

One Time Adjustment CWIP Balancing Account Balance EOY 2011

One Time Adjustment for CWIP Balance Account EOY 2011		
Description	Amount	Source
CWIP Dec 2011 Balance in TO7	(7,839,769)	Schedule 3, line 23, Col 4
CWIP Dec 2011 Balance in TO8	(8,656,608)	WP-Schedule 3-CWIPBA Balance Page 1 of 2
Variance*	816,839	Schedule 3, line 11, Col 4

* Variance Includes Adjustments for:

- (1) 2012 FERC Audit Adjustment correcting for incorrect classification of construction costs (see attached pages 17-18 of FERC Audit Report in Docket No. PA12-16);
- (2) TRTP Segment 8 FAA Removal Adjustment to exclude costs due to FAA redesign (see attached ESP Order Cancellation Authorization and Order Transfer Authorization); and
- (3) Work Order Adjustment correcting for costs incurred during 2011 that were initially assigned to DCR but are instead Red Bluff related.

CWIP Balancing Account

Balance EOY 2011

Southern California Edison Company
ISO Construction Work in Progress
Balancing Account (CW/IPBA)

2011
(\$000)

2011												
Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded
January	February	March	April	May	June	July	August	September	October	November	December	
(4,315.5)	(1,156.1)	2,964.1	3,824.9	1,082.2	(1,230.9)	(3,784.7)	(6,571.6)	(10,974.3)	(14,236.7)	(14,181.7)	(7,864.5)	
6,997.9	7,427.0	8,012.5	8,634.6	9,217.4	9,657.7	10,038.5	10,529.5	11,141.9	11,876.9	12,681.9	13,668.5	
RCR (CWIP Revenue without FF&U)												
(3,838.5)	(3,306.8)	(7,156.0)	(11,377.3)	(11,530.6)	(12,211.1)	(12,825.4)	(14,932.2)	(14,332.5)	(11,821.9)	(6,364.7)	(12,372.6)	
Under(Over) Collection												
3,159.4	4,120.2	856.6	(2,742.7)	(2,313.1)	(2,553.5)	(2,786.9)	(4,402.7)	(3,190.6)	55.0	6,317.2	1,295.8	
Ending Balance												
(1,156.1)	2,964.1	3,820.7	1,082.2	(1,230.9)	(3,784.4)	(6,571.6)	(10,974.3)	(14,164.9)	(14,181.7)	(7,864.5)	(6,568.7)	
Average Balance												
(2,735.8)	904.0	3,392.4	2,453.6	(74.3)	(2,507.6)	(5,178.1)	(8,772.9)	(12,569.6)	(14,209.2)	(11,023.1)	(7,216.6)	
Interest Rate ^{1/2/}	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	
Interest	(7.4)	2.4	9.2	6.6	(0.2)	(6.8)	(23.8)	(34.0)	(38.5)	(29.9)	(19.5)	
Total Quarterly Interest		4.2			(0.3)		(71.8)				(87.9)	
Ending Balance without interest	(1,156.1)	2,964.1	3,820.7	1,082.2	(1,230.9)	(3,784.4)	(6,571.6)	(14,164.9)	(14,181.7)	(7,864.5)	(6,568.7)	
Ending Month Balance with interest	(1,156.1)	2,964.1	3,824.9	1,082.2	(1,230.9)	(3,784.7)	(6,571.6)	(14,236.7)	(14,181.7)	(7,864.5)	(6,656.6)	
2011 ETC One Time Revenue Credit											(2,000.0)	
CWIP Balancing Account Ending Balance to be transferred to Formula Rate											(8,656.61)	

¹ Quarterly interest rates are published in the Federal Reserve Bulletin at website:
<http://www.ferc.gov/legal/acct-matts/interest-rates.asp>

² Federal Reserve quarterly interest rates:

	2011
1st Quarter	3.25%
2nd Quarter	3.25%
3rd Quarter	3.25%
4th Quarter	3.25%

2012 FERC Audit Adjustment Workpapers

2. Classification of Construction Costs

SCE incorrectly classified costs in Account 107, Construction Work in Progress – Electric, that were not related to transmission incentive projects. As a result of these misclassifications, SCE overbilled wholesale transmission customers by \$369,000, representing an excess return on CWIP in the rate base for incentive projects.

Pertinent Guidance

18 C.F.R. pt. 101, Account 107, Construction Work in Progress – Electric, states in part:

This account shall include the total of the balances of work orders for electric plant in process of construction.

Background

Audit staff requested information from SCE about construction costs charged in incentive project work orders that were accounted for in Account 107, Construction Work in Progress – Electric. Audit staff sampled work orders to verify the costs were supported by adequate source documents and properly classified under Commission accounting regulations. Audit staff also reviewed SCE's practices and procedures for preparing project job cost estimates and criteria for classifying construction costs as capital or expense.

Audit staff selected three major incentive work orders to test related to the Tehachapi Segment 1, Tehachapi Segment 2, and Rancho Vista projects. For Tehachapi 1 and 2, audit staff noted that certain charges to incentive work orders did not relate to the transmission incentive project. As for the Rancho Vista project, SCE properly classified the charges as expense, but when the work order was closed, mistakes occurred. This resulted in costs previously accounted for as expense items being capitalized in Account 101, Utility Plant. Due to classification errors found in these incentive work orders, SCE commenced an internal review of all incentive work orders to ensure that costs were properly applicable to the work orders and to determine whether costs were properly capitalized or expensed. As part of the review, SCE worked to determine the magnitude of these classification errors. SCE's review identified \$1.47 million classified improperly to incentive work orders. To correct these errors, SCE made an adjustment to the CWIP balancing account amounting to \$1.47 million to remove charges not properly classified to incentive projects.

On August 9, 2012, SCE commenced its review and provided audit staff biweekly written updates until completing its review on October 22, 2012. Audit staff reviewed

SCE's internal review procedures and testing methodology for identifying the errors and quantifying the impact. Audit staff noted that SCE used sufficient procedures to determine the impact of the errors in classification between expense and capital. Also, audit staff confirmed that the total effects of the misclassification errors impacting incentive work orders recorded in Account 107 resulted in SCE overbilling wholesale transmission customers and collecting excessive returns of \$369,000.

As mentioned above, SCE is permitted to track over- and under-recoveries of CWIP recorded in Account 107 using a CWIP balancing account. Therefore, the \$369,000 reduction will be reflected in billings to wholesale transmission customers in SCE's next informational filing due to the Commission in 2013.

Recommendations

We recommend SCE:

5. Strengthen its policies and procedures over incentive work orders to ensure its charges are properly classified as capital or expense.
6. Perform an accounting analysis to determine the appropriate classification of costs assigned to incentive work orders. Provide the results of the analysis to the Division of Audits within 60 days of this report.
7. Provide to the Division of Audits all accounting entries resulting from the accounting analysis above, with all supporting documentation and calculations to correct all accounts affected by the improper classification of costs between capital and expense.
8. Adjust formula rate billings, as appropriate, for amounts inappropriately recovered from wholesale transmission customers based on costs assigned to incentive work orders that should have been expensed. Compute interest on the adjustment so it conforms to 18 C.F.R. § 35.19a.

TRTP Segment 8

FAA Removal Cost

Workpapers

ESP Capital Related Order Cancellation Authorization

SECTION I: Prepared by Initiator

Cancellation ID #: 2012-6

Today's Date: 9/27/2012

SAP Order # 800218645

FERC Incentive Order: Yes ☒

SAP Order Description:

I: TRTP 8-8: MIRA LOMA-VINCENT: CONSTRUCT NEW 33 MILES 500KV T/L BETWEEN
MESA AND MIRA LOMA (SECTION OF MIRA LOMA AND VINCENT). PIN 6439

PIN: 6439

Reason for Cancellation:

Due to FAA redesign, material is no longer required on this project and is to be written off to an expense Account. This material was deemed by engineering to not be useable on other projects

Trend /Change Request (see attached)

TIF/CR #

Date Approved:

Cancel Order:

Yes ☐

No ☒

By Whom:

Date:

To be written off to expense (PXEX):

Yes ☒

No ☐

\$ Amount: \$ 699,502.84

Subs/Tran: ☒

(Recorded Direct Charges only, no Division Overhead Allocations included)

Distribution: ☐

Subtrans: ☐

Note*: Order Total Dollar amount of Direct Charges with Division Overhead Allocations: = \$ \$ 744,528.31

* Total transaction amounts processed will include Direct Charges with Division Overhead Allocations calculated in SAP/Power Plant for both Capital and O&M. The amounts above could vary from the actual transaction amounts.

To be transferred to another capital order (PXCP):

Yes ☐

No ☒

If yes, provide new order(s) to be transferred to:

Attach Cost Element(s) Detailed Breakdown?

(If yes, please put a check in the box)

Order #: _____

\$ Amount: _____

☐

PIN: _____

Order #: _____

\$ Amount: _____

☐

PIN: _____

Order #: _____

\$ Amount: _____

☐

PIN: _____

Order #: _____

\$ Amount: _____

☐

PIN: _____

(Direct Charges only, no Division Overhead Allocations included)

Cost Transfer Comments:

Transmission write off to expense FCC F500092, as Engineering has recently determined that the 8 unused TSP Bases/A Sections plus bolts and templates can not be used on TRTP or any other projects.

SECTION II: Validations and Approvals (** Per Approval Matrix)

Dean Heiss

Prepared by: (SPI or BP&FM)



Date: 9/27/2012

Prepared by: (SPI) **

Signature

Date:

Approved by: (Project Sponsor / ESP M2) **

Signature

Date:

Approved by: (Project Sponsor M3 / ESP M3) **

Signature

Date:

Approved by: (E&TS VP / ESP) **

Signature

Date:

Sandi Blain, CPM

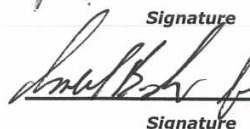


Date: 9/27/12

Approved by: (MPO Project Manager) **

Signature

Ray Paz, Director



Date: 9-27-1

Approved by: (MPO VP / Director) **

Signature

ESP Capital Related Order Cancellation Authorization (Cont.)

SECTION III: Order Cancellation Execution (BP&FM use only)

NOTE: Customer Collectible Projects must be CLOSED (not cancelled) in order to reconcile costs with Customer. Do not use cancellation process for this type order.

Action Items	Note (C)omplete or N/A:	Date:	By Whom:
Close SAP Order due to no customer commitment.	_____	Date: _____	By Whom: _____
Refund customer deposit minus SCE fees.	_____	Date: _____	By Whom: _____
Job Scope changed closed work order.	_____	Date: _____	By Whom: _____
Transfer charges to SAP order#	_____	Date: _____	By Whom: _____
Forward FERC Incentive order to:	_____	Date: _____	By Whom: _____
Order cancelled on TWL	_____	Date: _____	By Whom: _____
Order cancelled in SAP	_____	Date: _____	By Whom: _____
Order cancelled in DM	_____	Date: _____	By Whom: _____
Order cancelled in Project Systems (PS) / Click	_____	Date: _____	By Whom: _____

SECTION IV: File Documentation (BP&FM Use Only)

Forwarded to Field Accounting	Yes_____	No_____	Date:_____	By Whom: _____
*File Completed Document in eDMRM	Yes_____	No_____	Date:_____	By Whom: _____
*File with Backup Documentation with Tina Tran	Yes_____	No_____	Date:_____	By Whom: _____

**ESP Capital Related Order Cancellation Authorization (Cont.)
Required For Multiple Order Recorded Dollar Transfer(s)**

(Note: Recorded Direct Charges only, no Division Overhead Allocations included)

From Order#:	<u>800218645</u>	To Order#:	<u>FCC F500092</u>
SAP Order Cost Element:	<u>6110585</u>	\$ Amount:	<u>525,286.00</u>
	<u>6110715</u>	\$ Amount:	<u>117,935.00</u>
	<u>6110065</u>	\$ Amount:	<u>56,281.84</u>
	<u> </u>	\$ Amount:	<u> </u>
	<u> </u>	\$ Amount:	<u> </u>
	<u> </u>	\$ Amount:	<u> </u>
	<u> </u>	\$ Amount:	<u> </u>
	<u> </u>	\$ Amount:	<u> </u>
	<u> </u>	\$ Amount:	<u> </u>
From Order#:	<u> </u>	To Order#:	<u> </u>
SAP Order Cost Element:	<u> </u>	\$ Amount:	<u> </u>
	<u> </u>	\$ Amount:	<u> </u>
	<u> </u>	\$ Amount:	<u> </u>
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	<u> </u>	\$ Amount:	<u> </u>
	<u> </u>	\$ Amount:	<u> </u>

Replacement Purchase Order	Cost of Replace ments	Total original size	Total redesign size	original wt of original base	Cost for original base	Cost for Original Anchor Bolts	Cost for Original Template	Material Tax	OH	Total Cost for Original base and parts	PO Valmont (Line 320)	Cost Element & Cost			Delivery Date	D=A+B+C			
												Base / A Sections	Anchor Bolts and Template	Material Tax					
M67-T5 Replace Base	\$63,254	195	185	39373	\$ 45,876.00	9256	625	4879	3902.99	\$ 64,538.73	4500249406	6110585	\$ 45,876.00	6110715	\$ 9,881	6110065	\$ 4,879	Nov-10	\$ 60,635.74
M67-T5 Templates	\$20,899																		
M68-T2 Replace Base	\$51,155	195	177	39373	\$ 45,876.00	9256	625	4879	3902.99	\$ 64,538.73	4500249406	6110585	\$ 45,876.00	6110715	\$ 9,881	6110065	\$ 4,879	Nov-10	\$ 60,635.74
M68-T2 Templates	\$20,899																		
M68-T3 Replace Base	\$46,916	195	174	39373	\$ 45,876.00	9256	625	4879	3902.99	\$ 64,538.73	4500249406	6110585	\$ 45,876.00	6110715	\$ 9,881	6110065	\$ 4,879	Nov-10	\$ 60,635.74
M68-T3 Templates	\$20,899																		
M68-T4 Replace Base	\$59,760	185	174	36009	\$ 41,680.00	8544	1208	4500	3600.24	\$ 59,532.54	4500249406	6110585	\$ 41,680.00	6110715	\$ 9,752	6110065	\$ 4,500	Nov-10	\$ 55,932.30
M68-T4 Templates	\$20,899																		
M69-T1 Replace Base	\$49,712	195	176	39373	\$ 45,876.00	9256	625	4879	3902.99	\$ 64,538.73	4500249406	6110585	\$ 45,876.00	6110715	\$ 9,881	6110065	\$ 4,879	Nov-10	\$ 60,635.74
M69-T1 Templates	\$20,899																		
M69-T3 Replace Base	\$48,308	195	175	39373	\$ 45,876.00	9256	625	4879	3902.99	\$ 64,538.73	4500249406	6110585	\$ 45,876.00	6110715	\$ 9,881	6110065	\$ 4,879	Nov-10	\$ 60,635.74
M69-T3 Templates	\$20,899																		
M69-T4 Replace Base	\$49,900	185	168	36009	\$ 41,680.00	8544	1208	4500	3600.24	\$ 59,532.54	4500249406	6110585	\$ 41,680.00	6110715	\$ 9,752	6110065	\$ 4,500	Nov-10	\$ 55,932.30
M69-T4 Templates	\$20,899																		
M70-T2 Replace Base	\$36,972	195	168	39373	\$ 45,876.00	9256	625	4879	3902.99	\$ 64,538.73	4500249406	6110585	\$ 45,876.00	6110715	\$ 9,881	6110065	\$ 4,879	Nov-10	\$ 60,635.74
M70-T2 Templates	\$20,899																		
M71-T1 Replace Base	\$54,738	185	172	36009	\$ 41,680.00	8544	1208	4500	3600.24	\$ 59,532.54	4500249406	6110585	\$ 41,680.00	6110715	\$ 9,752	6110065	\$ 4,500	Nov-10	\$ 55,932.30
M71-T1 Templates	\$20,899																		
M71-T2 Replace Base	\$51,115	180	167	35500	\$ 39,557.00	8544	1212	4315	3451.91	\$ 57,079.80	4500249406	6110585	\$ 39,557.00	6110715	\$ 9,756	6110065	\$ 4,315	Nov-10	\$ 53,627.89
M71-T2 Templates	\$20,899																		
M71-T3 Replace Base	\$46,123	180	161	35407	\$ 39,557.00	8544	1212	4315	3451.91	\$ 57,079.80	4500249406	6110585	\$ 39,557.00	6110715	\$ 9,756	6110065	\$ 4,315	Nov-10	\$ 53,627.89
M71-T3 Templates	\$20,899																		
M71-T4 Replace Base	\$41,765	195	160	39373	\$ 45,876.00	9256	625	4878.7375	3902.99	\$ 64,538.73	4500249406	6110585	\$ 45,876.00	6110715	\$ 9,881	6110065	\$ 4,879	Nov-10	\$ 60,635.74
M71-T4 Templates	\$20,899																		
											\$ 525,286.00	\$ 107,512.00	\$ 10,423.00	\$ 56,281.84	\$ 45,025.47	\$ 744,528.31			

Note: Delivery of particular towers were not separated as a line item on the PO nor tracked individually.

Note: Delivery of particular towers were not seperated as a line item on the PO nor tracked individually.

MPO Capital Related Order Transfer Authorization

SECTION I: Prepared by Initiator

Today's Date: 9/27/2012 SAP Order # 800218645 Transfer ID #: 2012-6 FERC Incentive Order: Yes ☒

SAP Order Description:

I: TRTP 8-8: MIRA LOMA-VINCENT: CONSTRUCT NEW 33 MILES 500KV T/L BETWEEN MESA AND MIRA LOMA (SECTION OF MIRA LOMA AND VINCENT). PIN 6439

PIN: 6439

Reason for Transfer:

Due to FAA redesign, material is no longer required on this project and is to be transferred to a GL Account for potential use on other projects.

Trend /Change Request (see attached)

TIF/CR # _____

Date Approved: _____

Order(s) to be transferred to:

Attach Cost Element(s) Detailed Breakdown?

(If yes, please put a check in the box)

Order #: GL Account:

\$ Amount: 2,036,665.22

☒

PIN: N/A

Order #: _____

\$ Amount: _____

☐

PIN: _____

Order #: _____

\$ Amount: _____

☐

PIN: _____

Order #: _____

\$ Amount: _____

☐

PIN: _____

(Recorded Direct Charges only, no Division Overhead Allocations included)

Cost Transfer Comments:

Transfer to a GL Account for possible use on other capital projects 7 unused TSPs, 3 unused LSTs, and 1 unused set of LST legs.

SECTION II: Validations and Approvals (** Per Approval Matrix)

Dean Heiss

Prepared by: (BP&FM)

David Narong

Reviewed by: (Project Controls Manager) **

Sandi Blain

Approved by: (MPO Project Manager) **

Approved by: (MPO Manager 3) **

RAYMOND PAZ

Approved by: (MPO VP / Director) **

Signature

Date: 9/27/2012

Signature

Date: 9/27/12

Signature

Date: 9-27-12

Signature

Date: _____

Signature

Date: 9-27-12

SECTION III: Order Cancellation Execution (BP&FM use only)

NOTE: Customer Collectible Projects must be CLOSED (not cancelled) in order to reconcile costs with Customer. Do not use cancellation process for this type order.

Note (C)omplete or N/A:			
Action Items	_____	Date: _____	By Whom: _____
Transfer charges to SAP order#	_____	Date: _____	By Whom: _____
Order transferred in SAP	_____	Date: _____	By Whom: _____
Order transferred in DM	_____	Date: _____	By Whom: _____

SECTION IV: File Documentation (BP&FM User Only)

Forwarded to Field Accounting	Yes _____	No _____	Date: _____	By Whom: _____
*File Completed Document in eDMRM	Yes _____	No _____	Date: _____	By Whom: _____
*File with Backup Documentation with Tina Tran	Yes _____	No _____	Date: _____	By Whom: _____

**MPO Capital Related Order Transfer Authorization
Required for Multiple Order Recorded Dollar Transfer(s) or Partial Order Transfer(s)**

(Note: Direct Charges only, no Division Overhead Allocations included)

From Order#: 800218645

To Order#: GL Account:

SAP Order Cost Element: 6110585

\$ Amount: 1,259,548.00

6110715

\$ Amount: \$ 71,137.00

6110065

\$ Amount: \$ 163,869.67

6110595

\$ Amount: \$ 542,110.55

\$ Amount:

\$ Amount:

\$ Amount:

\$ Amount:

From Order#:

To Order#:

SAP Order Cost Element:

\$ Amount:

\$ Amount:

\$ Amount:

\$ Amount:

\$ Amount:

\$ Amount:

\$ Amount:

\$ Amount:

\$ Amount:

Total \$ Amount:

Who to Contact

Pax: