18 between 2007-2009 but there are no specific line item detail, for review and analysis
19 on the cause of the increases (i.e. increased work activities due to deferred
20 maintenance, overtime, transfer of expenses from one Sub-Account to another with
21 verifiable and comparable historical data, etc.). DRA's use of a three year average
22 is reasonable and addresses concerns for the lack of verifiable and recorded
23 adjusted data.

24
25 DRA forecasted \$1.185 million for SCE's line item for Street Light Mapping
26 and Inventory expenses by utilizing SCE's 2009 recorded adjusted expenses.
27 DRA's estimate is \$0.268 million less than SCE's estimate. SCE's Street Light
28 Mapping and Inventory expenses fluctuated between 2005 and 2009 averaging
29 \$1.148 million for the five year period (2005-2009) which is comparable to SCE's
30 2009 recorded adjusted expenses. SCE's 2009 recorded adjusted expenses is a
31 reasonable test year estimate and since it is comparable to its five year average

1 which incorporates fluctuations in expenses, it should be sufficient for SCE to
2 address its test year activities.

3
4 DRA forecasted \$0.750 million for SCE's line item for Other expenses by
5 utilizing a two year average (2008 and 2009) of SCE's recorded adjusted expenses.
6 DRA's estimate is \$0.272 million less than SCE's estimate. DRA's forecast includes
7 a normalized adjustment of \$0.208 million for ratemaking purposes. SCE's Other
8 expenses include costs incurred for employee information meetings and employee
9 recognition awards.²⁵³

10
11 DRA made a normalized adjustment to SCE's recorded adjusted historical
12 expenses (2005-2009) of \$0.208 million recorded in Sub-Account 588.170 for
13 ratemaking purposes. DRA made this adjustment to remove discretionary costs
14 associated with SCE's employee recognition program Spot Bonuses and Awards to
15 Celebrate Excellence Recognition Points (ACE), which are inappropriate to charge
16 to ratepayers.²⁵⁴ SCE's employee recognition programs provide no clear or
17 identifiable benefit to ratepayers and are not necessary to operate the utility
18 business.

19
20 SCE's Other expenses fluctuated slightly between 2005 and 2007 averaging
21 \$0.127 million for the three year period (2005-2007) before increasing by \$0.670
22 million, from \$0.122 million in 2007 to \$0.792 million in 2009 or a 549% increase
23 over 2007 expenses. DRA did not include 2005-2007 in its average due to the
24 significant increase between 2007 and 2008. SCE did not provide any verifiable or
25 comparable historical expenses or a breakdown of the line item detail totaling the
26 increase of \$0.670 million for analysis. In 2009, SCE's expenses increased to

²⁵³ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 54.

²⁵⁴ SCE provided its historical expenses (2005-2009) which included line items for employee recognition awards in its response to DRA-SCE-067-TLG question 2. DRA removed \$208,468: \$75,105 from 2008 and removed \$133,363 from 2009 expenses.

1 \$0.917 million. DRA utilized a two year average to address the significant
2 fluctuations and its concerns on the 549% increase between 2007 and 2008 for
3 SCE's Other expenses.

4
5 DRA's test year estimate of \$5.049 million for Sub-Account 588.170 is a
6 reasonable test year estimate and is more than the three year average of \$4.787
7 million and five year average of \$4.014 million.

8 **7. 593.170 – Breakdown Maintenance of Overhead Lines**

9 SCE forecasted \$10.307 million for Sub-Account 593.170 (Labor of \$7.880
10 million and Non-Labor of \$2.427 million) for its Breakdown Maintenance of
11 Distribution Lines expenses.²⁵⁵ SCE's forecast of \$10.307 million is an increase of
12 \$1.311 million or 14.57% over 2009 recorded adjusted expenses of \$8.996 million.
13 DRA utilized SCE's last recorded year as a basis for its forecast of \$8.996 million for
14 SCE's Sub-account 593.170. DRA's estimate is \$1.311 million less than SCE's
15 estimate. Table 5-52 below shows SCE's recorded adjusted expenses for 2005-
16 2009 and its TY 2012 forecast.²⁵⁶

17 **Table 5-52**
18 **Breakdown Maintenance of Distribution Lines**
19 **for Sub-Account 593.170**
20 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$6,175	\$6,499	\$6,368	\$5,349	\$6,879	\$7,880
Non-Labor	1,562	1,697	2,678	1,681	2,117	2,427
Total	\$7,737	\$8,196	\$9,046	\$7,030	\$8,996	\$10,307

21

²⁵⁵ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 36.

²⁵⁶ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 36.

1 SCE's expenses fluctuated during 2005-2009 and SCE states that the
2 "costs recorded in Sub-Account 593.170 depend primarily on certain drivers
3 outside our control" such as emergency work on failed transformers.²⁵⁷ In 2009,
4 SCE's recorded adjusted expenses increased by \$1.966 million over 2008
5 expenses due to more breakdown maintenance work being performed, "a return
6 to a more average year".²⁵⁸ SCE's recorded adjusted expenses averaged
7 \$8.201 million over the five year period (2005-2009) and averaged \$8.357 million
8 over the three year period (2007-2009). SCE's forecast was based on its
9 historical and projected breakdown of capital maintenance.

10
11 DRA takes issue with SCE's forecast for Sub-Account 593.170 because the
12 forecast is based on significant increases in SCE's proposed capital in the test year.
13 Based on a review and analysis of SCE's recorded adjusted expenses in Sub-
14 Account 593.170 for 2005-2009, there appears to be no correlation between the
15 fluctuations in this account, which SCE claims are out of its control, and SCE's
16 capital project expenditures. DRA's test year estimates for several of SCE's
17 proposed capital projects²⁵⁹ are lower than SCE's forecasts, which it utilized to
18 forecast its Sub-Account 593.170 expenses. If DRA does not make a corresponding
19 adjustment to SCE's forecast for Sub-Account 593.170 the expenses would be
20 overfunded in the test year. DRA's test year estimate of \$8.996 million based on
21 SCE's 2009 recorded expenses, which is more than the five year average of \$8.201
22 million and the three year average of \$8.357 million, is a reasonable test year
23 estimate.

²⁵⁷ Ex. SCE-03, Volume, 4 Part 5, Chapters I-II, page 31.

²⁵⁸ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 37.

²⁵⁹ The detailed discussion and analysis on SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

8. 598.170 – Distribution Related Storm Costs

SCE forecasted \$18.732 million for Sub-Account 598.170 (Labor of \$7.029 million and Non-Labor of \$11.703 million) for its Distribution Related Storm Costs.²⁶⁰ SCE’s forecast of \$18.732 million is an increase of \$9.727 million or 108.02% over 2009 recorded adjusted expenses of \$9.005 million. DRA utilized SCE’s last recorded year as a basis for its forecast of \$9.005 million for SCE’s Sub-Account 598.170. DRA’s estimate is \$9.727 million less than SCE’s estimate.

Table 5-53 below shows SCE’s recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.²⁶¹

**Table 5-53
Distribution Related Storm Costs
for Sub-Account 598.170
(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$8,331	\$10,489	\$10,454	\$2,778	\$3,094	\$7,029
Non-Labor	10,279	13,063	11,721	17,543	5,911	11,703
Total	\$18,610	\$23,552	\$22,175	\$20,321	\$9,005	\$18,732

SCE records expenses in Sub-Account 598.170 associated with various storms that cause routine outages and storms that can be more severe (i.e., major storms: rain, wind, heat, forest fires, and natural disasters).²⁶² In some years the weather conditions can be more severe and some storms can last for several days, thus incurring more costs. SCE has the opportunity to recover costs incurred for major emergencies and catastrophic events through the Catastrophic Event

²⁶⁰ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 40.

²⁶¹ Ex. SCE-03, Volume 4, Part 5, Chapters I-II, page 40.

²⁶² Ex. SCE-03 Volume 4, Part 5, Chapters I-II, page 38. SCE has three levels of storms: Category 1 Storm – Localized to a geographic area, more routine, Category 2 Storm – the event impacts multiple zones and additional resources may be needed, and Category 3 Storm – (Catastrophic) major event, requires additional resources, restoration of service may be prolonged beyond 72 hours (DRA-SCE-067-TLG question 9-a).

1 Memorandum Account (CEMA) mechanism.²⁶³ When SCE files its CEMA, it is
2 supposed to remove all costs associated with the emergency from its Sub-
3 Accounts.²⁶⁴ The CEMA proceeding determines the amount that SCE will be able
4 to recover under the specific requirements of Public Utility Code section 454.9. For
5 the GRC filing, SCE is supposed to remove all specific one time major emergency
6 costs related to CEMA events from its test year forecast.²⁶⁵

7
8 As mentioned above in the discussion on Sub-Account 573.170 for SCE's
9 Transmission Related storm activities, DRA is concerned that SCE did not remove
10 all its CEMA related costs from its recorded expenses, based on SCE's recorded
11 adjusted expenses, and that some of these costs are included in SCE's test year
12 forecast which is based on a five year average. Based on this concern, and its
13 review of SCE's recorded adjusted expenses, DRA utilized SCE's last recorded year
14 in its estimate because that year appears to be a more normal and routine year
15 compared to the recorded costs for the years 2005-2008. DRA notes that SCE's
16 expenses declined each year between 2006 and 2009 by \$14.547 million from
17 \$23.552 million in 2006 to \$9.005 million in 2009. DRA's estimate of \$9.005 million
18 based on SCE's recorded 2009 expense is a reasonable method to forecast SCE's
19 test year expenses for Sub-Account 598.170.
20

²⁶³ The Governor of California or the President of the United States must declare a disaster or state emergency in order for CEMA recovery.

²⁶⁴ SCE states "Note that we recovered the costs related to some of the declared storms through CEMA filings. Costs related to those storms have been removed are not included in sub-accounts 573.170 and 598.170 as shown in the workpapers on pages 150-187" (DRA-SCE-067-TLG question 9-a).

²⁶⁵ SCE's major emergencies are considered specific one-time events and the associated expenses should be removed from its GRC filing or ratepayers will be paying multiple times during the rate case cycle for the one time event in addition to new major events that may happen later.

1 **I. Electric System Planning**

2 SCE forecasted \$6.632 million for its Electric System Planning expenses. ²⁶⁶

3 SCE developed its forecast by utilizing its 2009 recorded adjusted expenses for Sub-
 4 Accounts 561.210 and 587.210 plus incremental expenses for proposed projects
 5 and work activities. The corresponding DRA estimate for SCE’s Electric System
 6 Planning expenses is \$4.656 million, which is \$1.976 million less than SCE’s
 7 forecast.

8
 9 SCE combined the forecasted expenses from two Sub-Accounts to calculate
 10 its forecast of \$6.632 million for its Electric System Planning expenses which is
 11 summarized in Figure 5-7. Table 5-54 below shows SCE’s recorded adjusted
 12 expenses for 2005-2009 and its TY 2012 forecast.

13 Figure 5-7
 14 Thousands of 2009 Dollars

	SCE	DRA
16 561.210 – Transmission Interconnection & Planning	\$5,305	\$ 3,692
17 587.210 – Electric System Planning – Power Quality, 18 Radio & TV Interference	1,327	964
19 Total	\$6,632	\$ 4,656

20 **Table 5-54**
 21 **Electric System Planning Expenses**
 22 **2005-2009 Recorded / 2012 Forecast**
 23 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
561.210	\$3,237	\$3,579	\$3,481	\$3,764	\$4,395	\$5,305
587.210	1,239	1,176	997	865	964	1,327
Total	\$4,476	\$4,755	\$4,478	\$4,629	\$5,359	\$6,632

24 Source: 2005-2009 and 2012 data from Ex. SCE-03, Volume 3, Chapters I-II, pages 7 and 10.

²⁶⁶ Ex. SCE-03, Volume 3, Part 1, Chapters I-II, page 5.

1 SCE claims that the increase was due to increases in generation
2 interconnection requests, analysis on system changes relating to NERC Reliability
3 Standards, a new project relating to the expansion of a freeway, and additional
4 staffing.²⁷⁰ SCE's forecast for Sub-Account 561.210 includes incremental funding
5 for additional staffing and "increasing NERC and generator interconnection related
6 work".²⁷¹ DRA requested additional information on SCE's work activities and its
7 test year forecasts.

8

9 DRA asked:²⁷²

10 Provide the documentation that explains in detail if SCE performed work
11 activities associated with any Renewable Portfolio Standards prior to 2008
12 with expenses recorded to Sub-Account 561.210.
13

14 SCE's response:

15 SCE does not track the expenses recorded in 561.260 associated with
16 Renewable Portfolio Standard discretely, but the Transmission
17 Interconnection & Planning organization did perform work associated with this
18 in 2008.
19

20 DRA asked:²⁷³

21 Provide the historical costs (2005-2009) associated with NERC Reliability
22 Standards that were recorded in Sub-Account 561.210 in order to
23 demonstrate that costs are increasing in the test year.
24

²⁷⁰ Ex. SCE-03, Volume, 3 Part 1, Chapters I-II, page 7.

²⁷¹ Ex. SCE-03, Volume, 3 Part 1, Chapters I-II, page 8.

²⁷² DRA-SCE-218-TLG question 7-g.

²⁷³ DRA-SCE-218-TLG question 8-a. Although SCE claims that work associated with NERC Reliability Standards is expected to grow in the test year it has not tracked embedded costs associated with this activity and DRA discovered that SCE "has been performing work related to NERC Reliability Standards in this expense category since 2006" (DRA-SCE-218-TLG question 8-c).

1 SCE's response:

2 SCE does not track the expenses associated with NERC Reliability standards
3 discretely in this Sub Account. Please refer to response for Question 6b of
4 this set for additional details regarding increasing work in this category.
5

6 DRA asked: 274

7
8 Provide all T&D O&M expense Sub-Accounts where SCE is requesting
9 funding to address NERC Reliability Standards and the total amount
10 requested in each Sub-Account.
11

12 SCE's response:

13
14 Please refer to the response to Question 4 of DRA-Verbal-052. As described
15 in that presentation, NERC reliability standards affect almost the entire
16 company. Since NERC standards and requirements are reflected in new
17 facilities, equipment, and operating systems, the costs of meeting NERC
18 reliability standards are reflected in capital, as well as O&M costs. Because
19 the NERC standards have been in effect for an extensive period of time, the
20 costs of meeting current and upcoming standards is reflected in on-going
21 operations as well the GRC forecast, and cannot be isolated from other costs.
22 Please also refer to the response to Question 3, of DRA-Verbal-052, where
23 SCE has provided the incremental costs of meeting NERC CIP requirements
24 for 2012 Test Year.
25

26 DRA asked: 275

27 Provide the documentation that explains in detail if SCE performed any
28 "thorough system impact evaluations" in 2008 that were associated with
29 "generation interconnection requests driven by Renewable Portfolio
30 Standards", if so, provide all associated costs for 2008.
31

32 SCE's response:

33 SCE did perform system impact studies for generator interconnection
34 requests, but does not have a list available for studies performed in 2008.
35 The system impact studies associated with a particular generator requesting
36 interconnection to the SCE grid is funded by the customer. The expenses
37 recorded in 561.210 are for ancillary workload driven by the generation
38 interconnection requests. They support development of cost estimates

274 DRA-SCE-218-TLG question 8-b.

275 DRA-SCE-218-TLG question 7-d.

1 associated with Phases I and II of GIPR (Generation Interconnection Process
2 Reform) process, assist in LGIA (large Generator Interconnection Agreement)
3 negotiations, support regulatory proceedings (CPCN, CPUC Rate cases,
4 FERC Rate Cases, FERC incentive filing etc), work with counties to
5 determine fair access to SCE grid among various generators, perform land
6 use planning, plan outage during construction, etc.
7 SCE does not track the expenses associated with these activities discretely.

8

9 SCE's responses are insufficient and do not justify additional funding. SCE
10 has embedded funding²⁷⁶ in its historical expenses related to on-going NERC
11 activities as well as from completed projects that can be utilized in the test year to
12 address its projects and no additional funding is required over DRA's test year
13 estimates of \$3.692 million.

14 **2. 587.210 – Load Side Support Power Quality, Radio and**
15 **TV Interference**

16 SCE forecasted \$1.327 million for Sub-Account 587.210 (Labor of \$0.919
17 million and Non-Labor of \$0.408 million) for its Load Side Support Power Quality,
18 Radio and TV Interference expenses.²⁷⁷ SCE's forecast of \$1.327 million is an
19 increase of \$0.363 million or 37.66% over its 2009 recorded adjusted expenses of
20 \$0.964 million. DRA utilized SCE's last record as a basis for its forecast of \$0.964
21 million for SCE's Sub-Account 587.210. DRA's estimate is \$0.363 million less than
22 SCE's forecast. Table 5-56 below shows SCE's recorded adjusted expenses for
23 2005-2009 and its TY 2012 forecast.²⁷⁸

²⁷⁶ In SCE's 2009 GRC SCE was authorized \$10.691 million (in 2009 constant dollars) for FERC Account 561. Of that amount, \$5.785 million was authorized to address activities recorded in Sub-Account 561.210 (the remainder of the authorized amount was to address activities in Sub-Account 561.170). SCE's 2009 recorded adjusted expenses for Sub-Account 561.210 is \$4.395 million, which is less than authorized, and the embedded funding can be allocated in the test year for SCE's test year activities (DRA-SCE-TLG-067 question 1-b).

²⁷⁷ Ex. SCE-03, Volume 3, Part 1, Chapters I-II, page 10.

²⁷⁸ Ex. SCE-03, Volume 3, Part 1, Chapters I-II, page 7.

1
2
3
4

Table-5-56
Load Side Support Power Quality, Radio and TV Interference Expenses
for Sub-Account 587.210
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$913	\$830	\$662	\$651	\$597	\$919
Non-Labor	325	347	334	214	367	408
Total	\$1,238	\$1,177	\$996	\$865	\$964	\$1,327

5 SCE’s request for a 37.66% increase is not justified. SCE’s expenses
6 declined each year between 2005 and 2008 from \$1.239 million in 2005 to \$0.865
7 million in 2008. SCE’s expenses remained relatively stable between 2007 and 2009.
8 with an average for the three year period (2007-2009) of \$0.942 million. SCE states
9 “as analog televisions are replaced by digital equipment, the issue of radio and
10 television interference is significantly reduced and the demand for Radio and TV
11 interference inspectors have gone down”.²⁷⁹ DRA requested additional information
12 from SCE on its test year forecast.

13

14 DRA asked:²⁸⁰

15 Provide the documentation that explains in detail if during 2005 through 2009,
16 SCE was aware that its customers were adding devices and equipment such
17 as plasma TV’s copiers/scanners and appliances with digital programming to
18 their homes and work locations as SCE’s recorded adjusted expenses
19 recorded in Sub-Account 587.210 were decreasing. If so, provide the
20 documentation that explains in detail how SCE was able to address the
21 related problems mentioned above while its expenses were decreasing each
22 year to fully justify a labor increase in the test year of 53.94% over 2009
23 recorded adjusted expenses
24

25 SCE’s response:

26 The change from 2005 through 2009 was mostly due to replacement of
27 analog devices with digital devices, which temporarily reduced power quality

²⁷⁹ Ex. SCE-03, Volume 3, Part 1, Chapters I-II, page 10.

²⁸⁰ DRA-SCE-218-TLG question 16-e.

1 and service interference issues. SCE is aware of increase in the number of
2 devices in customers homes and work locations. It has been able to address
3 the volume of work with the existing inspectors, but we do not believe this
4 sustainable in the long term. Please refer to the response to Question 16d of
5 this set for additional information regarding the type and volume of work these
6 inspectors are expected to perform.
7

8 DRA asked: 281

9 Provide the cost benefit analysis prepared prior to this data request that
10 SCE's management relied upon to determine that its labor expenses needed
11 to increase by 53.94% over 2009 recorded adjusted expenses
12

13 SCE's response:

14 SCE did not perform a formal cost benefit analysis to determine the 2012
15 forecast for Sub Account 587.210. The forecast is based on management
16 judgement about the number of Power Quality inspectors needed to maintain
17 adequate service to customers.
18

19 DRA asked: 282

20
21 SCE states "though radio and TV interference issues have decreased, power
22 quality issues faced by customers have increased as customers continue to
23 add devices and equipment such as plasma TV's copiers/scanners and
24 appliances with digital programming to their homes and work locations".
25 Provide the documentation that demonstrates in detail all the "power quality
26 issues faced by customers" that "have increased as customers continue to
27 add devices and equipment such as plasma TV's copiers/scanners and
28 appliances with digital programming to their homes and work locations" for
29 2005 through 2009 and the associated costs.
30

31 SCE's response:

32
33 The need for Power Quality inspectors had decreased from 2005 to 2009, as
34 reflected in the decrease in number of inspectors and recorded labor
35 expenses (Figure I-4 in testimony). SCE does not record expenses discretely
36 by the type of equipment that caused power quality or interference issues.
37 The rationale for the expected increase in work load is provided below. The
38 demand for services of the Power Quality department is rising. The

281 DRA-SCE-218-TLG question 16-c.

282 DRA-SCE-218-TLG question 16-d.

1 increasing use of microprocessors and the shift from electric to electric loads
 2 are causing considerable harmonic distortions. To counter these issues, the
 3 needs of individual customers need to be identified, customized solutions
 4 have to be developed, and harmonic filters have to be installed appropriately.
 5 The Power Quality inspectors provide this service...

6 SCE's responses are insufficient and incomplete and do not justify a 53.94%
 7 labor expense increase in the test year. SCE's recorded expenses have declined
 8 during the historical period as consumer purchases of plasma TV's, digital
 9 copiers/scanners and other digital equipment have increased. DRA's use of SCE's
 10 2009 recorded adjusted expenses of \$0.964 million for Sub-Account 587.210 as a
 11 test year estimate is reasonable and comparable to SCE's recent expense levels.
 12

13 **J. Engineering Design and Project Management**

14 SCE forecasted \$14.480 million for its Engineering Design And Project
 15 Management expenses. SCE developed its forecast by utilizing its 2009 recorded
 16 adjusted expenses for Sub-Accounts 560.220, 580.220, 588.220 and 595.220 plus
 17 incremental expenses for proposed projects and work activities. The corresponding
 18 DRA estimate for SCE's Engineering Design And Project Management expenses is
 19 \$11.894 million, which is \$2.586 million less than SCE's forecast.
 20

21 SCE combined the forecasted expenses from four Sub-Accounts to calculate
 22 its forecast of \$14.480 million for its Engineering Design And Project Management
 23 expenses which are summarized in Figure 5-8. Table 5-57 below shows SCE's
 24 recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.

25
 26 Figure 5-8
 27 Thousands of 2009 Dollars

	SCE	DRA
29 560.220 – Transmission/Substation Operations		
30 Supervision and Engineering	\$ 9,822	\$ 7,563
31 580.220 – Engineering, Planning and Protection Studies	1,125	798
32 588.220 – Miscellaneous Distribution Expenses	2,452	2,452
33 595.220 – Maintenance of Line Transformers – SSID	1,081	1,081
34 Total	\$14,480	\$11,894

1
2
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Table 5-57
Engineering Design And Project Management Expenses
2005-2009 Recorded / 2012 Forecast
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
560.220	\$4,898	\$7,381	\$8,992	\$7,742	\$9,172	\$9,822
580.220	1,203	1,288	917	909	798	1,125
588.220	1,884	1,968	1,361	4,013	3,032	2,452
595.220	1,265	1,219	1,271	813	834	1,081
Total	\$9,250	\$11,856	\$12,541	\$13,477	\$13,836	\$14,480

5 Source: 2005-2009 data from Ex. SCE-03, Volume 3, Part 5, Chapters I-II, page 48.

6
7

1. 560.220 – Transmission/Substation Operations
Supervision and Engineering

8

SCE forecasted \$9.823 million for Sub-Account 560.220 (Labor of \$2.577

9

million and Non-Labor of \$7.246 million) for its Transmission/Substation Operations

10

Supervision and Engineering expenses.²⁸³ DRA utilized a five year average (2005-

11

2009) as a basis for its forecast of \$7.563 million for SCE’s Sub-Account 560.220.

12

DRA’s forecast is \$2.260 million lower than SCE’s forecast. Table 5-58 below

13

shows SCE’s recorded adjusted expenses for 2005-2009 and its TY 2012 forecast

14

for Sub-account 560.220.²⁸⁴

15

Table 5-58

16

Transmission/Substation Operations Supervision and Engineering

17

for Sub-Account 560.220

18

(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$2,313	\$3,427	\$2,142	\$2,487	\$2,717	\$2,577
Non-Labor	2,585	3,954	6,850	5,255	6,455	7,246
Total	\$4,898	\$7,381	\$8,992	\$7,742	\$9,172	\$9,823

²⁸³ Ex. SCE-03, Volume 3, Part 5, Chapters I-II, page 49.

²⁸⁴ Ex. SCE-03, Volume 3, Part 5, Chapters I-II, page 49.

1 DRA made a normalized adjustment to SCE's recorded adjusted historical
2 expenses (2005-2009) of \$0.369 million recorded in Sub-Account 560.220 for
3 ratemaking purposes. DRA's adjustment was made to remove discretionary costs
4 associated with SCE's employee recognition program Spot Bonuses and Awards to
5 Celebrate Excellence Recognition Points (ACE), which are inappropriate to charge
6 to ratepayers.²⁸⁵ SCE's employee recognition programs provide no clear or
7 identifiable benefit to ratepayers and are not necessary to operate the utility
8 business.

9
10 SCE's forecast request includes additional funding of \$850,000 for Substation
11 Automation Software Development Program and work activities associated with its
12 Transmission Line Rating Study.²⁸⁶ SCE has embedded costs and additional
13 funding is not required. SCE's recorded adjusted expenses recorded in Sub-
14 Account 560.220 have increased by \$4.274 million between 2005 and 2009. DRA
15 utilized a five year average due to the fact that SCE has embedded funding
16 associated with its Transmission Line Clearance/Rating Study and completed
17 projects that it can allocate to Sub-Account 560.220 to address its test year needs.
18 DRA discovered that the majority of the funding that SCE was authorized in its TY
19 2009 GRC to address its Transmission Line Clearance Study has been excluded
20 from SCE's 2009 recorded adjusted expenses recorded to Sub-Account 560.220²⁸⁷

²⁸⁵ In SCE's response to DRA-SCE-064-TLG question 1-b and 7-a SCE provided spreadsheets, which included recorded adjusted expenses for 2005-2009 incurred for its employee recognition awards programs recorded to Sub-Account 560.220. DRA removed expenses totaling \$368,802 from its test year estimate which was based on a five year average.

²⁸⁶ Ex. SCE-03, Volume 3, Part 5, Chapters I-II, page 53.

²⁸⁷ In SCE's TY 2009 GRC SCE requested funding of \$10.623 million associated with its Transmission Line Clearance/Rating Study in Sub-Account 563.100 for a total forecast in that Sub-Account of \$16.565 million. The Commission granted SCE's request and authorized \$16.565 million for Sub-Account 563.100 (D.09-03-025 page 55 and 56) for SCE to address its work activities associated with its Transmission Line Clearance/Rating Study. In its TY 2012 GRC, SCE now records expenses associated with its Transmission Line

(continued on next page)

1 In SCE's TY 2009 GRC, the Company requested \$16.795 million or a
2 206.20% increase in its Sub-Account 563.100 over its 2006 recorded adjusted
3 expenses of \$5.485 million, claiming that the main driver of the increase was its
4 \$10.623 million request to address a Transmission Line Clearance Study on its bulk
5 transmission and sub-transmission lines.²⁸⁸ DRA discovered that of the \$16.565
6 million²⁸⁹ that the Commission authorized for Sub-Account 563.100 in SCE's TY
7 2009 GRC, SCE shows that it only incurred costs of \$3.360 million to address its
8 Transmission Line Clearance Study and incurred additional expenses of \$2.733
9 million to perform other transmission work activities recorded to Sub-Account 563-
10 100.²⁹⁰ It is troubling that of the \$16.565 million the Commission authorized in
11 SCE's TY 2009 GRC for Sub-Account 563.100, SCE's recorded adjusted 2009
12 expenses shown in its TY 2012 GRC testimony only identify \$6.093 million (in 2009

(continued from previous page)

Clearance/Rating Study to Sub-Account 560.220 and records expenses associated with Other transmission activities that were associated with Sub-Account 563.100 in its 2009 GRC to Sub-Account 563.160.

²⁸⁸ DRA's 2009 report on SCE's TDBU O&M expenses in Ex. DRA-05 page 22 through 25, and SCE's 2009 testimony in SCE-03, Volume 2, Part 2, Chapter VII page 46.

²⁸⁹ SCE's TY 2009 GRC request was shown as \$16.795 million in SCE-03, Volume 2, Part 2, Chapter VII, page 41 for Sub-Account 563.100, the Commission shows that it authorized \$16.565 million (D.09-03-025 page 55 and 56).

²⁹⁰ In DRA-SCE-064-TLG question 7-d-1, DRA requested information relation to SCE's 2009 authorized amount associated with its Transmission Line Clearance Study to address the study, evaluation, and mitigation planning related to potential clearance issues on its transmission and sub-transmission lines. DRA asked "Provide the documentation that demonstrates all Sub-Accounts and total expenses where SCE recorded expenses relating to the \$10.623 million". SCE responded in part that "SCE does not track authorized dollars in the format requested by this question" and referred DRA to its testimony and stated that "\$2.925 million of expenses were recorded in 2009 in sub-account 560.220 for Transmission Line Rating Study". SCE later provided a supplemental response and revised the number to \$3.022 million for the 2009 costs incurred for its Transmission Line Rating Study. In SCE's response to DRA-SCE-85-TLG questions 1-a, SCE stated "The 2009 authorized amount for Transmission Line Rating Study was \$11.820 million in 2009 constant dollars. The 2009 recorded is \$3.360 million, which is a portion of sub-account 560.220 in the 2012 GRC. The 2009 authorized amount for Other Transmission Activities was \$6.761 million in 2009 constant dollars. The 2009 recorded is \$2.733 million..."

1 dollars). SCE has approximately \$12.488 million²⁹¹ in embedded funding that it has
2 excluded from its 2009 recorded adjusted expenses associated with its authorized
3 funding for its Transmission Line Clearance/Rating Study that it can utilize to
4 address its test year needs for Sub-Account 560.220.

5

6 The Commission should not approve increased ratepayer funding for
7 activities that already have costs embedded, and no additional funding is needed
8 over DRA's test year estimate of \$7.563 million.

9 **2. 580.220 – Engineering, Planning and Protection Studies**

10 SCE forecasted \$1.125 million for Sub-Account 580.220 (Labor of \$0.789
11 million and Non-Labor of \$0.336 million) for its Engineering, Planning and Protection
12 Studies expenses.²⁹² SCE's forecast of \$1.125 million is an increase of \$0.327
13 million or 40.98% over 2009 recorded expenses of \$0.798 million. DRA utilized
14 SCE's 2009 recorded adjusted expenses as a basis and forecasted \$0.798 million
15 for SCE's Sub-Account 580.220. DRA's forecast is \$0.327 million lower than SCE's
16 forecast. Table 5-59 below shows SCE's recorded adjusted expenses for 2005-
17 2009 and its TY 2012 forecast for Sub-account 580.220.²⁹³

18

²⁹¹ In SCE's response to DRA-SCE-085-TLG question 1-a, SCE provided its TY 2009 GRC authorized amount for Sub-Account 563.100 in 2009 dollars as \$18.581 million (\$11.820 million for the Transmission Line Clearance Study and \$6.761 million authorized for Other Transmission Activities). Note that of the \$18.581 million authorized in SCE's TY 2009 GRC, SCE's recorded adjusted 2009 expenses include only \$6.093 million. SCE does not provide any specific and verifiable detail on the recording of the balance of the \$18.581 million amounting to \$12.488 million which SCE has excluded from its TDBU O&M 2009 recorded adjusted expenses.

²⁹² Ex. SCE-03, Volume 3, Part 5, Chapters I-II, page 49.

²⁹³ Ex. SCE-03, Volume 3, Part 5, Chapters I-II, page 57.

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Table 5-59
Engineering, Planning and Protection Studies Expenses
for Sub-Account 580.220
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$981	\$978	\$823	\$845	\$712	\$789
Non-Labor	222	310	94	64	86	336
Total	\$1,203	\$1,288	\$917	\$909	\$798	\$1,125

5

6 SCE's request is not justified when compared to its recent historical levels.
7 SCE's expenses have declined each year between 2006 and 2009 from \$1.288
8 million in 2006 to \$0.798 million in 2009, a decrease in expenses of \$0.490 million.
9 Further SCE states "In D.89.12.057, the CPUC stated that if costs have shown a
10 trend in a certain direction over three or more years, the last recorded year is an
11 appropriate base estimate".²⁹⁴ DRA agrees that since SCE's expenses have
12 "shown a trend in a certain direction over three or more years" by declining each
13 year, SCE's last recorded adjusted expenses of \$0.798 million are sufficient for it to
14 address its test year needs.

15 SCE claims that its requested increase is for additional funding of \$327,000
16 for an analyst to "develop requirements for new procedures relating to 2012 NERC
17 CIP revision standards" and contractors to review and classify substation drawings
18 for upcoming 2012 NERC CIP revisions".²⁹⁵ SCE has requested more than is
19 necessary to address NERC CIP related activities. DRA discovered that the "total
20 cost to hire contract engineers to review and classify substation drawings is
21 \$250,000" or \$83,000 normalized over the three year period, however SCE
22 requested a total of \$750,000 (\$250,000 each year) over the three year rate case

²⁹⁴ Ex. SCE-03, Volume 3, Part 5, Chapters, I-II page 57.

²⁹⁵ Ex. SCE-03, Volume 3, Part 5, Chapters I-II, page 57 and 58.

1 cycle.²⁹⁶ SCE should have \$83,000 in embedded cost that it can allocate to
2 address these work activities and its request for additional funding should be denied.

3
4 DRA learned in a meeting on February 10, 2011 between DRA and SCE that
5 SCE has embedded costs in its historical expenses for these activities due to the
6 fact that SCE has been performing activities associated with NERC CIP
7 requirements and revised standards for several years.²⁹⁷ DRA also learned in that
8 meeting that SCE has not specifically tracked all the related costs that are
9 embedded in its TDBU historical expenses, and therefore is not able to accurately
10 calculate expense increases to justify additional funding. It is unreasonable for SCE
11 to request additional ratepayer funding, claiming that expenses are increasing, when
12 it is not able to properly track and calculate historical expenses associated with this
13 activity and its request should be denied.

14 **K. Technical Services**

15 SCE forecasted \$68.311 million for its Technical Services expenses. SCE
16 developed its forecast by utilizing its 2009 recorded adjusted expenses for Sub-
17 Accounts 566.250, 573.250, 582.250, 588.250, and 598.250, plus incremental
18 expenses for proposed projects and work activities. The corresponding DRA
19 estimate for SCE's Technical Services expenses is \$57.379 million, which is
20 \$10.932 million less than SCE's forecast.

21
22 SCE combined the forecasted expenses from five Sub-Accounts to calculate
23 its forecast of \$68.311 million for its Technical Services expenses which are
24 summarized in Figure 5-9. Table 5-60 below shows SCE's recorded adjusted
25 expenses for 2005-2009 and its TY 2012 forecast.

²⁹⁶ In SCE's response to DRA-SCE-064-TLG question 8-c, SCE stated that "The total cost to hire contract engineers to review and classify substation drawings is \$250,000".

²⁹⁷ An example of SCE requesting funding to address its NERC Critical Infrastructure project activities is in its 2009 GRC shown in D.09-03-025, page 234.

Figure 5-9
Thousands of 2009 Dollars

	SCE	DRA
566.250 – Safety and Training - Transmission	\$ 20,712	\$17,038
573.250 – Transmission Toxic Waste Disposal	517	517
582.250 – Environmental Safety	2,926	2,051
588.250 – Safety and Training - Distribution	38,918	32,535
598.250 – Distribution Toxic Waste Disposal	5,238	5,238
Total	\$ 68,311	\$57,379

Table 5-60
Technical Services Expenses
2005-2009 Recorded / 2012 Forecast
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
566.250	\$10,649	\$13,045	\$14,797	\$16,762	\$17,169	\$20,712
573.250	342	391	481	384	360	517
582.250	1,204	1,659	1,501	2,116	2,926	2,926
588.250	27,744	30,593	33,833	27,415	32,586	38,918
598.250	4,923	6,066	6,762	6,456	9,581	5,238
Total	\$44,862	\$51,754	\$57,374	\$53,133	\$62,622	\$68,311

Source: 2005-2009 data from Ex. SCE-03, Volume 5, Part 2, Chapters I-II, page 24, 26, 27, 62, and 63.

DRA does not take issue with SCE's test year forecast for the following Sub-Accounts: \$0.517 million for 573.250 – Transmission Toxic Waste Disposal and \$5.238 million for 598.250 – Distribution Toxic Waste Disposal. DRA reviewed SCE's testimony, workpapers, data request responses, and historical expense levels for these Sub-Accounts and the forecasts appear to be reasonable. DRA takes issue with SCE's test year forecasts for the Sub-Accounts that are discussed below.

1. 566.250 – Safety and Training - Transmission

SCE forecasted \$20.712 million for Sub-Account 566.250 (Labor of \$12.972 million and Non-Labor of \$7.740 million) for its Safety and Training – Transmission expenses.²⁹⁸ SCE's forecast of \$20.712 million is an increase of \$3.543 million or

²⁹⁸ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 62.

1 20.64% over its 2009 recorded adjusted expenses of \$17.169 million. SCE's Sub-
 2 Account 566.250 includes the following line items: Transmission Safety,
 3 Transmission Training Delivery, and TDBU Training Seat Time. DRA utilized SCE's
 4 last recorded year as a basis for its forecast of \$17.038 million for SCE's Sub-
 5 Account 566.250. DRA's estimate is \$3.674 million less than SCE's forecast.
 6 Table 5-61 below shows SCE's recorded adjusted expenses for 2005-2009 and its
 7 TY 2012 forecast.²⁹⁹ Table 5-62 shows the historical and forecast breakdown for
 8 the line items included in Sub-Account 566.250³⁰⁰

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Table 5-61
Safety and Training – Transmission Expense
for Sub-Account 566.250
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$7,051	\$8,245	\$10,215	\$12,044	\$10,902	\$12,972
Non-Labor	3,598	4,800	4,582	4,718	6,267	7,740
Total	\$10,649	\$13,045	\$14,797	\$16,762	\$17,169	\$20,712

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Table 5-62
Breakdown of Line Item Forecast Included In
Sub-Account 566.250
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Transmission Safety	\$2,267	\$2,816	\$3,400	\$2,540	\$2,625	\$3,065
Trans Trg Delivery	2,010	2,284	2,298	3,974	5,653	6,090
Trans Trg Seat Time	6,368	7,936	9,090	10,241	8,891	11,557
Total	\$10,645	\$13,036	\$14,788	\$16,755	\$17,169	\$20,712

18

²⁹⁹ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 62.

³⁰⁰ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, pages 22, 46, and 50.

1 SCE's expenses for the four line items recorded in Sub-Account 566.250
2 have fluctuated during the five year period (2005-2009). DRA analyzed the recorded
3 adjusted expenses and the forecast estimates for each individual line item to
4 calculate its test year estimates for Sub-Account 566.250.

5 DRA made a normalized adjustment to SCE's 2009 recorded adjusted
6 historical expenses of \$0.131 million recorded in Sub-Account 566.250 for
7 ratemaking purposes.³⁰¹ DRA's adjustment was made to remove discretionary
8 costs associated with SCE's employee recognition program (i.e. Spot Bonuses and
9 Awards to Celebrate Excellence Recognition Points (ACE), etc.), which are
10 inappropriate to charge to ratepayers. SCE's employee recognition programs
11 provide no clear or identifiable benefit to ratepayers and are not necessary to
12 operate the utility business.

13
14 DRA forecasted \$2.494 million³⁰² for SCE's line item for Transmission Safety
15 expenses by utilizing SCE's last recorded year as a basis. SCE's Safety expenses
16 recorded in Sub-Account 566.250 are incurred for its safety team meetings, trainings
17 and programs, and safety development programs.³⁰³ DRA requested additional
18 information on SCE's historical expenses and its test year forecast.

19
20 DRA asked:³⁰⁴

21 Provide the documentation that demonstrates why SCE's increase of \$3.553
22 million between 2005 and 2009, which is still embedded in SCE's recorded
23 adjusted expenses, is insufficient to address its employee safety needs in the

³⁰¹ In SCE's response to DRA-SCE-066-TLG question 2-a, SCE provided costs incurred for employee recognition for 2005 through 2009.

³⁰² DRA made a normalized adjustment and removed \$0.131 million associated with SCE's employee recognition awards from this line item for Sub-Account 566.250.

³⁰³ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 19.

³⁰⁴ DRA-SCE-066-TLG question 6-e.

1 test year in order to justify an additional increase of \$1.746 million.

2

3 SCE's response:

4 On a per-employee basis, the costs embedded in this account are sufficient to
5 address current employee safety needs. As indicated in the testimony, the
6 forecast for this account is based upon 2009 recorded safety expenses per
7 employee. The 2009 recorded safety expense per TDBU employee was
8 \$1,705. Since we forecast an increase of 1,024 in TDBU employees from
9 6,115 in 2009 to 7,139 in Test Year 2012 (see Figure II-2 in SCE-03, Volume
10 5, Part 2), we are forecasting a \$1.746 million increase (1,024 * \$1,705) in
11 employee safety related expense. SCE is maintaining its 2009 cost per
12 employee despite SCE's increasing focus on eliminating employee injuries.
13 The increase between 2005 and 2009 is primarily attributed to implementation
14 of ongoing programs targeted at reducing the number of employee injuries
15 within TDBU.
16

17 DRA asked: 305

18 SCE states in its response to DRA-SCE-031-TLG questions 1-d that "SCE
19 disagrees with this notion that an adopted level of funding means that a
20 program must be executed, or that management loses discretion to reallocate
21 funds to meet changing circumstances..." SCE's recorded adjusted 2009
22 expenses for its Transmission O&M expenses were \$13 million less than
23 authorized and its Distribution O&M expenses were \$34 million less than
24 authorized in its 2009 GRC. SCE's 2012 forecast for Sub-Account 566.250
25 and 588.250 include an additional \$1.746 million over 2009 recorded
26 expenses.

27 Provide the documentation that explains in detail and demonstrates
28 specifically why SCE is not able to reallocate funds to address its employee
29 safety training needs in the test year.
30

31 SCE's response:

32 Please refer to the response to DRA-SCE-031-TLG, question 1d, where a
33 reference to SCE-1, pages 43-53 is provided. This section of testimony
34 explains that SCE reallocates funds in response to changing circumstances.
35 Funds are not reallocated between activities on a forecast basis. SCE has
36 prepared a rate case forecast from the bottoms-up, meaning that our request
37 is based on the amount of work that will need to be completed in 2012 and
38 over the rate case cycle. Please also refer to SCE's response to DRA-SCE-
39 066-TLG, question 6e, where SCE explains that our request for additional

305 DRA-SCE-066-TLG question 5-a.

1 funding for safety is based on additional employees that will require safety-
2 related activities described on pages 3-23 of the testimony.
3

4 DRA asked:³⁰⁶

5 SCE's recorded adjusted expenses for Safety increased by \$1.700 million
6 between 2008 and 2009 "due primarily to an increased emphasis of
7 Therapeutic Exercise program" and "increased expenses associated with
8 expanding the Safety Congresses to increase participations by middle-
9 management employees..." Provide a detailed and itemized listing of all
10 expenses incurred for SCE's increased emphasis of Therapeutic Exercise
11 program" and "increased expenses associated with expanding the Safety
12 Congresses" that specifically caused the \$1.700 million increase, which is still
13 embedded in SCE's test year forecast of \$12.172 million.
14

15 SCE's response:

16 Costs for individual programs are not tracked on a discrete basis. The costs
17 are included in both Sub-accounts 566.250 and 588.250, along with the costs
18 for other safety initiatives. Please see the attachment included in SCE's
19 response to DRA-SCE-066-TLG, Question 6a. This document contains
20 safety-related O&M expense by activity description for 2005-2009 by labor
21 and non-labor expenses. An itemized list of all transactions is unduly
22 burdensome and voluminous to provide in total, but the detailed records are
23 available for review in SCE's General Office in Rosemead if DRA wishes to
24 see these detailed records.
25

26 SCE's responses are incomplete and do not justify additional ratepayer
27 funding in the test year over its 2009 expense levels. SCE has embedded costs in
28 its historical expenses that can be utilized to address its Transmission Safety
29 activities in the test year.³⁰⁷ It is inappropriate to require increased ratepayer
30 funding for activities that already have costs embedded in SCE's historical

³⁰⁶ DRA-SCE-066-TLG question 6-d.

³⁰⁷ DRA notes that SCE's request and authorized funding in its TY 2009 GRC was based on this similar argument (staff increases) as presented again in its TY 2012 GRC, however, SCE's 2009 recorded adjusted expenses recorded in Sub-Account 566.250 for Transmission Safety expenses is less than authorized. In SCE's TY 2009 GRC, the Company utilized Sub-Account 566.100 to record its Transmission Safety expenses (D.09-03-025 page 57 to 58). In its TY 2012 GRC, SCE records these expenses to Sub-Account 566.250.

1 expenses. DRA's forecast of \$2.494 million is a reasonable test year estimate for
2 SCE to address its Transmission Safety activities in the test year.

3
4 DRA forecasted \$5.653 million for SCE's line item for Transmission Training
5 Delivery expenses utilizing SCE's last recorded year, the highest recorded for the
6 five year period (2005-2009), as a basis.³⁰⁸ SCE's expenses increased by \$3.643
7 million between 2005 and 2009 from \$2.010 million in 2005 to \$5.653 million in
8 2009. The average for the five year period (2005-2009) is \$3.244 million. DRA
9 forecasted \$8.891 million for SCE's line item for Transmission Training Seat Time
10 expenses utilizing SCE's last recorded year as a basis.³⁰⁹ The average for the five
11 year period (2005-2009) is \$8.505 million.

12
13 In SCE's TY 2009 GRC, SCE requested and was authorized \$50.1 million for
14 its Transmission and Distribution Training Delivery and Training Seat Time
15 expenses.³¹⁰ In its testimony, DRA expressed concern over the level of funding
16 SCE requested in its TY 2009 GRC for its training activities, which DRA believed
17 were excessive based on SCE's 2006 recorded adjusted expenses. During its
18 analysis of SCE's TY 2012 GRC, DRA discovered that SCE spent less than
19 authorized in its 2009 GRC. SCE's 2009 recorded adjusted expenses are \$39.329
20 million.³¹¹

21

³⁰⁸ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 46.

³⁰⁹ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 50.

³¹⁰ D.09-03-025 page 63. In SCE's response to DRA-VERBAL-013, Q. 02, Supplemental, SCE provided its 2009 recorded adjusted expenses and its 2009 authorized amount of \$50.107 million for Transmission and Distribution Training Delivery and Training Seat Time recorded to Sub-Accounts 566.250 and 588.250. In SCE's TY 2009 GRC SCE utilized Sub-Accounts 566.700 and 588.700 to record these expenses.

³¹¹ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, see page 43 for Transmission and Distribution Training Delivery 2009 expenses and page 48 for Transmission and Distribution
(continued on next page)

1 The Commission stated the following in D.09-03-025, page 63:

2 Although Edison's proposed increases are significant, we believe the various
3 contributing factors Edison had identified provide solid grounds for approving
4 the company's request. We disagree with DRA's argument that the request is
5 excessive. We also disagree with DRA that the additional costs Edison
6 identifies are embedded in historical expenses. Accordingly, we adopt
7 Edison's forecasted amount of \$13.380 million for subaccount 566.700, and
8 \$31.632 million in expenses for subaccount 588.700.

9 SCE has embedded costs in its historical expenses that can be utilized to
10 address its Transmission Training Delivery and Training Seat Time activities in the
11 test year.³¹² The Commission should reject increased ratepayer funding for
12 activities that already have costs embedded in SCE's historical expenses. SCE's
13 ratepayers should not be forced to fund SCE's excessive training costs in the test
14 year, especially after a review and analysis of SCE's recorded adjusted expenses for
15 2005-2009, which clearly demonstrate that SCE requested more than was
16 necessary in its TY 2009 GRC to address its training needs. DRA's forecast of
17 \$5.653 million for Transmission Training Delivery and \$8.891 million for
18 Transmission Seat Time expenses based on SCE's recorded 2009 expenses is a
19 reasonable test year estimate.

20 **2. 582.250 – Environmental Safety**

21 SCE forecasted \$2.926 million for Sub-Account 582.250 (Labor of \$1.478
22 million and Non-Labor of \$1.448 million) for its Environmental Safety expenses.³¹³
23 DRA utilized a four year average (2006-2009) as a basis for its forecast of \$2.051
24 million for SCE's Sub-Account 582.250. DRA's estimate is \$0.875 million less than

(continued from previous page)
Seat Time expenses.

³¹² DRA notes that SCE is requesting funding for training activities in its TY 2012 GRC that it already requested and received funding for in its TY 2009 GRC. SCE should not charge ratepayers twice for the same programs and projects (DRA-SCE-066-TLG question 10-a).

³¹³ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 24.

1 SCE's forecast. Table 5-63 below shows SCE's recorded adjusted expenses for
2 2005-2009 and its TY 2012 forecast.³¹⁴

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Table 5-63
TDBU Environmental Safety Expenses
for Sub-Account 582.250
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$239	\$247	\$3	\$719	\$1,478	\$1,478
Non-Labor	965	1,412	1,498	1,397	1,448	1,448
Total	\$1,204	\$1,659	\$1,501	\$2,116	\$2,926	\$2,926

8

9 SCE's expenses increased by \$1.722 million between 2005 and 2009, with
10 2009 recording the highest level of expenditures of \$2.926 million. SCE's expenses
11 fluctuated between 2005 and 2008 with an average for the four year period of
12 \$1.620 million. SCE's expenses increased by \$0.810 million or by 38.28% between
13 2008 and 2009 from \$2.116 million in 2008 to \$2.926 million in 2009. SCE's labor
14 expenses increase between 2007 and 2009 due to specific project work relating to
15 an increased level of consultation, implementation of drinking water quality
16 programs, increased water sampling and archaeological and biological activities.³¹⁵
17 Some of the projects appear to be special one-time or non-recurring projects that
18 should be removed from the calculation of SCE's test year forecast, or at a
19 minimum, be averaged to account for the fluctuations. SCE states "any swings
20 between labor and non-labor can be attributed to the cyclical nature of project
21 development".³¹⁶ DRA's forecast of \$2.051 million based on a four year average
22 (2006-2009) accounts for the "swings" and fluctuations in expenses recorded to Sub-
23 Account 582.250 and is a reasonable test year method.

³¹⁴ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 24.

³¹⁵ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 24 to 25.

³¹⁶ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 23.

3. 588.250 – Safety and Training - Distribution

SCE forecasted \$38.918 million for Sub-Account 588.250 (Labor of \$25.470 million and Non-Labor of \$13.448 million) for its Safety and Training – Distribution expenses.³¹⁷ SCE’s forecast of \$38.918 million is an increase of \$6.332 million or 19.43% over its 2009 recorded adjusted expenses of \$32.586 million. SCE’s Sub-Account 588.250 includes the following line items: Distribution Safety, Distribution Training Delivery, and Distribution Training Seat Time. DRA utilized SCE’s last recorded year as a basis for its forecast of \$32.535 million for SCE’s Sub-Account 588.250. DRA’s estimate is \$6.383 million less than SCE’s forecast. Table 5-64 below shows SCE’s recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.³¹⁸ Table 5-65 shows the historical and forecast breakdown for the line items included in Sub-Account 588.250³¹⁹

**Table 5-64
Safety and Training – Distribution Expense
for Sub-Account 588.250
(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$19,033	\$20,511	\$22,634	\$19,630	\$20,702	\$25,470
Non-Labor	8,711	10,082	11,199	7,785	11,884	13,448
Total	\$27,744	\$30,593	\$33,833	\$27,415	\$32,586	\$38,918

**Table 5-65
Breakdown of Line Item Forecast Included In
Sub-Account 588.250
(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Distribution Safety	\$4,606	\$5,231	\$7,717	\$6,186	\$7,801	\$9,107
Distrb Trg Delivery	10,766	11,637	9,400	7,120	9,346	10,059
Distrb Trg Seat Time	12,359	13,703	16,686	14,098	15,439	19,752
Total	\$27,731	\$30,571	\$33,803	\$27,404	\$32,586	\$38,918

³¹⁷ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 63.

³¹⁸ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 63.

³¹⁹ Ex. SCE-03, Volume 5, Part 2, Chapters I-III pages 23, 47, and 51.

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SCE’s expenses for the four line items recorded in Sub-Account 588.250 have fluctuated during the five year period (2005-2009). DRA analyzed the recorded adjusted expenses and the forecast estimates for each individual line item to calculate its test year estimates for Sub-Account 588.250.

DRA made a normalized adjustment to SCE’s 2009 recorded adjusted expenses of \$51,013 recorded in Sub-Account 588.250 for ratemaking purposes.³²⁰ DRA’s adjustment was made to remove discretionary costs associated with SCE’s employee recognition program (i.e. Spot Bonuses and Awards to Celebrate Excellence Recognition Points (ACE), etc.), which are inappropriate to charge to ratepayers. SCE’s employee recognition programs provide no clear or identifiable benefit to ratepayers and are not necessary to operate the utility business.

DRA forecasted \$7.750 million³²¹ for SCE’s line item for Distribution Safety expenses by utilizing SCE’s last recorded year, the highest recorded for the five year period (2005-2009) as a basis. The average for the five year period (2005-2009) is \$6.308 million and the three year average (2007-2009) is \$7.235 million. SCE’s Safety expenses recorded in Sub-Account 588.250 are incurred for its safety team meetings, trainings and programs, and safety development programs.³²² DRA’s estimate of \$7.750 million utilizing SCE’s 2009 expenses as a basis is more than SCE’s five year and three year averages and is a reasonable test year estimate for SCE to address its safety activities in the test year.

³²⁰ In SCE’s response to DRA-SCE-066-TLG question 2-b, SCE provided costs incurred for employee recognition for 2005 through 2009.

³²¹ DRA made a normalized adjustment and removed \$51,013 associated with SCE’s employee recognition awards from this line item for Sub-Account 588.250.

³²² Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 19.

1 DRA forecasted \$9.346 million for SCE’s line item for Distribution Training
2 Delivery expenses utilizing SCE’s last recorded year as a basis.³²³ SCE’s
3 expenses decreased by \$4.517 million between 2006 and 2008 from \$11.637 million
4 in 2006 to \$7.120 million in 2009. In 2009 SCE’s expenses increased by \$2.226
5 million over 2008 expenses. The decrease in expense was due in part to completion
6 of several projects and training programs. DRA forecasted \$15.439 million for
7 SCE’s line item for Distribution Training Seat Time expenses utilizing SCE’s last
8 recorded year as a basis.³²⁴ The average for the five year period (2005-2009) is
9 \$14.457 million, and the three year average (2007-2009) is \$15.408 million. DRA is
10 concerned with SCE’s proposed TDBU training activities and its test year forecast
11 and requested additional information.

12

13 DRA asked:³²⁵

14 Provide the documentation that explains in detail if SCE’s expense forecast
15 for various proposed TDBU projects and programs that DRA is currently
16 reviewing and issuing discovery requests in order to make recommendations
17 to the Commission for SCE’s 2012 GRC, will be “executed” since SCE
18 disagrees with this notion that an adopted level of funding means that a
19 program must be executed.

20

21 SCE’s response:

22 Please refer to SCE’s response to DRA-SCE-031-TLG, question 1d, where a
23 reference to SCE-1, pages 43-53 is provided. This section of testimony
24 explains that SCE relocates funds in response to changing circumstances.
25 For instance, SCE has a forecast of the number of new service connections
26 that will be needed for 2012 and the associated funding requirements (See
27 SCE-03, Volume 4, Part 1). If fewer customers requested new service
28 connections than forecast in 2012, SCE would reallocate the available funds
29 to other necessary activities. SCE’s request in the 2012 GRC is based on
30 expected work volume, business conditions, and market expectations. SCE

³²³ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 47.

³²⁴ Ex. SCE-03, Volume 5, Part 2, Chapters I-III, page 51.

³²⁵ DRA-SCE-066-TLG question 5-d.

1 plans to execute according to this proposal if the entire request is authorized
2 and if all the expected conditions that underlie these forecasts are realized.

3 As discussed in detail above in regards to SCE's Transmission Training
4 activities recorded in Sub-Account 566.250, and based on SCE's response above,
5 SCE has embedded costs in its historical expenses. SCE should have embedded
6 costs because its "entire request" for training was authorized in its TY 2009 GRC,
7 but due to "expected conditions" not being realized and programs not being
8 "executed" as proposed in its TY 2009 GRC, there is embedded funding that can be
9 "reallocated" to address its Distribution Training activities recorded in Sub-Account
10 588.250.³²⁶ The Commission should reject increased ratepayer funding for
11 activities that already have costs embedded in SCE's historical expenses. DRA's
12 forecast of \$7.750 million for Distribution Safety, \$9.346 million for Training Delivery,
13 and \$15.439 million for Training Seat Time expenses based on SCE's last recorded
14 year expenses is a reasonable test year estimate.³²⁷

15 **L. Advanced Technology**

16 SCE forecasted \$23.790 million for its Advanced Technology expenses:
17 \$20.977 million for Advanced Technology projects and \$2.814 million for Research,
18 Development and Demonstration expenses.³²⁸ SCE developed its test year
19 forecast utilizing a budget-based method.³²⁹ The corresponding DRA estimate for
20 SCE's Advanced Technology expenses is \$15.254 million, which is \$8.536 million
21 less than SCE's forecast.

³²⁶ DRA notes that SCE is requesting funding for training activities in its TY 2012 GRC that it already requested and received funding for in its TY 2009 GRC. SCE should not charge ratepayers twice for the same programs and projects (DRA-SCE-066-TLG question 10-a).

³²⁷ SCE was authorized \$579 million in its TY 2009 GRC for TDBU. SCE's recorded adjusted expenses for 2009 of \$531 million was \$48 million less than authorized (Ex. SCE-03, Volume 1, Chapters I-VI, page 20).

³²⁸ Ex. SCE-03, Volume 2, page 14 and 110.

³²⁹ DRA-SCE-063-TLG questions 13-b.2 and 9-c.1.

SCE combined the forecasted expenses from four Sub-Accounts to calculate its forecast of \$23.790 million for its Advanced Technology expenses which are summarized in Figure 5-10. Table 5-66 below shows SCE's recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.

Figure 5-10
Thousands of 2009 Dollars

	SCE	DRA
560.260 – Operation Supervision & Engineering	\$ 4,507	\$ 2,618
580.260 – Distribution Engineering and Planning	11,955	8,375
588.260 – Plug-In Electric Vehicle Readiness	4,514	2,284
580.261 – Research, Development and Demonstration	2,814	1,977
Total	\$23,790	\$ 15,254

Table 5-66
Advanced Technology Expenses
2005-2009 Recorded / 2012 Forecast
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
560.260	468	1,330	2,042	1,306	4,507	4,507
580.260	4,912	6,285	7,276	6,596	11,254	11,955
588.260	0	0	0	0	2,284	4,514
580.261	2,276	2,480	1,350	2,126	1,651	2,814
Total	\$7,656	\$10,095	\$10,668	\$10,028	\$19,696	\$23,790

Source: Ex. SCE-03, Volume 2, page 23, 27, 31, and 111.

In regards to its Advanced Technology Organization³³⁰ SCE states “because Advanced Technology was created in 2009, we do not yet have sufficient “apples to apples” historical information to permit the use of forecasting methodologies based on four or five years of historical data (for example, a five-year average

³³⁰ SCE’s Advanced Technology Organization (ATO) was created “by bringing together and pooling existing resources throughout the company” and the funding that was transferred into ATO from these other areas was authorized funding from previous rate cases. SCE did not provide historical recorded costs from the other areas that it pooled resources from in the creation of ATO for review, analysis and comparison with SCE’s ATO historical expenses and test year forecast.

1 methodology)".³³¹ DRA disagrees and utilized averaging methodologies as well as
 2 SCE's 2009 recorded data as the basis for its estimates of SCE's Advanced
 3 Technology expenses.

4 **1. 560-260 – Operation Supervision and Engineering**

5 SCE forecasted \$4.507 million for Sub-Account 560.260 (Labor of \$2.539
 6 million and Non-Labor of \$1.968 million) for its Operation Supervision and
 7 Engineering expenses.³³² DRA utilized a three year average (2007-2009) as a
 8 basis for its forecast of \$2.618 million for SCE's Sub-Account 560.260. DRA's
 9 estimate is \$1.889 million less than SCE's forecast. Table 5-67 below shows SCE's
 10 recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.³³³

11 **Table 5-67**
 12 **Operation Supervision and Engineering Expenses**
 13 **for Sub-Account 560.260**
 14 **(in Thousands of 2009 Dollars)**
 15

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$391	\$654	\$1,066	\$1,024	\$1,740	\$2,539
Non-Labor	77	676	976	282	2,767	1,968
Total	\$468	\$1,330	\$2,042	\$1,306	\$4,507	\$4,507

16
 17 SCE's expenses increased by \$4.039 million between 2005 and 2009, with
 18 2009 recording the highest level of expenditures of \$4.507 million. SCE's expenses
 19 fluctuated between 2005 and 2008 with an average for the four year period of
 20 \$1.287 million. SCE's expenses increased significantly by \$3.201 million or by
 21 245.10% between 2008 and 2009, from \$1.306 million in 2008 to \$4.507 million in
 22 2009. SCE's labor expenses increased between 2008 and 2009 due to SCE hiring
 23 additional staff and its engineers charged more time to this Sub-Account and

³³¹ Ex. SCE-03, Volume 2, page 13.

³³² Ex. SCE-03, Volume 2, page 23.

³³³ Ex. SCE-03, Volume 2, page 23.

1 recorded less time on capital projects. SCE states the following as the reason for
2 the non-labor increase of \$2.485 million between 2008 and 2009, “SCE commenced
3 three important initiatives, each of which encompassed multiple projects and
4 studies”.³³⁴ DRA requested additional information on SCE’s work activities and its
5 test year forecast.

6

7 DRA asked:³³⁵

8 SCE’s forecast includes an additional \$0.799 million to add six additional
9 positions in 2012 over 2009 to its AT organization. In 2009 SCE’s labor
10 increased by \$0.716 million due to SCE adding additional positions.
11 Provide the documentation that demonstrates specifically how SCE
12 incorporated the salary savings from employee retirements during the
13 historical years into its test year forecast for six additional positions.
14

15 SCE’s response:

16 As stated in testimony at page 13, lines 6-12, the Advanced Technology
17 Organization (AT) was created in 2009. As such, use of historical information
18 to permit forecasting future needs was not useful or representative of the real
19 funding needs on a going forward basis. Therefore, we adopted a budget-
20 based approach that used recorded and adjusted 2009 Test Year O&M
21 expenses as the base. Using recorded expenses incorporated current costs
22 and consequently incorporated any changes in labor expense from prior
23 periods due to retirements. We forecast O&M expenses for six (6) new
24 positions using SCE CIP Salary Bands for the specific job type.
25

26 DRA asked:³³⁶

27 SCE states that “other non-labor projects and related expenses were deferred
28 to accommodate this specialized engagement of outside resources”. Provide

³³⁴ The three initiatives and the associated costs that increased 2009 non-labor recorded adjusted expenses contributing to the 245.10% increase were SCE’s development of its Smart Grid Strategy and Road Map of \$0.248 million, a special study on the “impacts of large scale penetration of intermittent, renewable resources” of \$1.948 million, and development of its Tehachapi Wind Storage project proposal for the U.S. Department of Energy of \$0.104 million (Ex. SCE-03, Volume 2, page 25).

³³⁵ DRA-SCE-063-TLG question 12-g.3

³³⁶ DRA-SCE-063-TLG question 12-d.

1 the documentation that explains in detail all the “other non-labor projects and
2 related expenses” that were deferred.
3

4 SCE’s response:

5 SCE did not specifically track the projects that it deferred to accommodate the
6 initial smart grid vision and strategy work. The following are representative
7 projects from that period that did not move forward at that time: Switching
8 and Transient Studies, Flexible Alternating Current Transmission System
9 Applications in SCE, High Voltage Direct Current Modulation Using Positive
10 Sequence Load Flow and Power Systems Outlook, Sagometer/CAT-1 Test,
11 and Real Time Control for High Voltage Direct Current Modulation.

12 Based on SCE’s responses it has embedded funding from completed projects
13 that can be allocated for test year activities. SCE utilized its 2009 recorded adjusted
14 expenses of \$4.507 million as its test year estimate for Sub-Account 560.260,
15 stating, “We forecast that we will continue the level and types of activities pursued in
16 2009”.³³⁷ DRA takes issue with SCE’s estimate. DRA considers SCE’s “initiatives,
17 each of which encompassed multiple projects and studies” and which caused
18 recorded adjusted expenses to increase substantially by 245.10% over 2008
19 expense levels, as special and distinct one-time non-recurring projects that should
20 be removed from the calculation of SCE’s test year estimate, or at a minimum be
21 averaged over the historical period to account for the large increases.³³⁸
22

23 Although SCE states it “will continue the level and types of activities pursued
24 in 2009”, SCE’s testimony does not specifically identify any test year projects or
25 activities that it plans on pursuing, nor does it demonstrate any detail on proposed
26 calculations for test year projects to be reviewed, analyzed, and evaluated. SCE’s

³³⁷ Ex. SCE-03, Volume 2, page 25.

³³⁸ SCE’s Smart Grid Strategy and Roadmap initiative began in April 2009 and was completed in May 2010, its large scale Integration of Renewable Energy Resources initiative began in January 2009 and was completed in December 2009, and its proposal for the Tehachapi Storage project was completed and submitted by August 2009 (DRA-SCE-063-TLG question 12-c).

1 level of support does not justify this continued level of ratepayer funding in Sub-
2 Account 560.260. DRA is also concerned that SCE is double counting by requesting
3 increased ratepayer funding for similar programs, projects and initiatives in Sub-
4 Account 560.260, 580.260, 588.260 (Plug-In Electric Vehicles) 580.261 (RD&D)³³⁹
5 and its Edison SmartConnect/Advanced Metering Infrastructure (AMI)
6 proceeding.³⁴⁰ SCE should have embedded funding in its historical expenses
7 associated with closed and completed projects, and from authorized funding from
8 related proceedings where SCE requested funding for similar activities as those
9 recorded in Sub-Account 560.260. DRA's test year estimate of \$2.618 million based
10 on a three year average (2007-2009) is reasonable.

11

12 **2. 580.260 – Distribution Engineering and Planning**

13 SCE forecasted \$11.955 million for Sub-Account 580.260 (Labor of \$6.836
14 million and Non-Labor of \$5.119 million) for its Distribution Engineering and Planning
15 expenses.³⁴¹ DRA utilized a three year average (2007-2009) as a basis for its
16 forecast of \$8.375 million for SCE's Sub-Account 580.260. DRA's estimate is
17 \$3.580 million less than SCE's forecast. Table 5-68 below shows SCE's recorded
18 adjusted expenses for 2005-2009 and its TY 2012 forecast.³⁴²

19

³³⁹ Several of SCE's proposed RD&D projects included in its estimate of \$2.814 million for Sub-Account 580.261 appear to be very similar to activities that are already funded in rates and additional funding would constitute double funding of these projects and would be a burden to ratepayers (i.e. Electric Transmission (Plug-In Hybrid Electric Vehicle), Energy Efficiency and Demand Response, Advanced Metering Infrastructure (AMI), Greenhouse Gas, Climate Change, etc.). See SCE's response to DRA-SCE-063-TLG question 13.a-2 for a list of the RD&D proposed projects.

³⁴⁰ D.08-09-039.

³⁴¹ Ex. SCE-03, Volume 2, page 27.

³⁴² Ex. SCE-03, Volume 2, page 27.

1
2
3
4

Table 5-68
Distribution Engineering and Planning Expenses
for Sub-Account 580.260
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$2,428	\$2,424	\$3,075	\$3,406	\$4,351	\$6,836
Non-Labor	2,484	3,861	4,201	3,190	6,903	5,119
Total	\$4,912	\$6,285	\$7,276	\$6,596	\$11,254	\$11,955

5

6 SCE's expenses increased by \$6.342 million between 2005 and 2009, with
7 2009 recording the highest level of expenditures of \$11.254 million. SCE's
8 expenses fluctuated between 2005 and 2008 with an average for the four year
9 period of \$6.267 million. SCE's expenses increased significantly by \$4.658 million
10 or by 70.62% between 2008 and 2009, from \$6.596 million in 2008 to \$11.254
11 million in 2009. The labor expense increase between 2008 and 2009 were due to
12 SCE adding eighteen new positions³⁴³ and its engineers charged more time to this
13 Sub-Account and recorded less to capital projects. SCE states the non-labor
14 increases between 2008 and 2009, "was primarily driven by projects and studies
15 related to accelerating the identification, evaluation and testing of advanced smart
16 grid technologies" relating to the deployment of rooftop solar generation of \$2.243
17 million, development of SCE's Smart Grid Strategy and Roadmap Document of
18 \$0.570 million, development of proposals for the Department of Energy of \$0.312

³⁴³ SCE's test year forecast of \$11.955 million for Sub-Account 580.260, which is part of its Advanced Technology forecast of \$20.977 million, includes funding for twenty-four positions which is in addition to the eighteen new positions created in 2009. DRA notes that SCE's funding request for these positions are in addition to SCE's test year request for Sub-Account 588.260 with a forecast of \$4.514 million, where SCE is also requesting funding for twenty-four more positions to add to its Advanced Technology Organization. SCE also requested funding for six positions in Sub-Account 560.260 with a forecast of \$4.507 million. Overall, SCE is requesting ratepayer funding for an additional fifty-four (54) positions for its Advanced Technology Organization in the test year.

1 million, and “external engagement activities” related to development of smart grid
2 related activities of \$0.519 million.³⁴⁴

3

4 DRA considers SCE’s costs incurred in 2009 for evaluating and testing of
5 specific technologies, special studies, and development and implementation
6 activities, as mentioned above, which caused recorded adjusted expenses to
7 increase substantially by 70.62% over 2008 expense levels, to be special and
8 distinct one-time non-recurring projects that should be removed from the calculation
9 of SCE’s test year estimate, or at a minimum, be averaged over the historical period
10 to account for the large increases. DRA asked SCE if the one-time costs for these
11 projects have been removed. SCE stated the following:

12

13 SCE did not adjust or remove the recorded expenses of activities from the
14 historic record because we developed our Test Year forecast on a budget-
15 basis and projected that the work performed in 2009 is similar and
16 representative of the expected level of effort for the 2012 Test Year and
17 beyond that will be required as part of the process of managing a dynamic
18 and evolving portfolio of new technologies. While individual projects may be
19 perceived as “one-time” expenses, they are actually representative of the
20 forecast level of effort and expense of a continuous, disciplined, structured,
21 customer-focused technology planning and evaluation process that will guide
22 SCE’s Smart Grid technology deployment into the future.

23 SCE did not remove or take embedded costs incurred for its special one-time
24 non- recurring projects into consideration when it developed its forecast utilizing a
25 budget-based method. SCE provided DRA with a spreadsheet that listed its
26 proposed test year projects for Sub-Account 580.260.³⁴⁵ The spreadsheets
27 included brief descriptions and various assertions about the projects, expected

³⁴⁴Ex. SCE-03, Volume 2, page 30.

³⁴⁵SCE’s projects totaling \$5.119 million were as follows: Customer Empowerment of \$0.400 million, Home Area Network of \$1.0 million, Workforce Safety & Effectiveness of \$0.400 million, Renewables & DER Integration of \$2.3 million, Grid Efficiency & Resiliency of \$0.319 million, and Information & Connectivity of \$0.700 million (DRA-SCE-063-TLG question 9-c-3.)

1 benefits and lump sum cost estimates. SCE did not provide specific detail on each
2 project for review and analysis or the basis for each estimate included in the
3 calculation of the costs. SCE did not provide a cost benefit analysis for any of the
4 projects and there were no identifiable or calculated ratepayer benefits or
5 savings.³⁴⁶ SCE's level of support does not justify the continued level of ratepayer
6 funding in Sub-Account 580.260.

7 The projects also appear to be similar to SCE's RD&D projects recorded to
8 Sub-Account 580.261. DRA is also concerned that SCE is double counting by
9 requesting increased ratepayer funding for similar programs, projects and initiatives
10 in Sub-Account 560.260, 580.260, 588.260 (Plug-In Electric Vehicles) 580.261
11 (RD&D)³⁴⁷ and its Edison SmartConnect/Advanced Metering Infrastructure (AMI)
12 proceeding.³⁴⁸ SCE should have embedded funding in its historical expenses
13 associated with closed and completed projects, and from authorized funding from
14 related proceedings where SCE requested funding for similar activities as those
15 recorded in Sub-Account 580.260 to address its test year activities, including its
16 proposed Home Area Network (HAN) activities.³⁴⁹ DRA's test year estimate of
17 \$8.375 million based on a three year average (2007-2009) is reasonable.

³⁴⁶ Regarding ratepayer benefits and savings, on proposed projects see D.06-05-016 page 64. Also see DRA's discussion on Sub-Account 580.261 on SCE's RD&D projects in Section L.3.

³⁴⁷ Several of SCE's proposed RD&D projects included in its estimate of \$2.814 million for Sub-Account 580.261 appear to be very similar to activities that are already funded in rates and additional funding would constitute double funding of these projects and would be a burden to ratepayers (i.e. Electric Transmission (Plug-In Hybrid Electric Vehicle), Energy Efficiency and Demand Response, Advanced Metering Infrastructure (AMI), Greenhouse Gas, Climate Change, etc.). See SCE's response to DRA-SCE-063-TLG questions 13.a-2 for a list of the RD&D proposed projects.

³⁴⁸ D.08-09-039. SCE mentioned in its response that it is requesting that its Edison SmartConnect (ESCBA) remain in operation until 2014 for recorded authorized costs (SCE-04, Volume 1) See DRA-SCE-063-TLG question 6-b.

³⁴⁹ SCE's HAN activities were authorized funding in D.08-09-039 through the end of 2012 in a memorandum account. SCE's test year request for Sub-Account 580.260 included

(continued on next page)

3. 580.261 – Research, Development and Demonstration

SCE forecasted \$2.814 million for Sub-Account 580.261 (zero for Labor and Non-Labor of \$2.814 million) for its Research, Development and Demonstration (RD&D) expenses.³⁵⁰ SCE’s forecast of \$2.814 million is an increase of \$1.163 million or 70.44% over 2009 recorded expenses of \$1.651 million. SCE requested continuation of its one-way balancing and utilized a budget-based method to calculate its test year forecast for its RD&D expenses.³⁵¹ DRA utilized a five year average (2005-2009) as a basis and forecasted \$1.977 million for SCE’s RD&D expenses recorded in Sub-Account 580.261. DRA’s estimate is \$0.837 million less than SCE’s forecast. Table 5-69 below shows SCE’s recorded adjusted expenses for 2005-2009 and its TY 2012 forecast for Sub-account 580.261.³⁵²

**Table 5-69
Research, Development and Demonstration Expenses
for Sub-Account 580.261
(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$0	\$0	\$0	\$287	\$170	\$0
Non-Labor	2,276	2,480	1,350	1,839	1,481	2,814
Total	\$2,276	\$2,480	\$1,350	\$2,126	\$1,651	\$2,814

(continued from previous page)

twenty-four positions and nine of those positions were to address HAN activities (HAN forecast of \$1.0 million based on a three year amortization; the detailed breakdown and basis for the individual estimates included in the costs of the HAN activities were limited and insufficient). SCE has embedding funding to address these activities and DRA’s forecast of \$8.375 million for Sub-Account 580.260 based on a three year average is sufficient.

³⁵⁰ Ex. SCE-03, Volume 2, page 111.

³⁵¹ DRA-SCE-063-TLG question 13-b.2.

³⁵² Ex. SCE-03, Volume 2, page 110.

1 DRA does not take issue with SCE's request for continuation of its one-way
2 balancing account for its RD&D.³⁵³ DRA does take issue with SCE's forecast.
3 SCE's forecast, which includes an increase of 70.44% over 2009 recorded adjusted
4 expenses, is not justified. SCE's expenses have fluctuated between 2005 and 2009
5 averaging \$1.977 million for the five year period (2005-2009) and averaging \$1.709
6 million for the three year period (2007-2009). DRA's use of a five year average
7 addresses the fluctuations in the historical expenses and takes into account SCE's
8 "handling a large number of unknowns and variables" associated with its
9 experimental RD&D projects.³⁵⁴ SCE provided limited discussion on its RD&D
10 projects. SCE provided one page of testimony in support of its RD&D forecast of
11 \$2.814 million.³⁵⁵ DRA requested additional information on SCE's RD&D forecast.

12

13 DRA asked:

14 SCE states it "will refund to ratepayers any under-expenditure with
15 accumulated interest". SCE was authorized \$1.600 million in its 2006 GRC
16 and \$2.229 million in its 2009 GRC. Provide the documentation that explains
17 in detail and demonstrates if SCE has refunded to ratepayers the under-
18 expenditure for 2007 and 2009. Provide the specific accounts that
19 demonstrate the refund to ratepayers and all supporting documentation
20 regarding the refund.

21

22 SCE's response:

23 The attached SCE Advice Letter gives a detailed explanation of the
24 disposition of remaining funds at the end of the 2006 rate cycle (2008).
25 RD&D expenditures are not as predictable as capital or O&M expenditures.
26 RD&D is experimental by its very nature, and portions of projects may require
27 further research and development before a project can proceed. In some
28 cases, a technology breakthrough can significantly alter (for the positive and
29 negative) a project's scope and schedule. Contracting for and managing

³⁵³ Ex. SCE-03, Volume 2, page 110.

³⁵⁴ DRA-SCE-063-TLG question 13-c.

³⁵⁵ Ex. SCE-03, Volume 2, page 110. SCE provided one page of testimony on its RD&D forecast and another page showing its historical expenses (2005-2009) in Figure V-25 on page 111.

1 RD&D, therefore, requires handling a large number of unknowns and
2 variables.

3 DRA requested detail on the scope of SCE's "experimental" RD&D projects,
4 the calculation of each project, and the basis for the calculation of each estimate
5 included in the proposed projects of \$2.814 million.³⁵⁶ SCE provided several
6 documents associated with its RD&D projects that included general descriptions and
7 scope of projects, lump sum costs estimates for each project lacking calculated
8 ratepayer benefits, and for the most part, included completion dates prior to the 2012
9 test year. SCE's response is insufficient and does not justify additional ratepayer
10 funding in 2012, and with completion dates prior to the 2012 test year, SCE should
11 have embedding funding in its historical expenses to address these RD&D
12 activities.³⁵⁷ In SCE's 2009 GRC³⁵⁸ and its 2006 GRC, the Commission expressed
13 concern over the lack of justification provided by SCE for its Research, Development
14 and Demonstration forecast.

15
16 The Commission stated the following:³⁵⁹

17 In 2003, SCE spent \$1,169,000 for RD&D in this account. For the test
18 year, it proposes a significant increase of \$3,031,000 or 259%. We are
19 not convinced that SCE's requested increase is reasonable or necessary.
20 In its direct testimony, SCE provides a brief description of its current
21 RD&D efforts in six different areas in which it expects to utilize its

³⁵⁶ DRA-SCE-063-TLG question 13-a.1. Note that SCE's response was marked "Confidential".

³⁵⁷ DRA noted that several of SCE's proposed RD&D projects included in its estimate of \$2.814 million appeared to be very similar to activities that are already funded in rates and additional funding would constitute double funding of these projects and would be a burden to ratepayers (i.e. Electric Transmission (Plug-In Hybrid Electric Vehicle), Energy Efficiency and Demand Response, Advanced Metering Infrastructure (AMI), Greenhouse Gas, Climate Change, etc.). See SCE's response to DRA-SCE-063-TLG questions 13.a-2 for a list of the projects.

³⁵⁸ D.09-03-025 page 77-78.

³⁵⁹ D.06-05-016 page 80-81.

1 requested funding. SCE includes general descriptions of the programs
2 within each area and the budget for that area. Such support is insufficient
3 to justify a 259% increase in spending. SCE has provided no detailed
4 information, by project or program that supports its \$4,200,000 budget.
5 We have no way of knowing what the scope or cost is for programs or
6 projects that have been historically funded or what the scope or cost is for
7 new existing programs or projects that are budgeted for the test year.
8 Even by its general descriptions, it is difficult to determine what the
9 existing, continuing and new activities are. There is insufficient support to
10 justify SCE's proposed increase in the authorized spending level. In the
11 absence of such justification, DRA's proposal to use an average of the last
12 three recorded years is reasonable and will be adopted, resulting in a test
13 year forecast of \$1,600,000 for Account 580.500.

14

15 DRA asked:³⁶⁰

16 Provide the cost benefit analysis performed that SCE's management relied
17 upon to approve the projects and provide the calculated ratepayer benefits for
18 each project included in the forecast of \$2.814 million.
19

20 SCE's response:

21 SCE does not conduct cost benefit analyses on its RD&D projects. This
22 portfolio leverages the forecasted \$2.814 million through collaboration with
23 EPRI and a number of other entities, for a projected total of \$35,100,000.
24 The projected leverage amount for each project is detailed in the attachments
25 to SCE's response to DRA-SCE-063-TLG-Question 13.a-1.

26 Although SCE does not appear to have problems calculating costs, SCE is
27 unable to provide any cost benefit analysis for its RD&D projects, and did not
28 provide any calculated and identifiable savings and benefits for ratepayers who
29 would fund these projects. Regarding ratepayer benefits and savings, on proposed
30 projects, the Commission has stated the following:³⁶¹

31 The descriptions of the potential benefits of the projects provide
32 general information but there is not sufficient information to determine
33 whether the costs are justified in either the short or long term. With

³⁶⁰ DRA-SCE-063-TLG question 13-a.2.

³⁶¹ D.06-05-016 page 64.

1 this type of analysis and showing it is possible to explicitly include
2 associated costs in rates but it is not possible to explicitly reflect any of
3 the associated benefits or savings, whatever they may ultimately be, in
4 rates for this rate case cycle. This imbalance is troubling. In general, it
5 is our obligation to consider both the costs and, if applicable, the
6 benefits/savings of utility proposals. If the benefits/savings are
7 ultimately small when compared to costs, the proposal should probably
8 not be implemented or included in rates. If the benefits/savings are
9 substantial, it would be reasonable to include both the costs and
10 benefits/savings in determining rates. For the advanced technology
11 programs/projects, the lack of information regarding benefits/savings
12 precludes us from making such determinations. In this decision, we
13 are authorizing significant increases in T&D O&M and capital
14 expenditures. How the potential benefits of the advanced technology
15 programs/projects relate to SCE's proposals for increased spending is
16 not clear. Whether the advanced technology spending results in the
17 modification of any future spending related to T&D costs has not been
18 shown.

19 Similar to SCE's TY 2006 GRC and its TY 2009 GRC,³⁶² SCE lacks
20 sufficient justification for its RD&D projects included in its TY 2012 GRC. DRA's
21 use of a five year average (2005-2009), as the basis of its estimate of \$1.977
22 million for the test year forecast provides SCE with \$325,000 more than its 2009
23 recorded adjusted expenses. DRA's estimate is also more than the three year
24 average (2007-2009) of \$1.709 million and is a reasonable test year estimate for
25 Sub-Account 580.261.

26 **4. 588.260 – Plug-In Electric Vehicle Readiness**

27 SCE forecasted \$4.514 million for Sub-Account 588.260 (Labor of \$2.789
28 million and Non-Labor of \$1.725 million) for its Plug-In Vehicle Readiness
29 expenses.³⁶³ SCE's forecast of \$4.514 million is an increase of \$2.230 million or
30 97.64% over 2009 recorded adjusted expenses of \$2.284 million. DRA utilized
31 SCE's last recorded year as a basis for its forecast of \$2.284 million for SCE's Sub-

³⁶² D.09-03-025 page 77-78.

³⁶³ Ex. SCE-03, Volume 2, page 31.

1 Account 588.260. DRA's estimate is \$2.284 million less than SCE's forecast. Table
 2 5-70 below shows SCE's recorded adjusted expenses for 2005-2009 and its TY
 3 2012 forecast.³⁶⁴

4 **Table 5-70**
 5 **Plug-In Electric Vehicle Readiness**
 6 **for Sub-Account 588.260**
 7 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$0	\$0	\$0	\$0	\$112	\$2,789
Non-Labor	0	0	0	0	2,172	1,725
Total	\$0	\$0	\$0	\$0	\$2,284	\$4,514

8

9 SCE's forecast of \$4.514 million, which includes an increase of 97.64% over
 10 2009 recorded adjusted expenses, is excessive and is not justified. SCE provided
 11 limited support for review, evaluation and analysis to justify an increase of 97.64% in
 12 the test year.³⁶⁵ SCE states its "PEV-Readiness program did not exist prior to
 13 2009. Accordingly, no analysis of historical costs is possible".³⁶⁶ SCE's forecast for
 14 Sub-Account 588.260 includes additional funding for twenty four full-time equivalent
 15 positions.³⁶⁷ SCE "expects 73,000 PEVs to utilize charging infrastructure in SCE's
 16 service territory by 2014".³⁶⁸

³⁶⁴ Ex. SCE-03, Volume 2, page 31.

³⁶⁵ SCE provided a brief one page spreadsheet that included a list and associated costs for the proposed positions. SCE also included line items for contract costs, travel expenses, studies, and dues. SCE did not provide verifiable support or the basis for the individual estimates included in the calculations for review, evaluation or analysis. SCE also provided a flowchart of work activities for PEV activities that will end in 2010 and for work that will be added or performed in 2011. SCE did not provide a detailed breakdown of the associated costs for the activities and the basis for the estimates for review and analysis.

³⁶⁶ Ex. SCE-03, Volume 2, page 31. DRA notes that SCE incurred costs for studies associated with electric plug-vehicles in 2007 recorded in Sub-Account 580.260 (SCE-03, Volume 2, page 27).

³⁶⁷ SCE's test year forecast of \$4.514 million for Sub-Account 588.260, which is part of its Advanced Technology forecast of \$20.977 million, includes funding for twenty-four positions
 (continued on next page)

1 DRA agrees with SCE's assessment that there is "significant uncertainty
2 about the pace of vehicle adoption by SCE's customers exists, and the number of
3 PEVs on the road will likely remain small in the early years".³⁶⁹ Based on this
4 "significant uncertainty", increasing ratepayer funding for these projects would be
5 inappropriate.³⁷⁰ Furthermore, SCE's assertions that it expects an estimate of
6 73,000 PEVs utilizing its charging infrastructure by 2014, does not appear to be
7 reasonable.³⁷¹

8
9 DRA requested additional information from SCE on its forecast for Sub-
10 Account 588.260 relating to its electric vehicles, especially since SCE was
11 authorized some funding for electric vehicles in its TY 2009 GRC.³⁷²

(continued from previous page)

to address Plug-In Electric Vehicle Readiness activities. DRA notes that SCE's funding request for these positions are in addition to SCE's test year request for Sub-Account 580.260 with a forecast of \$11.955 million, where SCE is also requesting funding for twenty-four more positions to add to its Advanced Technology Organization. SCE also requested funding for six positions in Sub-Account 560.260 with a forecast of \$4.507 million. Overall, SCE is requesting ratepayer funding for an additional fifty-four (54) positions for its Advanced Technology Organization in the test year.

³⁶⁸ SCE mentions Chevy and Nissan as companies that will have major commercial releases of PEVs by the end of 2010 as support for its forecast of PEVs (SCE03-Volume 2, page 16). DRA notes that the sales have been low. DRA discovered that Chevrolet sold 1,210 Volts as of the end of March 2011 and Nissan sold 452 "Leafs" as of the end of March 2011 (Information from article in Chicago Tribune, "Electric Vehicles: Are We There Yet").

³⁶⁹ Ex. SCE03-Volume 2, page 16 and 17.

³⁷⁰ DRA is skeptical whether a large number of ratepayers will be rushing out to purchase electric-plug in vehicles in the near future. A survey by the Consumer Reports National Research Center on concerns regarding electric vehicles found 66% of consumers said the price was too high, 60% said there was inadequate refueling or recharging infrastructure and 58% said there was a limited driving range for the electric vehicles (Chicago Tribune, "Electric Vehicles: Are We There Yet").

³⁷¹ Based on a J.D. Power and Assoc. study (Drive Green 2020: More Hope than Reality) issued in October 2010, the number of commercial sales of electric vehicles is expected to be limited for 10 years due to the fact that the infrastructure required to support an increase in electric vehicles is not available.

³⁷² In regards to the funding it was authorized in its TY 2009 GRC for electric vehicles, SCE
(continued on next page)

1

2 DRA asked: 373

3 In SCE’s 2009 GRC (D.09-03-025, pages 114-118), SCE was authorized
4 \$2.33 million and an additional \$1.0 million, over its 2006 recorded expenses,
5 for studies, research, and planning related to electric vehicles and other
6 projects related to Electric Transportation which appear to be similar to SCE’s
7 request in its 2012 GRC relating to electric vehicles. Provide the
8 documentation that demonstrates in detail how SCE incorporated the \$3.3
9 million, which is still embedded in its historical expenses (DRA notes that
10 some of the projects have been completed) in to its test year forecast.
11

12 SCE’s response:

13 As previously discussed in our response to question 8c of this data request,
14 the \$3.3 million authorized increase provided for the following activities:
15 electric vehicle safety studies, electric transportation customer outreach,
16 PHEV studies to assess environmental & economic impacts, vehicle to grid
17 (V2G) and energy storage studies, and truckstop & seaport electrification
18 testing & evaluation. These activities are ongoing within the Advanced
19 Technology organization, and were used to develop our Test Year forecast on
20 a budget requirement basis. Please note that the \$3.3 million referenced in
21 this question is not related to the current or forecasted spending for the PEV
22 Readiness Program in FERC sub-account 588.260. The PEV Readiness
23 program is a new organization created in 2009 to meet the requirements of
24 the Commission’s 2009 AFV OIR. Please find a discussion of the referenced
25 funding and how it is incorporated into SCE’s test year forecast in the
26 response to Question 8a and 8e of this data request.
27

28 DRA asked: 374

29 In SCE’s response to DRA-VERBAL-30 SCE states “In D.09-03-025 (pages
30 116-118) the Commission approved SCE’s 2009 GRC funding request for
31 electric transportation outreach efforts, studies to assess environmental and
32 economic impacts of Plug-in Hybrid Electric Vehicles (PHEVs), and studies to

(continued from previous page)

states “While this PEV Readiness program is related to, and builds upon, ATO’s technology identification and evaluation program results from prior years, efforts, the PEV Readiness effort is itself a new, separate and distinct body of critical work activity” (DRA-SCE-063-TLG question 8-e).

373 DRA-SCE-063-TLG question 10-e.

374 DRA-SCE-063-TLG question 8-f.

1 evaluate vehicle to grid (V2G) energy storage. These activities occurring
2 during the 2009 GRC are different than the types of activities SCE has
3 included in the 2012 GRC, which are to support the commercial launch of
4 PEVs in late 2010". Provide the documentation that explains in detail and
5 demonstrates why SCE is not able to reallocate the funds from completed
6 projects or projects that were not implemented during the 2009 GRC cycle
7 that were authorized in the 2009 GRC to proposed projects in the 2012 GRC
8 that relate to electric vehicles. Provide the status of all projects SCE
9 proposed and received funding for in the 2009 GRC relating to Plug-in Hybrid
10 Electric Vehicles.
11

12 SCE's response:

13 Please see response to part (e) of this question.

14 SCE's responses are insufficient and do not provide a reasonable explanation
15 for why its embedded funding from closed or completed projects associated with its
16 electric vehicles cannot be used for its proposed test year activities. Based on the
17 limited amount of support and historical expense data provided by SCE, additional
18 funding over SCE's 2009 recorded expense levels of \$2.284 million for Sub-Account
19 588.260 should be denied.

20 **M. Business Process and Technology Integration**

21 SCE forecasted \$20.217 million for its Business Process and Technology
22 Integration (BP&TI) expenses and forecasted O&M productivity benefits of \$1.456
23 million.³⁷⁵ The productivity benefits forecast of \$1.456 million would reduce SCE's
24 BP&TI forecast to \$18.761 million in the test year. SCE developed its BP&TI
25 forecast on a project-by-project basis and averaging its calculated expense
26 estimates for 2012 through 2014 to forecast its 2012 expense levels. The
27 corresponding DRA estimate for SCE's Business Process And Technology
28 Integration expenses is \$11.889 million, which is \$6.872 million less than SCE's
29 forecast.
30

³⁷⁵ Ex. SCE-03, Volume 5, Part 1, Chapters I-III, page 54.

SCE combined the forecasted expenses from three Sub-Accounts to calculate its forecast of \$18.761 million for its BP&TI expenses, which are summarized in Figure 5-11. Table 5-71 below shows SCE's recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.

Figure 5-11
Thousands of 2009 Dollars

	SCE	DRA
566.270 – TDBU Transmission Substation IT IMM	\$ 7,844	\$ 6,013
588.270 – Technology Solution Implementation	12,373	\$ 7,332
588.271 – New Initiative Benefits	(1,456)	\$ (1,456)
Total	\$18,761	\$ 11,889

Table 5-71
Business Process And Technology Integration Expenses
2005-2009 Recorded / 2012 Forecast
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
566.270	\$ 3,169	\$2,047	\$2,456	\$4,766	\$6,013	\$7,844
588.270	11,584	8,777	5,915	5,326	14,068	12,373
588.271	0	0	0	0	0	(1,456)
Total	\$14,753	\$10,824	\$8,371	\$10,092	\$20,081	\$18,761

Source: Ex. SCE-03, Volume 5, Part 1, Chapters I-III, page 3.

1. 566.270 – TDBU Transmission Substation IT IMM

SCE forecasted \$7.844 million for Sub-Account 566.270 (Labor of \$48,000 and Non-Labor of \$7.796 million) for its TDBU Transmission Substation IT Interdepartmental Market Mechanism (IMM) expenses.³⁷⁶ SCE's forecast of \$7.844 million is an increase of \$1.831 million or 30.45% over 2009 recorded adjusted expenses of \$6.013 million. SCE's Sub-Account 566.270 includes test year forecasts for the following line items: Centralized Remedial Action Scheme with a forecast of \$0.924 million, Phasor Measurement and Wide Area Situational Awareness with a forecast of \$0.907 million, and IT IMM Costs with a forecast of

³⁷⁶ Ex. SCE-03, Volume 5, Part 1, Chapters I-III, page 55.

1 \$6.013 million. DRA takes issue with SCE's forecast and its methodology utilized to
2 calculate its test year estimates for Sub-Account 566.270.

3
4 DRA utilized SCE's last recorded year, the highest level of expenditures for
5 the five year period, as a basis for its forecast of \$6.013 million for SCE's Sub-
6 Account 566.270. DRA's estimate is \$1.831 million less than SCE's forecast. Table
7 5-72 below shows SCE's recorded adjusted expenses for 2005-2009 and its TY
8 2012 forecast.³⁷⁷

9 **Table 5-72**
10 **TDBU Transmission Substation IT IMM Expenses**
11 **for Sub-Account 566.270**
12 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$1	\$0	\$0	\$11	\$48	\$48
Non-Labor	3,168	2,047	2,456	4,755	5,965	7,796
Total	\$3,169	\$2,047	\$2,456	\$4,766	\$6,013	\$7,844

13
14 SCE's expenses increased by \$3.966 million between 2006 and 2009, with
15 2009 recording the highest level of expenditures of \$6.013 million. SCE's recorded
16 adjusted expenses averaged \$3.690 million for the five year period (2005-2009) and
17 averaged \$4.412 million for the three year period (2007-2009). SCE's request for
18 additional funding is not justified, and the method SCE utilized to calculated its
19 forecasts for its Centralized Remedial Action Scheme program of \$0.924 million and
20 its Phasor Measurement and Wide Area Situational Awareness program of \$0.907
21 million, based on calculated averages of its 2012 through 2014, expense
22 forecasts³⁷⁸ is not reasonable when compared to DRA's method, which utilizes
23 SCE's recorded adjusted historical expenses. SCE has embedded funding in its
24 historical expenses to address its test year projects associated with its Centralized

³⁷⁷ Ex. SCE-03, Volume 5, Part 1, Chapters I-III, page 55.

³⁷⁸ See pages 46 through 48 in Ex. SCE-03, Volume 5, Part 1, Chapters I-II.

1 Remedial Action Scheme program, Phasor Measurement and Wide Area Situational
2 Awareness program, and its IT IMM expenses and additional funding is not
3 required.³⁷⁹ DRA requested additional information from SCE regarding its IT IMM
4 O&M 2009 recorded adjusted expenses and its test year forecast.

5

6 DRA asked:³⁸⁰

7 SCE forecasted \$6.013 million (\$0.048 million for labor and \$5.965 million for
8 non-labor) for its IT IMM O&M expenses recorded in Sub-Account 566.270.
9 In SCE's 2009 GRC SCE requested and was authorized \$11.034 million for
10 Sub-Account 566.300 (D.09-03-025 page 59-60). SCE's 2009 recorded
11 adjusted expenses shown in Table II-19 on page 53 does not reflect SCE's
12 2009 authorized amount. Provide the documentation that explains in detail
13 and demonstrates where SCE diverted authorized funding that was requested
14 to address work activities associated with IT IMM O&M expenses.
15

16 SCE's response:

17 As stated on page 11 of SCE-01, "The Commission expects SCE to manage
18 its business between general rate case test years to optimize service to
19 customers and work towards realizing our authorized rate of return. In 2009,
20 like nearly every other year, our recorded expenses varied from the specific
21 categories authorized in the 2009 GRC decision". SCE does not specifically
22 allocate or transfer authorized costs from one GRC sub-account to another.
23 GRC authorized revenues are allocated through the SCE budgeting process.

24 SCE's response is incomplete, does not identify specifically where the
25 requested and authorized embedded funding was allocated and recorded, and does

³⁷⁹ In SCE's response to DRA-SCE-113-TLG question 8, SCE provided a spreadsheet showing recorded adjusted expenses for 2005-2009 recorded in Sub-Accounts 566.270 and 588.270. In the response SCE does not show any recorded costs for the five year period for its Phasor Measurement and Wide Area Situational Awareness project even though SCE has been incurring associated costs for this project since 1997 (see page 47 in Ex. SCE-03, Volume 5 Part 1 Chapters I-III). SCE was also authorized funding for this project in its 2009 GRC (D.09-03-025, page 222). Similarly, SCE does not show any recorded expenses for its Centralized Remedial Action Scheme project, and SCE has been incurring associated expenses during the historical period, and this project was also authorized funding in its 2009 GRC (D.09-03-025, page 225).

³⁸⁰ DRA-SCE-113-TLG question 14-a.

1 not justify additional funding in the test year. DRA is troubled by SCE's apparent
2 disregard for acknowledging the importance of its embedded costs included in its
3 historical expenses associated with closed or completed projects that can be utilized
4 for proposed projects and incorporated into its test year forecasts. DRA discovered
5 the following when it asked for additional information from SCE on its BP&TI
6 forecast.

7

8 DRA asked: 381

9 The increase in SCE's recorded adjusted expenses between 2008 and 2009
10 of \$9.989 million or 98.98% associated with new projects and initiatives
11 appear to be embedded in SCE's 2012 forecast of \$20.217 million. DRA
12 notes that SCE's recorded adjusted expenses decreased between 2005 and
13 2007 by \$6.382 million due to completion of initiatives. The five year average
14 (2005-2009) is \$12.824 million and the three year average (2007-2009) is
15 \$12.848 million. Provide the documentation that explains in detail and
16 demonstrates why SCE's 2012 forecast of \$20.217 million (\$60.651 million
17 over the three year rate case cycle) does not reflect reductions to account for
18 completion of projects and initiatives started in 2009.
19

20 SCE's response:

21 SCE's forecast for BPTI O&M expenses does reflect reductions for completed
22 programs and initiatives, simply due to the fact that SCE did not utilize any
23 recorded project-specific expenses to develop its O&M forecasts...
24

25 DRA asked: 382

26

27 SCE plans to continue to develop its phasor technology program. SCE began
28 deploying phasor measurement capabilities in 1997. Activities planned for
29 the current rate case include continued installations of higher-capability
30 phasor measurement equipment and monitoring and control applications.
31 Provide the documentation that explains in detail specifically why SCE's
32 historical embedded expenses, which includes continued and on-going
33 expenses associated with its phasor technology program, is insufficient to
34 address on-going activities in the test year.
35

381 DRA-SCE-113-TLG question 8.

382 DRA-SCE-113-TLG question 15-a.

1 SCE's response:

2 Please see SCE's response to DRA-SCE-113-TLG, Question 8 for a detailed
3 description for how Sub-Account 566.270 was forecasts, including the Phasor
4 Measurement project. The recorded expenses for specific projects and
5 programs are not embedded in the forecast because SCE did not utilize any
6 recorded project-specific expenses to develop its O&M forecasts.
7

8 DRA asked: 383

9 SCE states it "has recent experience in successfully managing large software
10 projects with comparable scope, including the Graphical Design Tool and
11 Click Software Scheduling projects". Provide the documentation that explains
12 in detail and demonstrates why SCE is not able to allocate funds from
13 projects that have been completed, closed, or are no longer being utilized to
14 address its test year needs for activities associated with its Centralized
15 Remedial Action Scheme and its Phasor Measurement and Wide Area
16 Situational Awareness.
17

18 SCE's response:

19
20 The Graphical Design Tool and the Click Software Scheduling project were
21 adopted in the SCE's 2006 ratecase decision. Please see 1) Exhibit 84 at
22 pages 57-58, and pages 50-51, 2) Exhibit 84 at pages 40-41, and 3) Exhibit
23 202 at page 16-19. As described in the testimony, the Business Process and
24 Technology Integration (BPTI) group carries out assessments of work
25 processes and information technology for the Transmission and Distribution
26 Business Unit, identifies gaps, and coordinates and implements solutions,
27 often in the form of large projects. As described in the testimony (see Figs II-
28 8, 9 and 10) BPTI is forecasting test year expenses of \$18.761 million,
29 compared to recorded expense of \$20.081 million in 2009.

30 Although SCE had no difficulty incurring costs for special projects and
31 programs, and calculating additional funding for test year initiatives, based on SCE's
32 responses it has difficulty demonstrating why it is not able to allocate funds from
33 projects that have been completed, closed, or are no longer being utilized to address
34 its test year needs or with reflecting reductions to account for completion of projects
35 and initiatives. SCE's 2009 recorded adjusted expenses of \$6.013 million for Sub-

383 DRA-SCE-113-TLG question 15b.

1 Account 566.270, the highest recorded for the five year period (2005-2009) is a
2 sufficient forecast for the test year.

3 **2. 588.270 – Technology Solution Implementation**

4 SCE forecasted \$12.373 million for Sub-Account 588.270 (Labor of \$2.684
5 million and Non-Labor of \$9.689 million) for its Technology Solution Implementation
6 expenses.³⁸⁴ SCE's Sub-Account 588.270 includes test year forecasts for the
7 following line items: Geographical Information System (GIS) project with a forecast
8 of \$6.277 million, Consolidated Mobile Solutions (CMS) project with a forecast of
9 \$0.755 million, Distribution Management System project with a forecast of \$0.702
10 million, Non-Capital projects with a forecast of \$3.5 million, and Miscellaneous
11 expenses with a forecast of \$1.139 million.

12 DRA utilized a five year average (2005-2009) as a basis for its forecast of
13 \$7.332 million for SCE's Sub-Account 588.270. DRA's estimate is \$5.041 million
14 less than SCE's forecast. Table 5-73 below shows SCE's recorded adjusted
15 expenses for 2005-2009 and its TY 2012 forecast.³⁸⁵

16
17 **Table 5-73**
18 **Technology Solution Implementation Expenses**
19 **for Sub-Account 588.270**
20 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$238	\$325	\$195	\$624	\$1,089	\$2,684
Non-Labor	11,346	8,452	5,720	4,702	12,979	9,689
Total	\$11,584	\$8,777	\$5,915	\$5,326	\$14,068	\$12,373

21

³⁸⁴ Ex. SCE-03, Volume 5, Part 1, Chapters I-III, page 55.

³⁸⁵ Ex. SCE-03, Volume 5, Part 1, Chapters I-III, page 56.

1 DRA made a normalized adjustment to SCE's recorded adjusted historical
2 expenses (2005-2009) of \$1.408 million recorded in Sub-Account 588.270 for
3 ratemaking purposes. DRA's adjustment was made to remove discretionary costs
4 associated with SCE's employee recognition program Spot Bonuses and Awards to
5 Celebrate Excellence Recognition Points (ACE), which are inappropriate to charge
6 to ratepayers.³⁸⁶ SCE's employee recognition programs provide no clear or
7 identifiable benefit to ratepayers and is not necessary to operate the utility business.
8

9 SCE's recorded expenses fluctuated significantly during the historical period
10 and includes projects that have been completed, closed, or will no longer incur costs
11 in the test year. DRA's use of a five year average is a reasonable method to
12 account for the fluctuations. Because DRA utilized a five year average, DRA
13 removed embedded costs of \$6.2 million associated with SCE's special WISER
14 project³⁸⁷ from 2009 recorded adjusted expenses. SCE states that this project will
15 be funded through its current rates and that "No additional O&M expenses have
16 been forecasted to support the WISER program beyond 2011".³⁸⁸ DRA also
17 removed one-time costs of \$1.4 million from recorded adjusted 2009 expenses
18 incurred for SCE's GIS Pilot project³⁸⁹ because DRA considered this to be a special
19 one-time non-recurring project. DRA also based its adjustment on SCE's statement

³⁸⁶ In SCE's response to DRA-SCE-113-TLG question 2 SCE provided spreadsheets, which included recorded adjusted expenses for 2005-2009 incurred for its employee recognition awards programs recorded to Sub-Account 560.220. DRA removed expenses totaling \$1.408 million from its test year estimate which was based on a five year average.

³⁸⁷ DRA provides further discussion on SCE's WISER project in its Exhibit DRA-22.

³⁸⁸ Ex. SCE-03, Volume 5, Part 1, Chapters I-II, page 44 and SCE's response to DRA-SCE-113-TLG question 7-d.

³⁸⁹ DRA provides further discussion on SCE's GIS Pilot project in its Exhibit DRA-22.

1 that the GIS Pilot was a “landbase that was piloted was not placed into production
2 and only resided in a test environment”. 390

3
4 The removal of costs incurred for SCE’s special projects for its WISER and
5 GIS Pilot projects, which were the main drivers of the \$8.742 million increase in
6 2009 expenses over 2008 expenses of \$5.326 million or a 164.14% increase, brings
7 SCE’s 2009 expense levels down to comparable levels with its 2007 and 2008
8 recorded expenses. DRA requested additional information from SCE regarding its
9 2009 recorded adjusted expenses and its test year forecast.

10
11 DRA asked: 391

12 Provide the documentation that demonstrates in detail specifically how SCE
13 incorporated the \$8.742 million or 164.14% increase between 2008 and 2009
14 in to its test year forecast.

15
16 SCE’s response:

17 SCE did not incorporate the \$8.742 million increase between 2008 and 2009
18 in its test year forecast. Please see SCE’s response to DRA-SCE-113-TLG,
19 Questions 8 for a detailed description of how Sub-Account 588.270 was
20 forecast.

21
22 DRA asked: 392

23 SCE’s labor is forecasted to increase by \$1.595 million or by 146.46%
24 increase over 2009 recorded adjusted labor. Provide the cost benefit analysis
25 prepared prior to this data request and all other supporting documentation
26 that SCE’s management relied upon to determine that it required an increase
27 in labor of 146.46% for Sub-Account 588.270. Provide the documentation
28 that explains in detail and demonstrates why SCE’s current staffing level,
29 which includes an increase of 74.52% in 2008 over 2007 recorded adjusted
30 expenses, is insufficient

31

390 DRA-SCE-113-TLG question 12-i.

391 DRA-SCE-113-TLG question 12-d.

392 DRA-SCE-113-TLG question 12-b.

1 SCE's response:
2

3 SCE did not prepare a cost/benefit analysis to determine that it required an
4 increase in labor. The forecast for Sub-Account 588.270, including the labor
5 forecast, was developed on a project-by-project, year-by-year basis,
6 forecasting costs specifically to meet the needs of each project. The detailed
7 support for each of these forecasts is provided in the workpapers on the
8 following pages: GIS (pages 49-55), CMS (pages 89-95) and DMS (pages
9 119-123).
10

11 DRA asked:³⁹³

12 In regards to SCE's GIS forecast of \$6.277 million SCE states it "has
13 experience in managing large comparable projects. Recent major successful
14 projects include Graphical Design Tool and Click Software Scheduling
15 project". Provide the documentation that explains in detail and demonstrates
16 why SCE's embedded historical costs incurred for its recent completed major
17 successful projects which included its Graphical Design Tool and Click
18 Software Scheduling project cannot be allocated in the test year to address its
19 GIS project.
20

21 SCE's response:
22

23 Please see SCE's response to DRA-SCE-113-TLG, Question 8 for a detailed
24 description for how Sub-Account 588.270 was forecast. The recorded
25 expenses for specific projects and programs are not embedded in the
26 forecast because SCE did not utilize any recorded project-specific expenses
27 to develop its O&M forecasts.

28 SCE's request for additional funding is not justified and its method utilized to
29 calculated its forecasts³⁹⁴ for its Geographical Information System (GIS) project of
30 \$6.277 million, Consolidated Mobile Solutions (CMS) project of \$0.755 million,
31 Distribution Management System project of \$0.702 million, and its Non-Capital
32 projects of \$3.5 million, based on calculated averages of its 2012 through 2014

³⁹³ DRA-SCE-113-TLG question 12-h.

³⁹⁴ SCE's workpapers provided as support for its test year projects show spreadsheets with line items that have lump sum estimates for 2011 through 2014 that lack detailed background support for specifically how SCE calculated the individual numbers for the line items. The spreadsheets also lack recorded adjusted expenses for the projects that SCE incurred costs for during the historical period.

1 expense forecasts,³⁹⁵ are not reasonable when compared to DRA's method which
2 utilizes SCE's recorded adjusted historical expenses.³⁹⁶ SCE has embedded
3 funding in its historical expenses associated with these projects as well as several
4 projects that have been completed or are nearing completion and the funding for
5 those closed projects can be allocated towards test year projects.³⁹⁷

6
7 DRA's test year estimate of \$11.889 million for SCE's Business Process And
8 Technology Integration expenses is reasonable and consistent with recorded
9 historical expenses.

10 **N. Business, Regulatory and Financial Planning**

11 SCE forecasted \$13.271 million for its Business, Regulatory and Financial
12 Planning expenses.³⁹⁸ SCE developed its test year forecast by utilizing its 2009
13 record adjusted expenses for Sub-Accounts 566.280, 580.280 and 588.280 plus
14 incremental expenses for proposed projects and work activities. The corresponding
15 DRA estimate for SCE's Business, Regulatory And Financial Planning expenses is
16 \$7.064 million, which is \$6.207 million less than SCE's forecast.

17
18 SCE combined the forecasted expenses from three Sub-Accounts to
19 calculate its forecast of \$13.271 million for its Business, Regulatory and Financial

³⁹⁵ See pages 19, 37, 45, and 50 in Ex. SCE-03, Volume 5, Part 1.

³⁹⁶ In SCE's response to DRA-SCE-113-TLG question 7-d, SCE provided 2009 recorded expenses for its CMS project of \$0.714 million, GIS of \$3.938 million, and its WISER project of \$6.213 million.

³⁹⁷ In SCE's response to DRA-SCE-113-TLG question 7, SCE provided a spreadsheet showing its historical projects for 2005-2009 that have been completed or are nearing completion. In that same data response for question 8, SCE provided a spreadsheet showing recorded adjusted expenses for 2005-2009 recorded in Sub-Accounts 566.270 and 588.270 which shows recorded historical costs for SCE's GIS, CMS, DMS, WISER and Non-Capital projects.

³⁹⁸ Ex. SCE-03, Volume 5, Part 3, Chapters I-III, page 4.

1 Planning expenses which are summarized in Figure 5-12. Table 5-74 below shows
 2 SCE's recorded adjusted expenses for 2005-2009 and its TY 2012 forecast. ³⁹⁹

3 Figure 5-12
 4 Thousands of 2009 Dollars

	SCE	DRA
566.280 – Compliance, Policy, Contracts and Billing	\$11,626	\$5,882
580.280 – TDBU Chargebacks for Services	222	222
588.280 – Distribution Construction Contract Mgmt & Employee Recognition (Empl rec)	1,423	960
Total	\$13,271	\$7,064

11 **Table 5-74**
 12 **Business, Regulatory and Financial Planning Expenses**
 13 **2005-2009 Recorded / 2012 Forecast**
 14 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
566.280	\$5,637	\$6,806	\$3,820	\$4,374	\$5,882	\$11,626
580.280	547	795	877	395	222	222
588.280	952	881	898	1,009	961	1,256
588.280 (Empl rec)	85	139	177	240	198	168
Total	\$7,221	\$8,621	\$5,772	\$6,018	\$7,263	\$13,272

15
 16 **1. 566-280 – Compliance, Policy, Contracts, and Billing**

17 SCE forecasted \$11.626 million for Sub-Account 566.280 (Labor of \$8.910
 18 million and Non-Labor of \$2.716 million) for its Compliance, Policy, Contracts and
 19 Billing expenses. ⁴⁰⁰ SCE's forecast of \$11.626 million is an increase of \$5.744
 20 million or 97.65% over 2009 recorded adjusted expenses of \$5.882 million. DRA
 21 utilized SCE's last recorded year as a basis for its forecast of \$5.882 million for
 22 SCE's Sub-Account 566.280. DRA's estimate is \$5.744 million less than SCE's
 23 forecast. Table 5-75 below shows SCE's recorded adjusted expenses for 2005-
 24 2009 and its TY 2012 forecast. ⁴⁰¹

³⁹⁹ Ex. SCE-03, Volume 5, Part 3, Chapters I-III, page 11, 12, 15, and 17.

⁴⁰⁰ Ex. SCE-03, Volume 5, Part 3, Chapters I-III, page 11.

⁴⁰¹ Ex. SCE-03, Volume 2, page 31.

Table 5-75
Compliance, Policy, Contracts and Billing Expense
for Sub-Account 566.280
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$3,466	\$3,852	\$3,236	\$3,609	\$4,806	\$8,910
Non-Labor	2,171	2,954	584	765	1,076	2,716
Total	\$5,637	\$6,806	\$3,820	\$4,374	\$5,882	\$11,626

SCE's requests for an increase of 97.65% over 2009 recorded adjusted expenses is not justified. SCE's request is excessive when compared to its recent historical expense levels. SCE's expenses fluctuated between 2005 and 2009, with an average for the five year period (2005-2009) of \$5.304 million and a three year average (2007-2009) of \$4.692 million.

SCE claims that its labor increase of \$4.104 million or 85.39% over 2009 recorded labor of \$4.806 million in Sub-Account 566.280 is due to interconnection requests relating to renewable generation projects. SCE has not provided sufficient documentation to support an increase of 85.39% in the test year.⁴⁰² SCE did not provide documentation demonstrating that its current staffing level was insufficient to address test year activities but provided a count of additional employees and unsupported costs calculations. SCE did not provide a cost benefit analysis but provided a brief description of activities for various areas which does not demonstrate that its current staffing level is insufficient to address the work. The activities appear to be on-going and routine in nature and SCE should have embedded funding for similar activities that it can utilize to address its test year activities.⁴⁰³ DRA asked for additional information on SCE's test year increases.

⁴⁰² Ex. SCE-03, Volume 5, Part 3, Chapters I-III, page 8-9.

⁴⁰³ DRA has concerns that SCE is making duplicate test year requests for similar activities for funding in Sub-Account 566.280 and other areas in the test year which is inappropriate and a burden to ratepayers. DRA discovered that SCE's Electric System Planning Group

(continued on next page)

1 DRA asked: 404

2 SCE forecasted \$11.626 million in the test year for Sub-Account 566.280
3 which is included in the forecast of \$13.271 million, and is an increase of
4 \$5.744 million or 97.65% over 2009 recorded adjusted expenses. SCE's
5 labor expenses increased by \$1.197 million or 33.17% between 2008 and
6 2009 from \$3.609 million in 2008 to \$4.806 million in 2009. SCE forecasted
7 \$8.910 million for labor in 2012, which is an increase of \$4.104 million or
8 85.39% over recorded adjusted 2009 labor expenses of \$4.806 million.

9

10 Provide the cost benefit analysis prepared prior to this data request, that
11 SCE's management relied upon to determine that its labor expenses needed
12 to increase by an additional 85.39% (for thirty three additional positions) over
13 2009 recorded adjusted expenses.

14

15 SCE's response:

16 An assessment was performed for each group in Sub-Account 566.280 of the
17 staffing needed to perform the work in Test Year 2012. These needs are
18 detailed in the testimony for this exhibit. Further, the costs associated for the
19 needed staffing levels were calculated as an increment to the 2009 base
20 year. A separate cost benefit analysis was not performed.

21

22 DRA asked: 405

23 SCE forecasted \$2.716 million in non-labor expenses for Sub-Account
24 566.280, this is an increase of \$1.640 million or 152.42% over 2009 recorded
25 adjusted expense of \$1.076 million. SCE's non-labor recorded adjusted
26 expenses have fluctuated significantly over the five year period (2005-2009).
27 SCE states that the \$1.640 million "is needed primarily for the NERC Critical
28 Infrastructure Protection Reliability Standards".

29 Provide the documentation that explains in detail and demonstrates if this is
30 the first time ever, the 2012 GRC that SCE has had to address NERC Critical
31 Infrastructure Protection Reliability Standards, if not, state how SCE has
32 addressed this work and provide all associated costs.

33

(continued from previous page)

(SCE-03, Volume 3, Part 1, Chapters I-II) is performing very similar activities relating to interconnection requests and NERC standards (SCE also refers DRA to its data responses for that area: Sub-Accounts 561.210 and 587.210). Based on this DRA believes that SCE should have sufficient funding embedded in its historical expenses for these activities.

404 DRA-SCE-221-TLG question 7-c.

405 DRA-SCE-221-TLG question 8-b.

1 SCE's response:

2 Please refer to the response to question 8.b) of data request DRA-TLG-218.

3

4 DRA asked: 406

5 Provide the documentation that explains in detail and demonstrates if SCE
6 incurred development and implementation costs associated with NERC
7 Reliability Standards during 2005-2009, if so provide the Sub-Accounts and
8 the associated cost for each year and state how those embedded costs were
9 incorporated into the test year forecast

10

11 SCE's response:

12 Please refer to the response to question 8.b) of data request DRA-TLG-218.

13

14 DRA asked: 407

15

16 Provide the documentation that explains in detail and demonstrates why
17 SCE's current staffing level, which includes an increase of \$1.197 million or
18 an increase of 33.17% over 2008 expenses are insufficient to address its test
19 year needs.

20

21 SCE's response:

22

23 The current staffing level is not sufficient to perform the additional work
24 described in the testimony for the exhibit.

25

26 DRA asked: 408

27

28 Provide all T&D O&M expense Sub-Accounts where SCE is requesting
29 funding to address NERC Reliability Standards and the total amount
30 requested in each Sub-Account.

31

406 DRA-SCE-221-TLG question 8-f.

407 DRA-SCE-221-TLG question 7-d.

408 DRA-SCE-218-TLG question 8-b. Note that, instead of providing the requested information relating to specific questions on the forecast estimate for Sub-Account 566.280, SCE refers DRA to this response which relates to Sub-Account 561.210 and 587.210 for its Electric System Planning. DRA believes SCE is making duplicate test year requests for the same or very similar activities and this is a burden to ratepayers.

1 SCE's response:
2

3 Please refer to the response to Question 4 of DRA-Verbal-052. As described
4 in that presentation, NERC reliability standards affect almost the entire
5 company. Since NERC standards and requirements are reflected in new
6 facilities, equipment, and operating systems, the costs of meeting NERC
7 reliability standards are reflected in capital, as well as O&M costs. Because
8 the NERC standards have been in effect for an extensive period of time, the
9 costs of meeting current and upcoming standards is reflected in on-going
10 operations as well as the GRC forecast, and cannot be isolated from other
11 costs. Please also refer to the response to Question 3, of DRA-Verbal-052,
12 where SCE has provided the incremental costs of meeting NERC CIP
13 requirements for 2012 Test Year.

14 DRA learned in a meeting on February 10, 2011 between DRA and SCE that
15 SCE has embedded costs in its historical expenses for these activities due to the
16 fact that SCE has been performing activities associated with NERC CIP
17 requirements and revised standards for several years.⁴⁰⁹ DRA also learned in that
18 meeting that SCE has not specifically tracked all the related costs that are
19 embedded in its TDBU historical expenses, and therefore is not able to accurately
20 calculate expense increases to justify additional funding. The Commission should
21 reject SCE's request for additional ratepayer funding, claiming that the expenses are
22 increasing, when it is not able to properly track and calculate historical expenses
23 associated with this activity.
24

25 SCE's responses are insufficient and the support the Company provided is
26 lacking and does not justify additional funding of 97.64% over its 2009 recorded
27 adjusted labor expenses. SCE has embedded funding in its historical expenses for
28 on-going activities and from completed projects that can be utilized for test year
29 activities and no additional funding is required. DRA's test year estimate of \$5.882

⁴⁰⁹ SCE has embedded funding for this project and an example of SCE requesting funding in its 2009 GRC to address its NERC Critical Infrastructure project activities is shown in D.09-03-025 page 234.

1 million, based on SCE's 2009 recorded adjusted expenses, and is more than SCE's
2 five year and three year averages and is a reasonable test year forecast.

3 **2. 588.280 – Distribution Construction Contract**
4 **Management**

5 SCE forecasted \$1.423 million for Sub-Account 588.280 (Labor of \$1.193
6 million and Non-Labor of \$0.230 million) for its Distribution Construction Contract
7 Management expenses.⁴¹⁰ SCE's forecast of \$1.423 million is an increase of
8 \$0.263 million or 22.67% over 2009 recorded adjusted expenses of \$1.160 million.
9 DRA utilized SCE's last recorded year as a basis for its forecast of \$0.962 million for
10 SCE's Sub-Account 588.280. DRA's estimate is \$0.461 million less than SCE's
11 forecast. Table 5-76 below shows SCE's recorded adjusted expenses for 2005-
12 2009 and its TY 2012 forecast.⁴¹¹

13 **Table 5-76**
14 **Distribution Construction Contract Management Expenses**
15 **for Sub-Account 588.280**
16 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$778	\$836	\$834	\$952	\$982	\$1,193
Non-Labor	257	184	240	298	178	230
Total	\$1,035	\$1,020	\$1,074	\$1,250	\$1,160	\$1,423

17

18 DRA made a normalized adjustment to SCE's 2009 recorded adjusted
19 expenses for Sub-Account 588.280 to remove \$198,000⁴¹² for ratemaking
20 purposes. DRA's adjustment was made to remove discretionary costs associated
21 with SCE's employee recognition program (i.e., Spot Bonuses and Awards to
22 Celebrate Excellence Recognition Points (ACE), etc.), which are inappropriate to

⁴¹⁰ Ex. SCE-03, Volume 5, Part 3, Chapters I-III, page 55.

⁴¹¹ Ex. SCE-03, Volume 5, Part 3, Chapters I-III, page 55.

⁴¹² Ex. SCE-03, Volume 5, Part 3, Chapters I-III, page 17 and DRA-SCE-221-TLG question 9-b.

1 charge to ratepayers. SCE's employee recognition programs provide no clear or
2 identifiable benefit to ratepayers and are not necessary to operate the utility
3 business.

4
5 SCE's requests for an increase of 22.67% over 2009 recorded adjusted
6 expenses is not justified. SCE's expenses remained relatively stable between 2005
7 and 2009 with an average for the five year period (2005-2009) of \$1.108 million and
8 a three year average (2007-2009) of \$1.161 million. SCE's request includes funding
9 for its employee recognition program, which is discussed above, and additional
10 funding for software upgrades. SCE should have embedded costs for software
11 upgrades from programs that are no longer in use or are no longer incurring
12 maintenance costs and from embedded costs incurred for purchases of software
13 programs during the last five years (2005-2009). DRA's estimate of \$0.962 million is
14 a reasonable test year estimate.

16 **O. TDBU Other Costs**

17 SCE forecasted \$108.509 million for its TDBU Other Costs.⁴¹³ SCE
18 developed its forecast by utilizing its 2009 recorded adjusted expenses for Sub-
19 Accounts 560.281, 566.281, 569.281, 568.281, 570.281, 583.281, 584.281, 586.281,
20 588.281, 590.281, 566.282, and 580.282 plus incremental expenses for proposed
21 projects and work activities. The corresponding DRA estimate for SCE's TDBU
22 Other Costs is \$93.267 million, which is \$15.242 million less than SCE's forecast.

23
24 SCE combined the forecasted expenses from twelve Sub-Accounts to
25 calculate its forecast of \$108.509 million for its TDBU Other Costs which are
26 summarized in Figure 5-13. Table 5-77 below shows SCE's recorded adjusted
27 expenses for 2005-2009 and its TY 2012 forecast.

28

⁴¹³ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, Page 27.

Figure 5-13
Thousands of 2009 Dollars

	SCE	DRA
560.281 – Transmission Work-Order Write-off	\$ 3,925	\$ 1,589
568.281 – Transmission Allocated Costs	14,370	11,977
583.281 – Claims write-Off	5,846	5,846
584.281 – Transformer Credits	(2,033)	(2,033)
586.281 – Meter Credits	(7,139)	(7,139)
588.281 – Underground Locate Pmt & Work-Order Write-Off	20,614	17,195
566.282 – Transmission Facility Maintenance	4,602	4,602
580.282 – Distribution Facility Maintenance	9,066	5,918
590.281 – Distribution Allocated Costs	45,453	41,507
566.281 – (FERC Jurisdictional) Trans Accruals & Other Cost	(3,049)	(3,049)
569.281 – (FERC Jurisdictional) FERC Order 668	3,090	3,090
570.281 – (FERC Jurisdictional) Trans Participant Share Costs	13,764	13,764
Total	\$108,509	\$93,267

Table 5-77
TDBU Other Costs
2005-2009 Recorded / 2012 Forecast
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
560.281	\$600	\$1,017	\$1,212	\$189	\$4,926	\$3,925
568.281	8,287	9,195	9,345	10,792	11,977	14,370
583.281	4,960	4,595	5,521	5,336	8,820	5,846
584.281	(1,785)	(1,717)	(1,711)	(2,436)	(4,165)	(2,033)
586.281	(5,314)	(5,905)	(5,907)	(8,054)	(8,048)	(7,139)
588.281	20,175	19,333	18,718	14,114	23,790	20,614
590.281	30,496	31,570	26,929	38,033	41,507	45,453
566.282	4,974	5,007	5,119	5,122	4,602	4,602
580.282	3,319	4,396	4,032	8,779	9,066	9,066
566.281 (FERC)	916	(242)	(1,960)	(7)	(3,049)	(3,049)
569.281 (FERC)	0	1,318	1,504	1,414	3,090	3,090
570.281 (FERC)	4,156	(877)	4,491	9,648	12,999	13,764
Total	\$70,784	\$67,690	\$67,293	\$82,930	\$105,515	\$108,509

Source: 2012 data from Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 27, and 2005-2009 data from pages 30, 33, 36, 38, 40, 42, 44, 45 and 56. 2005-2009 FERC Jurisdictional data from Workpapers Ex. SCE-03, Volume 5, Part 3, Chapter II, pages 226, 268, and 290.

DRA does not take issue with SCE's test year forecast for the following Sub-Accounts: \$5.846 million for 583.281 – Claims Write-offs, \$4.602 million for 566.282 – Transmission Facility Maintenance, \$(2.033) million for 584.281 – Transformer Credits, and \$(7.139) million for 586.281 – Meter Credits. DRA reviewed SCE's testimony, workpapers, data request responses, and historical expense levels for

1 these Sub-Accounts and the forecasts appear to be reasonable. DRA takes issue
2 with SCE's test year forecasts for the Sub-Accounts that are discussed below.

3 **1. 560.281 – Transmission Work-Order Write-offs**

4 SCE forecasted \$3.962 million for Sub-Account 560.281 (Labor of \$0.277
5 million and Non-Labor of \$3.685 million) for its Transmission Work-Order Write-
6 offs.⁴¹⁴ SCE's forecast is based "on the average historical percentage (2005
7 through 2009) of write-offs to transmission capital expenditures, multiplied by the
8 forecast capital expenditures for transmission interconnection projects and
9 transmission substation planning projects".⁴¹⁵ DRA utilized a five year average
10 (2005-2009) as a basis for its forecast of \$1.589 million for SCE's Sub-Account
11 560.261. DRA's estimate is \$2.403 million less than SCE's forecast. Table 5-78
12 below shows SCE's recorded adjusted expenses for 2005-2009 and its TY 2012
13 forecast.⁴¹⁶

14 **Table 5-78**
15 **Transmission Work-Order Write-offs Expenses**
16 **for Sub-Account 560.281**
17 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$22	\$13	\$114	\$19	\$511	\$277
Non-Labor	577	1,004	1,097	170	4,416	3,685
Total	\$600	\$1,017	\$1,212	\$189	\$4,926	\$3,962

18

⁴¹⁴ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 30.

⁴¹⁵ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 29.

⁴¹⁶ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 30.

1 SCE's Write-offs are associated with SCE's "cancelled capital projects,
2 unpaid claims for damaged facilities, and uncollected costs for billable work
3 orders".⁴¹⁷ SCE's expenses fluctuated between 2005 and 2009 with an average for
4 the five year period (2005-2009) of \$1.559 million. The large increases in expenses
5 that occurred in 2009 were due to SCE's "cancellation of the Ultra Small Antenna
6 Terminal Satellite System project".⁴¹⁸

7
8 SCE's method utilized to forecast its test year expenses for Sub-Account
9 560.281 is unnecessarily complicated and difficult to follow, and is also problematic
10 because it is based on significant capital increases in the test year. SCE's proposed
11 capital may not be adopted as forecasted by SCE and DRA has made adjustments
12 to SCE's capital forecast that is lower than SCE's estimates.⁴¹⁹ If DRA does not
13 make a corresponding adjustment to the test year estimates proposed by SCE for
14 Sub-Account 560.281 SCE's expenses recorded to this Sub-Account will be
15 significantly overfunded in the test year. DRA's estimate of \$1.559 million for Sub-
16 Account 560.281, based on a five year average (2005-2009) of recorded expenses
17 in this Sub-Account, addresses the fluctuations during the historical period and is a
18 reasonable test year estimate.⁴²⁰

⁴¹⁷ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 28.

⁴¹⁸ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 28.

⁴¹⁹ The detailed discussion and analysis of SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

⁴²⁰ DRA provides further discussion regarding adjustments relating to Sub-Account 560.281 in its Exhibit DRA-22.

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Table 5-80
Breakdown of Line Item Forecast Included In
Sub-Account 588.281
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Distrb Work Order Write-offs	\$6,592	\$6,154	\$8,284	\$5,081	\$18,444	\$10,427
Underground Utility Location Service	6,975	7,254	8,442	8,315	10,187	10,187
Accruals	5,452	5,929	2,000	6,918	(4,980)	0
FLSA Payment/Accruals	1,154	(4)	(6)	257	140	0
Work Order Related Expense/Accruals	0	0	0	(6,457)	0	0
Total	\$20,173	\$19,333	\$18,720	\$14,114	\$23,791	\$20,614

5

6 DRA analyzed the recorded adjusted expenses for the forecast estimates for
7 each line item separately to calculate its test year estimate for Sub-Account 588.281
8 and the discussion on the line items is discussed below.

9

10 SCE forecasts \$10.427 million for its line item for Distribution Work-Order
11 Write-offs.⁴²³ SCE's forecast is "based on the average historical percentage (2005
12 through 2009) of write-offs to distribution capital expenditures, multiplied by the
13 forecast capital expenditures for Distribution work".⁴²⁴ DRA utilized a five year
14 average (2005-2009) as a basis for its forecast of \$8.214 million for this line item
15 recorded to SCE's Sub-Account 588.261. DRA's estimate is \$2.213 million less than
16 SCE's forecast. Table 5-80 below shows SCE's recorded adjusted expenses for
17 2005-2009 and its TY 2012 forecast.⁴²⁵

⁴²³ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 32.

⁴²⁴ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 31.

⁴²⁵ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 30.

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Table 5-81
Distribution Work-Order Write-Off Expenses
for Sub-Account 588.281
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$225	\$231	\$318	\$1,435	\$1,096	\$620
Non-Labor	6,368	5,923	7,966	3,646	17,348	9,807
Total	\$6,593	\$6,154	\$8,284	\$5,081	\$18,444	\$10,427

5

6

SCE’s Distribution Work-Order Write-offs are associated with SCE’s “cancelled capital projects, unpaid claims for damaged facilities, and uncollected costs for billable work orders”.⁴²⁶ SCE’s expenses fluctuated between 2005 and 2008 with an average for the four year period (2005-2008) of \$6.528 million. SCE’s expenses increased significantly in 2009 by \$13.363 million or by 263% over 2008 recorded expenses of \$5.081 million. The increase in expenses that occurred in 2009 was due in part to SCE’s write-off for the Catalina Island fire.⁴²⁷ DRA removed \$3.484 million⁴²⁸ associated with the unusual and non-recurring Catalina Island fire from its estimate for SCE’s Sub-Account 588.281. DRA considers the significant damage resulting from the fire to be extraordinary, infrequent and unpredictable event within the term of a rate case cycle.⁴²⁹

17

18

The method SCE utilized to forecast its test year expenses for Sub-Account 588.281 is unnecessarily complicated and difficult to follow, and is also problematic because it is based on significant capital increases in the test year. The Commission may not adopt SCE’s proposed capital and DRA has recommended

21

⁴²⁶ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 28.

⁴²⁷ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 33.

⁴²⁸ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 33. SCE did not remove the one-time costs associated with the Catalina Island fire (DRA-SCE-221-TLG question 11).

⁴²⁹ DRA provides further discussion on SCE’s Catalina Island fire in Exhibit DRA-22.

1 adjustments to SCE's capital forecast.⁴³⁰ If DRA does not make a corresponding
2 adjustment to the test year estimates proposed by SCE for Sub-Account 588.281
3 SCE's expenses recorded to this Sub-Account will be significantly overfunded in the
4 test year. DRA's estimate of \$8.214 million for this line item, based on a five year
5 average (2005-2009) of recorded expenses in this Sub-Account, addresses the
6 fluctuations during the historical period and is a reasonable test year estimate.⁴³¹

7
8 SCE forecasts \$10.187 million for its line item for Underground Utility Locating
9 Service. SCE utilized its last recorded year as a basis for its forecast.⁴³² DRA
10 utilized a three year average (2007-2009) as a basis for its forecast of \$8.981 million
11 for this line item recorded to Sub-Account 588.261. DRA's estimate is \$1.206 million
12 less than SCE's forecast. Table 5-81 below shows SCE's recorded adjusted
13 expenses for 2005-2009 and its TY 2012 forecast.⁴³³

⁴³⁰ The detailed discussion and analysis on SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

⁴³¹ DRA provides further discussion regarding adjustments relating to Sub-Account 588.281 in Exhibit DRA-22.

⁴³² Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 34.

⁴³³ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 35.

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Table 5-82
Underground Utility Locating Service Expenses
for Sub-Account 588.281
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$29	\$52	\$56	\$23	\$(7)	\$(7)
Non-Labor	6,946	7,202	8,386	8,293	10,194	10,194
Total	\$6,975	\$7,254	\$8,442	\$8,315	\$10,187	\$10,187

5

SCE's expenses fluctuated between 2005 and 2007 and then remained relatively stable between 2007 and 2008. The average for the five year period (2005-2009) is \$8.235 million. SCE's expenses increased by \$1.901 million in 2009 over 2008 expense levels. DRA utilized a three year average (2007-2009) because it reflects the most recent activity in this line item and addresses the increase in expenses in 2009, after recorded expenses were relatively stable for two years (2007-2008) prior to the \$1.9 million increase in 2009. DRA's estimate of \$8.981 million for Sub-Account 588.281, based on a three year average (2007-2009) of recorded expenses in this Sub-Account is a reasonable test year estimate.

15

3. 580.282 – Facility Maintenance - Distribution

SCE forecasted \$9.066 million for its Sub-Account 580.282 Facility Maintenance – Distribution expenses (Labor of \$0.063 million and Non-Labor of \$9.003 million). DRA utilized a five year (2005-2009) as a basis for its forecast of \$5.918 million for SCE's Sub-Account 580.282. DRA's estimate is \$3.148 million less than SCE's forecast. Table 5-82 below shows SCE's recorded adjusted expenses for 2005-2009 and its TY 2012 forecast. ⁴³⁴

⁴³⁴ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 38.

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Table 5-83
Facility Maintenance - Distribution
for Sub-Account 580.282
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$6	\$2	\$(8)	\$447	\$63	\$63
Non-Labor	3,313	4,394	4,040	8,332	9,003	9,063
Total	\$3,319	\$4,396	\$4,032	\$8,779	\$9,066	\$9,066

5

6 SCE’s recorded adjusted expenses were relatively stable between 2005 and
7 2007 with an average for the three year period (2005-2007) of \$3.916 million.⁴³⁵ In
8 2008, the expenses increased by \$4.767 million or 118.23% over 2007 recorded
9 expenses of \$4.032 million. SCE states “Prior to 2008, the cost recorded to this
10 account included only TDBU’s portion of facility maintenance. Beginning in 2008,
11 this account included all facility maintenance (TDBU plus other business units)”.⁴³⁶
12 SCE states further that it “combined all costs for distribution facility maintenance in
13 sub-account 580.282 for ease and transparency in presenting the costs. The cost
14 was presented in the TDBU testimony because TDBU is the largest user of
15 distribution facilities”.⁴³⁷

16

17 DRA is concerned that SCE may be requesting duplicate ratepayer funding in
18 various business units for facility maintenance expenses, in addition to its request in
19 Sub-Account 580.282 for Distribution facility maintenance, since SCE combined all
20 costs for distribution facility maintenance in sub-account 580.282 for ease and

⁴³⁵ SCE provided an estimate of the facility maintenance expenses for Distribution only, for 2008 and 2009. The estimates are \$3.215 million for 2008 and \$2.893 million for 2009 (DRA-SCE-221-TLG question 13-d). Based on SCE’s response, DRA calculates the five year average (2005-2009) for SCE’s facility maintenance expenses for Distribution only as \$3.571 million, which is less than DRA’s forecast of \$5.918 million for Sub-Account 580.282.

⁴³⁶ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 37.

⁴³⁷ DRA-SCE-221-TLG question 13-a.

1 transparency in presenting the costs. SCE did not provide the historical expenses
 2 for 2005 through 2009 and the test year forecasts for the business units that now
 3 have costs combined in Sub-Account 580.282. DRA could not completely review
 4 and analyze all facility maintenance expenses to determine whether or not SCE's
 5 test year forecast has duplicate requests for facility maintenance.⁴³⁸ The
 6 Commission should reject SCE's request to increase ratepayer funding for the same
 7 activities. DRA's estimate of \$5.918 million utilizing a five year average (2005-2009)
 8 addresses its concern as well as the fluctuations in recorded expenses.

9 **4. 568.281 – Transmission Allocated Costs**

10 SCE forecasted \$14.378 million for Sub-Account 568.281 (Labor of \$4.618
 11 million and Non-Labor of \$9.752 million) for its Transmission Allocated Costs.⁴³⁹
 12 SCE's forecast of \$14.378 million is an increase of \$2.393 million or 19.98% over
 13 2009 recorded adjusted expenses of \$11.977 million. DRA utilized SCE's last
 14 recorded year, the highest recorded expenditures for the five year period (2005-
 15 2009), as a basis for its forecast of \$11.977 million for SCE's Sub-Account 568.281.
 16 DRA's estimate is \$2.393 million less than SCE's forecast. Table 5-83 below shows
 17 SCE's recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.⁴⁴⁰

18
 19 **Table 5-84**
 20 **Transmission Allocated Costs**
 21 **for Sub-Account 568.281**
 22 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$0	\$0	\$0	\$1,398	\$3,849	\$4,618
Non-Labor	8,287	9,195	9,345	9,394	8,128	9,752
Total	\$8,287	\$9,195	\$9,345	\$10,792	\$11,977	\$14,370

⁴³⁸ SCE did not provide the information DRA requested on the historical facility maintenance expenses for the other business units for review and analysis (DRA-SCE-221-TLG question 13-b).

⁴³⁹ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 44.

⁴⁴⁰ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 44.

1 SCE's recorded adjusted expenses fluctuated during the five year period
2 (2005-2009) with an average for the year period of \$9.919 million and a three year
3 average (2007-2009) of \$10.711 million. SCE states "We took all projected capital,
4 O&M, and allocated costs throughout TDBU, and using the spreadsheet described in
5 Section II.B, calculated the amount that should be allocated to this account".⁴⁴¹
6

7 SCE's forecast is based on significant increases in its proposed capital in the
8 test year.⁴⁴² DRA's test year estimates for several of SCE's proposed capital
9 projects⁴⁴³ are lower than SCE's forecasts, which it utilized to forecast its Sub-
10 Account 568.281 expenses. If DRA does not make a corresponding adjustment to
11 SCE's forecast for Sub-Account 568.281 the expenses recorded to Sub-Account
12 568.281 would be overfunded in the test year.⁴⁴⁴ DRA's test year estimate of
13 \$11.977 million based on SCE's 2009 recorded expenses, which is more than the
14 five year average of \$9.919 million and the three year average of \$10.711 million, is
15 a reasonable test year estimate and is comparable to its recent historical expense
16 levels recorded in Sub-Account 568.281.

⁴⁴¹ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 43.

⁴⁴² SCE created an allocation spreadsheet that is supposed to address the concerns of using its proposed capital to forecast its expense levels in Sub-Account 568.281. In regards to its spreadsheet SCE states "The spreadsheet described above is available upon request. Changes to direct expenses can be input to determine the effect on the distribution cost centers. The spreadsheet does not perform these calculations for changes in capital. The capital exhibits include support costs in their forecasts (Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 52).

⁴⁴³ The detailed discussion and analysis on SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

⁴⁴⁴ In SCE's TY 2009 GRC, SCE was authorized less than it forecasted for its Transmission and Distribution allocated costs due to SCE utilizing its proposed capital and TDBU O&M expenses as the basis for its forecast for this Sub-Account. Note that in SCE's 2009 GRC it utilized Sub-Accounts 560.280, 568.280, 580.980, and 590.980 to record its allocated costs. For its 2012 GRC SCE utilizes Sub-Accounts 568.281 and 590.281 to record its allocated costs (D.09-03-025 page 49 to 51).

1 **5. 590.281 – Distribution Allocated Costs**

2 SCE forecasted \$45.453 million for Sub-Account 590.281 (Labor of \$16.575
3 million and Non-Labor of \$28.278 million) for its Distribution Allocated Costs.⁴⁴⁵
4 SCE’s forecast of \$14.378 million is an increase of \$3.946 million or 9.51% over
5 2009 recorded adjusted expenses of \$41.507 million. DRA utilized SCE’s last
6 recorded year, the highest recorded expenditures for the five year period (2005-
7 2009) as a basis for its forecast of \$41.507 million for SCE’s Sub-Account 590.281
8 DRA’s estimate is \$3.946 million less than SCE’s forecast. Table 5-84 below shows
9 SCE’s recorded adjusted expenses for 2005-2009 and its TY 2012 forecast.⁴⁴⁶

10 **Table 5-85**
11 **Distribution Allocated Costs**
12 **for Sub-Account 590.281**
13 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Labor	\$0	\$0	\$0	\$5,950	\$15,136	\$16,575
Non-Labor	30,496	31,570	26,929	32,083	26,371	28,878
Total	\$30,495	\$31,570	\$26,929	\$38,033	\$41,507	\$45,453

14
15 SCE’s recorded adjusted expenses fluctuated during the five year period
16 (2005-2009) with an average for the five year period of \$33.707 million and a three
17 year average (2007-2009) of \$35.490 million. SCE states “We took all projected
18 capital, O&M, and allocated costs throughout TDBU, and using the spreadsheet
19 described in Section II.B, calculated the amount that should be allocated to this
20 account”.⁴⁴⁷
21

⁴⁴⁵ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 45.

⁴⁴⁶ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 45.

⁴⁴⁷ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 45.

1 As mentioned above in the discussion on SCE's Sub-Account 568.281 for its
2 Transmission Allocated Costs, SCE's forecast is based on significant increases in its
3 proposed capital in the test year. DRA's test year estimates for several of SCE's
4 proposed capital projects⁴⁴⁸ are lower than SCE's forecasts which it utilized to
5 forecast its Sub-Account 590.281. If DRA does not make a corresponding
6 adjustment to SCE's forecast for Sub-Account 590.281 the expenses recorded to
7 Sub-Account 590.281 would be overfunded in the test year.⁴⁴⁹ DRA's test year
8 estimate of \$41.507 million based on SCE's 2009 recorded expenses, which is more
9 than the five year average of \$33.707 million and the three year average of \$35.490
10 million, is a reasonable test year estimate for SCE to address its test year activities
11 recorded to Sub-Account 590.281.

12 **IV. DISCUSSION / ANALYSIS OF TDBU-RELATED OTHER** 13 **OPERATING REVENUES**

14 SCE forecasted \$110.441 million for its TDBU Tariffed Other Operating
15 Revenue (OOR) for TY 2012.⁴⁵⁰ SCE's TDBU receives OOR for various activities
16 and transactions that are not associated with its sale of electric energy. SCE's OOR
17 is supposed to offset its revenue requirement. SCE's Tariffed OOR is based on the
18 CPUC or FERC approved rates. The Corresponding DRA estimate for SCE's OOR
19 is \$111.571 million, which is \$1.130 million more than SCE's forecast.

⁴⁴⁸ The detailed discussion and analysis on SCE's proposed capital projects for the test year and DRA's corresponding estimates for SCE's capital projects will be addressed in Exhibits DRA-6 and DRA-7.

⁴⁴⁹ In SCE's TY 2009 GRC, SCE was authorized less than it forecasted for its Transmission and Distribution allocated costs due to SCE utilizing its proposed capital and TDBU O&M expenses as the basis for its forecast for this Sub-Account. Note that in SCE's TY 2009 GRC it utilized Sub-Accounts 560.280, 568.280, 580.980, and 590.980 to record its allocated costs. For its TY 2012 GRC SCE utilizes Sub-Accounts 568.281 and 590.281 to record its allocated costs (D.09-03-025 page 49 to 51).

⁴⁵⁰ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 58.

A. Overview of SCE's Request

SCE developed its OOR forecast of \$110.441 million by utilizing the separately calculated forecasts for Sub-Accounts 451.100, 451.500, 454.300, 454.350, 454.500, 456.300, 456.306, 456.307, 456.308, 456.340, 456.319, 456.320, 456.323, 456.700, and 456.900 which are summarized in Figure 14. Table 5-85 shows SCE's recorded adjusted OOR for 2005-2009 and its TY 2012 forecast.

Figure 5-14

Thousands of 2009 Dollars

	SCE	DRA
451.100 – Meter Damage and Temporary Services	\$ 26	\$ 1,134
451.500 – Ownership Charges	1,158	1,158
454.300 – SCE-Financed Added Facilities	38,823	38,823
454.350 – SCE-Financed Interconnection Facilities	14,725	14,725
454.500 – Pole Rentals	4,392	4,392
456.300 – Transmission & Utility Distribution Services (456.306 and 456.307)	30,775	30,775
456.308 – Transmission Services for Generation & Non-ISO Services Also (456.340)	1,150	1,172
456.319 – Generation Radial Tie-Lines (456.320)	3,313	3,313
456.323 – Tie-Line Facilities Rental Agreements	307	307
456.700 – Customer-Financed Added/Interconnection Facilities	11,609	11,609
456.900 – Miscellaneous Revenue	4,163	4,163
Total	\$110,441	\$111,571

**Table 5-86
TDBU Other Operating Revenue
2005-2009 Recorded / 2012 Forecast
(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012
Sub-Account						
451.100	\$1,022	\$1,791	\$1,938	\$517	\$24	\$26
451.500	654	1,510	1,312	627	784	1,158
454.300	32,640	32,731	33,631	35,136	36,051	38,823
454.350	13,716	13,626	14,097	14,728	15,112	14,725
454.500	2,757	2,633	3,505	3,310	3,931	4,392
456.300, 456.306, & 456.307	15,866	15,942	16,831	18,219	24,328	30,775
456.308 & 456.340	1,244	1,139	1,137	895	1,045	1,150
456.319 & 456.320	3,227	3,231	3,231	3,230	3,234	3,313
456.323	264	264	318	346	235	307
456.700	4,945	4,912	5,081	5,311	5,450	11,609
456.900	3,977	4,470	4,815	2,438	1,697	4,163
Total	\$80,312	\$82,249	\$85,896	\$84,757	\$91,891	\$110,441

Source: 2012 data from Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 59, and 2005-2009 data from pages 61, 63, 65, 66, 69, 71, 73, 74, 75, 77, and 79.

1 DRA does not take issue with SCE's test year forecast for the following Sub-
2 Accounts: \$1.158 million for 451.500 – Ownership Charges, \$38.823 million for
3 454.300 – SCE-Financed Added Facilities, \$14.725 million for 454.350 – SCE-
4 Financed Interconnection Facilities, \$4.392 million for 454.500 – Pole Rentals,
5 \$30.775 million for 456.300, 456.306, and 456.307 for Transmission and Utility
6 Distribution Services, \$3.313 million for 456.319 and 456.320 – Generation Radial
7 Tie-Lines, \$0.307 million for 456.323 – Tie-Line Facilities Rental Agreements,
8 \$11.609 million for 456.700 – Customer-Financed Added/Interconnection Facilities,
9 and \$4.164 million for 456.900 – Miscellaneous Revenue. DRA reviewed SCE's
10 testimony, workpapers, data request responses, and historical revenue levels for
11 these Sub-Accounts and based on the information provided by SCE, the forecasts
12 appear to be reasonable.⁴⁵¹ DRA takes issue with SCE's test year forecasts for the
13 Sub-Accounts that are discussed below.

14

15 **B. Meter Damage and Temporary Services**

16 SCE forecasted \$26,000 for Sub-Account 451.100 for its Meter Damage and
17 Temporary Services.⁴⁵² SCE calculated its forecast by escalating “the recorded
18 2009 revenue to years 2012-2014 and averaged the result for Test Year 2012”.⁴⁵³
19 DRA utilized a five year average (2005-2009) as a basis for its forecast of \$1.134
20 million for SCE's Sub-Account 451.100. DRA's estimate is \$1.108 million more than

⁴⁵¹ DRA notes that SCE's testimony, workpapers, and data request responses on its TDBU Other Operating Revenue (OOR) did not include all source and input data SCE claimed it utilized to calculate its OOR for each Sub-Account. Because of this, and due to staffing and time constraints, DRA was not able to independently verify and calculate each estimate included in SCE's forecast for its OOR.

⁴⁵² Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 61.

⁴⁵³ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 60.

1 SCE's forecast. Table 5-86 below shows SCE's recorded revenues for 2005-2009
2 and its TY 2012 forecast.⁴⁵⁴

3 **Table 5-87**
4 **Meter Damage and Temporary Services**
5 **for Sub-Account 451.100**
6 **(in Thousands of 2009 Dollars)**

Description	2005	2006	2007	2008	2009	2012 Forecast
Total	\$1,022	\$1,791	\$1,938	\$517	\$24	\$26

7

8 SCE's revenues recorded in Sub-Account 451.100 increased each year
9 between 2005 and 2007 from \$1.022 million in 2005 to \$1.938 million in 2007. In
10 2008 SCE's recorded revenues shown in this Sub-Account decreased to \$0.517
11 million in 2008 and declined further in 2009 to \$24,000. The decline in recorded
12 revenues in this Sub-Account is due mostly to SCE's implementation of its SAP
13 system in 2008. SCE states "Prior to SAP, customer payments for temporary
14 services were recorded to this revenue account while expenses were recorded to an
15 expense account. With implementation of SAP, payments received for temporary
16 services are recorded to the same account in which we record the expense".⁴⁵⁵

17

18 DRA is concerned with the accurate tracking and recording of revenues and
19 expenses, and SCE's method of now combining recorded expenses and revenues in
20 the same account. SCE did not provide the Sub-Account that showed the historical
21 data on its expenses, prior to the implementation of its SAP system in 2008 for
22 review, analysis, and comparison to the data recorded in Sub-Account 451.100 in
23 order to determine the reasonableness of SCE's test year forecast. SCE states the
24 "change in accounting results in a reduction in the revenue recorded to this account;
25 however, it matches the customer payments and installation costs in the same

⁴⁵⁴ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 61.

⁴⁵⁵ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 60.

1 accounting location and therefore has no net effect on the revenue requirement”.⁴⁵⁶
2 SCE has provided insufficient documentation to determine that its change in
3 accounting “therefore has no net effect on the revenue requirement”.

4
5 It is not clear from SCE’s testimony and workpapers if SCE is requesting
6 ratepayer funding in its TY 2012 GRC for the associated expenses that were
7 recorded in an expense account prior to its SAP implementation which caused SCE
8 to combine its expenses and revenues in Sub-Account 451.100. Based on its
9 concern, DRA utilized a five year average (2005-2009) of SCE’s recorded revenues
10 in this Sub-Account as a basis for its estimate of \$1.134 million for Sub-Account
11 451.100.⁴⁵⁷

13 **C. Transmission Services for Generation and Non-ISO Services**

14 SCE forecasted \$1.150 million for Sub-Accounts 456.308 and 456.340 for its
15 Transmission Services for Generation and NON-ISO Services.⁴⁵⁸ SCE calculated
16 its forecast by escalating “the recorded 2009 revenue to years 2012-2014 and
17 averaged the result for Test Year 2012”.⁴⁵⁹ DRA utilized a five year average (2005-
18 2009) as a basis for its forecast of \$1.172 million for SCE’s Sub-Accounts 456.308
19 and 456.340. DRA’s estimate is \$22,000 more than SCE’s forecast. Table 5-87
20 below shows SCE’s recorded revenues for 2005-2009 and its TY 2012 forecast.⁴⁶⁰

⁴⁵⁶ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 60.

⁴⁵⁷ SCE utilized a Distribution composite escalation rate of 1.0713 to calculate its forecast of \$26,000 for Sub-Account 451.100. SCE’s escalation rate is comparable to the escalation rate DRA calculated of 1.0717 and both rates result in a forecast estimate of \$1.134 million utilizing a five year average (2005-2009) of recorded revenue.

⁴⁵⁸ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 73.

⁴⁵⁹ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 72.

⁴⁶⁰ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 73.

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Table 5-88
Transmission Services for Generation and NON-ISO Services
for Sub-Account 456.308 and 456.340
(in Thousands of 2009 Dollars)

Description	2005	2006	2007	2008	2009	2012 Forecast
Total	\$1,244	\$1,139	\$1,137	\$895	\$1,045	\$1,150

6 SCE’s revenues recorded in Sub-Accounts 456.308 and 456.340 remained
7 relatively stable between 2005 and 2009. SCE states “From 2005-2009, the
8 revenue remained relatively flat with one exception. In 2008, the revenue
9 temporarily decreased by \$242,000 due primarily to a refund to Southern California
10 Water Company for a billing issue from the previous year”.⁴⁶¹

11
12 DRA’s estimate of \$1.172 million for SCE’s Sub-Accounts 456.308 and
13 456.340, based on a five year average of SCE’s recorded revenues, is a reasonable
14 method and is comparable to SCE’s historical levels.⁴⁶²

⁴⁶¹ Ex. SCE-03, Volume 5, Part 4, Chapters I-III, page 72.

⁴⁶² SCE utilized a Transmission composite escalation rate of 1.0731 to calculate its forecast of \$1.150 million for Sub-Accounts 456.308 and 456.340. DRA utilized SCE’s escalation rate to calculate its estimate of \$1.172 million utilizing a five year average (2005-2009) of SCE’s recorded revenue.