

PRELIMINARY STATEMENT

Sheet 1

LL. Reliability Investment Incentive Mechanism (RIIM)

1. Purpose

The Reliability Investment Incentive Mechanism (RIIM) shall determine the difference between: (1) actual (recorded) reliability-related capital additions; and (2) the authorized level of reliability-related capital additions in D.12-11-051. Additionally, the RIIM will track the net increase in line positions (RIIM job categories). If by the end of 2014, SCE has fully implemented its reliability-related capital spending and added a net increase from end of year 2011 levels of 141 RIIM Employee Target positions to its workforce, no customer refunds shall be required. If an overcollection in revenue requirement is determined from (1) the authorized reliability-related capital additions being greater than recorded adjusted capital additions or (2) from a net short fall in the RIIM Employee Target, these amounts shall be refunded to customers

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(T)

2. Definitions

a. RIIM Capital Additions

For purposes of recording entries in the RIIM, Capital Additions shall be defined as Gross Capital Additions plus associated Cost of Removal.

b. Authorized RIIM Reliability-Related Capital Expenditures and Capital Additions

The RIIM Reliability-Related Capital Expenditures, as outlined in Attachment A of the Settlement with SCE and CCUE are the capital-related costs specifically identified in preserving long-term electric service reliability for customers. The Settlement amounts are revised to reflect approved expenditures in D.12-11-051, as shown in Table A.

<u>TABLE A - Authorized RIIM Expenditures (\$millions)</u>				(C)
	<u>2012</u>	<u>2013</u>	<u>2014</u>	
Distribution Infrastructure Replacement	290.2	299.1	307.8	
Preventative Maintenance	123.9	127.7	131.4	
Substation Infrastructure Replacement	135.2	139.3	143.4	
Load Growth	<u>456.3</u>	<u>470.2</u>	<u>484.0</u>	
Total Expenditures	1,005.6	1,036.2	1066.6	(C)

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(To be inserted by utility)
Advice 2883-E
Decision 12-11-051

Issued by
Akbar Jazayeri
Vice President

(To be inserted by Cal. PUC)
Date Filed Apr 12, 2013
Effective Jan 1, 2012
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LL. Reliability Investment Incentive Mechanism (RIIM) (Continued)

2. Definitions (Continued)

The associated authorized capital additions including cost of removal are shown in Table B.

<u>TABLE B - RIIM Authorized Capital Additions (\$millions)</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Total RIIM Capital Additions	961.7	991.0	1,020.0	2,972.7

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(C)

The capital expenditures identified in TABLE A and the associated cumulative capital additions forecast to be added to plant-in-service by December 31, 2014 (plus associated cost of removal) are subject to RIIM. (T)

c. Authorized RIIM High Priority Exception Expenditures and Capital Additions

The High Priority Capital Expenditures, as outlined in Attachment B, of the Settlement, are expenditures identified as affecting the RIIM categories above (section 2.b). The High Priority capital additions are used to adjust the recorded RIIM Capital Additions.

The authorized RIIM High Priority Capital Expenditures and associated Capital Additions settlement amounts are revised to reflect approved expenditures in D.12-11-051, including cost of removal are shown in Tables C and D. (T)

<u>TABLE C - High Priority Exception Authorized Expenditures (\$millions)</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	
New Service	112.9	116.4	119.8	
Storms and Claims	72.2	74.4	76.6	
PEV Readiness	5.3	5.5	5.6	
Breakdown Replacement	<u>132.3</u>	<u>136.3</u>	<u>140.3</u>	
Total Expenditures	322.8	332.6	342.4	(C)

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LL. Reliability Investment Incentive Mechanism (RIIM) (Continued)

2. Definitions (Continued)

TABLE D - High Priority Exception Authorized Capital Additions				
(\$millions)				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Total High Priority Capital Additions	316.0	325.6	335.2	976.8

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(C)

d. Recorded RIIM Capital Additions Adjustment

The difference between the authorized High Priority exception Capital Additions and recorded High Priority exception Capital Additions is used to increase or reduce the recorded RIIM Capital Additions. That is, if recorded High Priority Capital Additions exceed amounts authorized by the Commission, recorded RIIM Capital Additions will be increased by this amount. If recorded High Priority Capital Additions are less than the authorized High Priority Capital Additions, Recorded RIIM Capital Additions will be decreased by this amount.

e. Adjusted Recorded RIIM Capital Additions

Adjusted recorded RIIM Capital Additions shall be the sum of the Recorded RIIM Capital Additions (section 2a) and the Recorded RIIM Capital Additions Adjustment (section 2d)

f. Effective Date

The effective date of RIIM is January 1, 2012. (T)

g. Cumulative Shortfall

1. The Capital Additions Cumulative Shortfall (if any) is the difference between the Authorized RIIM capital additions (including associated cost of removal) and the Adjusted Recorded RIIM Capital Additions from the effective date of the GRC decision through December 31, 2014. If there is a cumulative shortfall at the end of RIIM, SCE shall return to customers the accumulated capital-related revenue requirement plus interest. (T)

2. The RIIM Employee Target Shortfall (if any) is the result of the net shortfall in RIIM job categories from the effective date of the GRC decision through December 31, 2014. If there is a cumulative shortfall at the end of RIIM, SCE shall return to customers the O&M related costs revenue requirement plus interest. (T)

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2. Definitions (Continued)

h. CPUC Jurisdictional Factor

1. The distribution Capital-related CPUC Jurisdictional Factor shall be the CPUC jurisdictional factors reflected in the Settlement Agreement. That is 88.8 percent Commission Jurisdictional for RIIM Reliability Capital Expenditures and Additions and 99.0 percent for High Priority exception Capital Expenditures and Additions. (R)

2. The distribution O&M-related CPUC jurisdictional factor reflected in D.12-11-051 is 99.84 percent. (C)

i. RIIM Employee Target (T)

1. The RIIM Employee Target is set at a net increase of 141 over the 2012-2014 periods for the combined RIIM job categories. Achievement of the RIIM Employee Target is calculated as the sum of the net RIIM SCE Employee Target and the net RIIM Contractor Personnel Target, if the RIIM Contractor Personnel Target exceeds zero. The RIIM Contractor Personnel Target is only an additive value. (T) (N)

The RIIM SCE Employee Target shall be calculated as the difference between the number of SCE Employees working in the RIIM job categories in December 2014 and the number of SCE Employees working in the RIIM job categories in December 2011. The December 2011 and December 2014 numbers shall be calculated as the monthly average of the number of employees.

2. The RIIM Job Categories shall include the following Lineman, Trouble men, E-Crew Foreman, Senior Cable Splicers, Senior Patrolmen, Apprentice Lineman, Groundmen, test Technicians, Substation Maintenance Electricians, Apprentice Substation Maintenance Electricians, System Operators and Substation Operators for both SCE Employees and Contractor Personnel working in these job classifications.

3. The RIIM Contractor Personnel Target is the increase in contractors that are performing work similar to SCE personnel in the RIIM job categories over the 2011 baseline contractor headcount. The 2011 Baseline Contractor Personnel Headcount is set at 590 contractors as identified in Table E. (N)(L)

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2. Definitions (Continued)

Table E

(N)

Baseline 2011 Contractor Headcount	Total	
Lineman	84	
Apprentice Linemen	29	
E-crew Foremen	30	
Groundmen	53	
Senior Cable Splicer	0	
Senior Patrolmen	0	
Substation Maintenance Electricians	0	
Apprentice Substation Maintenance Electricians	0	
Substation Operators	0	
Test Technicians	0	
Troublemens	0	
Headcount converted from crew equivalents (assumes 4 man/8man)	351	
Total	590	

The RIIM Contractor Personnel Target shall be calculated from the weekly reports provided by Contractors working on active projects. These weekly reports are collected and maintained by SCE Operators Support Supply Management. At the end of 2014, a three year average of the number of full-time employee headcount by the RIIM job categories shall be calculated from the weekly reports. The RIIM Contractor Personnel Target will be calculated as the three year average minus the 2011 Baseline Contractor Headcount.

(N)

(D)

j. RIIM Employee Target Shortfall Calculations

(L)(T)

1. Net Shortfall is less than 30

If SCE's net shortfall in the RIIM Employee Target positions is less than 30, SCE will return \$18,000 per position under 30 to customers.

(T)

(I)

2. Net Shortfall is greater than 30

If SCE's net shortfall in the RIIM Employee Target positions is greater than 30, SCE will return an additional amount of \$540,000, plus \$80,000 for each position greater than 30, to customers.

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2. Definitions (Continued)

k. Interest Rate

The Interest Rate shall be the most recent annual interest rate on three month Financial or Non-financial Commercial Paper rate (prime, three months) published monthly in the Federal Reserve Statistical Release H.15, whichever is available on the first day of the month.

l. Revenue Requirement Multiplier

The Revenue Requirement Multipliers shall reflect SCE's most current Commission-authorized factors that are used in calculating a capital-related revenue requirement including depreciation rates, rate of return on rate base, and income tax rates.

For 2012, the annual Revenue Requirement Multiplier shall be set at 15.23 percent. (T)(R)

3. Determining a Capital Related RIIM Base Revenue Requirement Reduction Amount

If a calculation of 2012 – 2014 RIIM Capital Additions base revenue requirement reduction amount is necessary, that is if a Capital Additions cumulative shortfall exists, the base revenue requirement reduction amount shall be determined as follows: (T)

a. The 2012 – 2014 recorded adjusted RIIM Capital Additions under expenditure shall be allocated to each month during the period January 1, 2012 through December 31, 2014 evenly after it has been CPUC jurisdictionalized by applying the applicable distribution capital-related CPUC Jurisdictional Factor; (T)

b. A monthly revenue requirement balance shall be determined for each month during the period January 1, 2012 through December 31, 2014 by multiplying the monthly cumulative difference between the authorized and the adjusted recorded RIIM Capital Additions by the applicable monthly Revenue Requirement Multiplier; (T)

If SCE's recorded 2012-2014 Capital Additions exceed authorized levels, SCE shall not recover from customers any additional base revenue requirement associated with its recorded 2012-2014 Capital Additions. (T)

c. Monthly interest shall be added by applying the Interest Rate to the average of the beginning and ending monthly revenue requirement balances;

d. The Distribution-related revenue requirement shall be credited to the Distribution Sub-account of the BRRBA to be returned to customers.

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LL. Reliability Investment Incentive Mechanism (RIIM) (Continued)

4. Determining RIIM Employee Target Related Revenue Reduction Amount (T)

If a calculation of the 2012 – 2014 RIIM Employee Target positions reduction is necessary, that is the RIIM Employee Target cumulative shortfall exists, the reduction amount shall be determined as follows: (T)

a. If RIIM Employee Target net shortfall in positions is less than 30, multiply the difference between 30 and the amount less than 30 by \$18,000 (the net shortfall less than 30 adjustment factor). (I)

b. If RIIM Employee Target net shortfall in positions is greater than 30, multiply the difference between 30 and the amount greater than 30 by \$80,000 plus \$540,000 (the net shortfall greater than 30 adjustment factors). (I)

c. The amount determined in (a) or (b) above shall be allocated each month during the period January 1, 2012 through December 31, 2014 evenly. (T)

d. The monthly revenue requirement amount shall be CPUC jurisdictionalized by applying the distribution O&M CPUC jurisdictional factor.

e. Monthly interest shall be added by applying the Interest Rate to the average of the beginning and ending monthly revenue requirement balances;

5. RIIM Report

By March 2015 SCE shall submit an advice letter to the Commission that reports SCE's adjusted recorded RIIM capital additions for calendar years 2012 through 2014 and includes support for the calculation of a base revenue requirement reduction amount (if any). The advice letter will include all necessary information and supporting workpapers for the Commission to review and approve SCE's post test year RIIM Capital Additions rate recovery. The advice letter will also include the recorded number RIIM Employee Target positions for calendar years 2012 through 2014 and shall include the RIIM SCE Employee Target and the RIIM Contractor Personnel Target and include support for the calculation of a reduction amount (if any). SCE will also include all necessary information and supporting workpapers for the Commission to review and approve. (T)

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