J. Pole Loading and Deteriorated Pole Programs Balancing Account

1. Purpose:

SCE’s Pole Programs are comprised of the Pole Loading Program and the Deteriorated Pole Program. The purpose of the two-way Pole Loading and Deteriorated Pole Balancing Account (PLDPBA) is to record the difference between: (1) recorded Capital-related revenue requirements for the Pole Loading and the Deteriorated Pole programs, (2) Operating Expenses for the Pole Loading Program, and (3) the Authorized Pole Programs Revenue Requirement as adopted in Decision (D.)19-05-020. All entries in the PLDPBA will be recorded on a CPUC-jurisdictional basis. Pursuant to D.19-05-020, the level of expenditures to be recovered in the PLDPBA in 2018, 2019, and 2020 is capped at 15% above authorized levels. The PLDPBA shall remain open until the Internal Revenue Service (IRS) and California Franchise Tax Board (CFTB) audit periods for tax years 2015-2017 and 2018-2020 are closed statutorily.

2. Definitions:

a. Authorized Pole Programs Revenue Requirement

The authorized Pole Programs Revenue Requirement is the amount adopted by the Commission in SCE’s 2018 General Rate Case D.19-05-020 as updated by the implementation of D.19-12-056, the decision that adopted SCE’s 2020 cost of capital. The post test year revenue requirement amounts shall be set forth in the Post Test Year (PTYR) Ratemaking advice letter submitted annually to the Commission by December 1.

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Annual Authorized Revenue Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2015</td>
<td>$ (59,146)</td>
</tr>
<tr>
<td>January 1, 2016</td>
<td>$ 8,769</td>
</tr>
<tr>
<td>January 1, 2017</td>
<td>$ 36,025</td>
</tr>
<tr>
<td>January 1, 2018</td>
<td>$186,066</td>
</tr>
<tr>
<td>January 1, 2019</td>
<td>$230,029</td>
</tr>
<tr>
<td>January 1, 2020</td>
<td>$284,296</td>
</tr>
</tbody>
</table>

1 The authorized amount includes Franchise Fees & Uncollectibles (FF&U) expenses.
J. Pole Loading and Deteriorated Pole Programs Balancing Account (Continued)

2. Definitions: (Continued)

b. Capital-related Expenses

For purposes of making monthly entries to the PLDPBA, SCE’s Pole Programs Capital-related expenses include:

1. depreciation expense based on the currently adopted depreciation rates related to the replacement of poles and necessary upgrades for both the Pole Loading Program and the Deteriorated Pole Program;

2. taxes based on income, including applicable income tax-related adjustments¹, and deferred income tax expense;

3. property taxes calculated based on the 2018 GRC authorized assessed value and tax rates; and

4. return based on the currently authorized rate of return on rate base.

c. Operating Expenses

For purposes of making monthly entries to the PLDPBA, SCE’s Pole Programs Operating Expenses are only applicable to the Pole Loading Program and include:

(1) Operation and Maintenance (O&M) expenses incurred for pole loading inspections, repairs and replacements²; and

(2) Payroll taxes, calculated based on the monthly recorded O&M labor amount and the payroll tax rate utilized in (2a) above (i.e., the 2018 GRC adopted labor loader).

¹ The change in Recorded and Authorized Pole Loading Net Repair Deductions and the applicable Book Depreciation Offset will be recorded consistent with the operation of the Tax Accounting Memorandum Account (TAMA), Preliminary Statement part N.38.

² Recorded expenses shall exclude Short Term Incentive Programs, Pensions, PBOP’s, medical, dental and vision expenses because these costs are recorded in separate memorandum or balancing accounts.
J. Pole Loading and Deteriorated Pole Programs Balancing Account (Continued)

2. Definitions: (Continued)

d. The Interest Rate shall be one-twelfth of the Federal Reserve three-month Commercial Paper Rate – Non-Financial, from Federal Reserve Statistical Release H.15 (expressed as an annual rate). If in any month a non-financial rate is not published, SCE shall use the Federal Reserve three-month Commercial Paper Rate – Financial.

e. Monthly Distribution Percentages

The Monthly Distribution Percentages (MDPs) applicable to the PLDPBA authorized funding levels shall be the distribution MDPs included in Preliminary Statement YY, Base Revenue Requirement Balancing Account (BRRBA).

f. Rate of Return on Rate Base

The rate of return on SCE’s rate base shall be the currently authorized rate of return adopted in D.19-12-056.

3. Operation of the PLDPBA:

Entries in the PLDPBA shall be made on a monthly basis as follows:

a. Debit entry equal to recorded capital-related revenue requirement;

b. Plus: debit entry equal to recorded Operating Expenses;

c. Less: Authorized Pole Programs Revenue Requirement less a provision for Franchise Fees & Uncollectibles (FF&U) based on the FF&U rate adopted in D.19-05-020, multiplied by the distribution MDP found in the BRRBA Preliminary Statement;

d. Equals: the monthly (Over)/Under Collection.

Interest shall accrue monthly to the PLDPBA by applying the Interest Rate to the average of the beginning of month and end of month balance in the PLDPBA.
J. Pole Loading and Deteriorated Pole Programs Balancing Account (Continued)

4. Tracking Account:

The PLDPBA tracking account sets forth the authorized O&M (Pole Loading only) and capital expenditures (Pole Loading and Deteriorated Poles) for 2018, 2019 and 2020. SCE may only recover the annual revenue requirements associated with up to 15% above the authorized O&M and capital expenditure amounts in 2018, 2019 and 2020 as set forth in the table below. To determine the authorized capital expenditures for 2018, 2019, and 2020, SCE shall escalate the 2018 authorized capital expenditure amount by 2.49% per year consistent with the authorized Post Test Year ratemaking mechanism's escalation of capital additions by 2.49% per year.

<table>
<thead>
<tr>
<th>PLDPBA 2018 GRC Authorized CPUC Jurisdictional Nominal $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>O&amp;M</td>
</tr>
<tr>
<td>Deteriorated Poles</td>
</tr>
<tr>
<td>Pole Loading</td>
</tr>
<tr>
<td>Capital Expenditures</td>
</tr>
</tbody>
</table>

5. Disposition:

SCE shall transfer on an annual basis any (over)/undercollection in the PLDPBA to the distribution subaccount in the Base Revenue Requirement Balancing Account as of December 31st to be returned to or recovered from customers. If an undercollection is determined, SCE may only recover the annual revenue requirements associated with up to 15% above the authorized O&M and capital expenditure amounts for 2018, 2019, and 2020 adopted in D.19-05-020.
J. Pole Loading and Deteriorated Pole Programs Balancing Account (Continued)

6. Review Procedures

The recorded operation of the PLDPBA will be reviewed by the Commission in SCE’s April 1st ERRA annual review applications to ensure the entries to the account are stated correctly and are consistent with Commission decisions.

The cumulative recorded activity in the PLDPBA will be reviewed in SCE’s 2021 GRC and will include: (1) the cumulative spending in the PLDPBA relative to the authorized amounts, and (2) information on the number of repairs made and the number of poles replaced.