

*Southern California Edison*  
*2023-UPS – 2023-UPS*

**DATA REQUEST SET S P D - S C E - S B 8 8 4 - 0 0 2 B A M A**

**To: SPD**  
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**Job Title: Principal Manager**  
**Received Date: 4/23/2024**

**Response Date: 5/7/2024**

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**Question 02.a-c:**

In SCE's response to Question 1.d and 1.e, the excel spreadsheet included footnotes to the current dollar value variable on the tabs titled Part d and Part e.

- a. Please provide a narrative description of the distinction between "capital-related revenue requirement undercollection" and "total capital expenditures incurred".
- b. Please provide a narrative description of the distinction between "O&M revenue requirement undercollection" and "total O&M dollars spent".
- c. Please explain why "interest expenses" were included in the WMPMA and FRMMA balance.

**Response to Question 02.a-c:**

- a) "Total capital expenditures incurred" refers to the actual dollar amount incurred/spent by SCE on a particular asset. For example, if SCE spends \$10,000 on a new pole, the total capital expenditure incurred is \$10,000. However, SCE does not recover that \$10,000 of capital in rates all at once. Instead, SCE recovers capital expenditures over time to align the recovery period in rates with the estimated useful life of the asset. To effectuate this type of recovery, SCE calculates a capital-related revenue requirement based on the capital expenditure amount. The capital-related revenue requirement includes depreciation expense, applicable taxes, and SCE's authorized return. Please see the attached Word document for an overview of how capital-related revenue requirements are calculated. For the purposes of this illustrative example, assume that the annual capital-related revenue requirements are roughly 15% of the capital expenditure amount. So the "capital-related revenue requirement" would be \$1,500. The monthly calculation of the equivalent of the \$1,500 in this example is what gets recorded in the WRBMA each month. Because the WRBMA has an authorized capital-related revenue requirement already in rates, the "capital-related revenue requirement undercollection" is the portion of the actual capital-related revenue requirement based on actual capital expenditures incurred that exceeds the authorized capital-related revenue requirement (which is based on an adopted forecast in the GRC). For example, if the authorized capital-related revenue requirement already in rates is \$1,300, the capital-related revenue requirement undercollection in this example would be \$1,500-\$1,300 = \$200 (plus interest expense).
- b) "Total O&M dollars spent" refers to all of the O&M that SCE spends on its vegetation management work. For the purposes of this response, please assume that amount is \$400 million per year. In SCE's GRC, the Commission authorized some level of O&M spend (on a forecast basis) and that forecast amount is used to calculate the VMBA O&M revenue requirement, which is included in customers' rates on a forecast basis. For this example, we will assume that amount was \$250 million per year. The "O&M revenue requirement undercollection" is the difference between the authorized amount in rates (\$250 million) and

the actual incurred O&M expenses (\$400 million), which is \$150 million in this example.

- c) In accordance with SCE's Commission-approved tariffs, both the WMPMA and the FRMMA are interest-bearing memorandum accounts. Because amounts tracked in memorandum accounts are not yet included in customers' rates, SCE must finance these amounts. The interest expense that records on the balances in the WMPMA and the FRMMA facilitates SCE's eventual recovery of these financing costs.