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Commissioner	:	<u>Picker</u>
ALJ	:	<u>Roscow/Wildgrube</u>
Witness	:	<u>Oh, Burns</u>



**OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Southern California Edison Company
General Rate Case
Test Year 2018**

Summary of Earnings,
Revised Income Taxes and Ratemaking Issues

San Francisco, California
March 5, 2018

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1 **SUMMARY OF EARNINGS, REVISED INCOME TAXES AND**
2 **RATEMAKING ISSUES**

3 **I. INTRODUCTION**

4 This exhibit presents the analyses and recommendations of the Office of
5 Ratepayer Advocates (ORA) regarding Southern California Edison Company’s
6 (SCE) forecast of the Summary of Earnings for Test Year (TY) 2018, based on
7 SCE’s Tax Update exhibit, SCE-60. SCE’s changes are in response to the passage
8 of the federal Tax Cuts and Jobs Act (TCAJA or Tax Act).

9 Revised Summary of Earnings tables are displayed in this exhibit. The
10 revenue requirements are calculated by a computer model developed by SCE and
11 referred to as the Results of Operations (RO) model. The data inputs are provided
12 by the various ORA witnesses. These inputs are then used by the RO model to
13 calculate the Results of Operations.

14 This exhibit includes ORA’s analysis and recommendations regarding SCE’s
15 income tax changes, along with ORA’s responsive ratemaking recommendations.

16 **II. SUMMARY OF RECOMMENDATIONS**

17 The following summarizes ORA’s recommendations:

- 18 • ORA recommends the amortization of the 2018 GRC Revenue
19 Requirement Memorandum Account (RRMA) over three years.
- 20 • ORA opposes SCE’s proposal to set aside the reduced revenue
21 requirements associated with the Tax Act in a new balancing account for
22 wildfire-related risk mitigation activities.
- 23 • ORA supports the extension of the Tax Accounting Memorandum Account
24 (TAMA) through 2020. ORA recommends that for SCE’s 2018 GRC, the
25 Commission adopt a broadened tax accounting memorandum account
26 consistent with those instituted for SDG&E, SoCalGas and PG&E.
- 27 • ORA provides tables showing ORA’s recommended and SCE’s requested
28 base revenue requirements, based on SCE’s updated RO model.

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30 Table 2-1 below shows SCE’s requested and ORA’s recommended GRC
31 base rate revenue requirements.

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Table 2-1
ORA Recommended and SCE Requested TY 2018 GRC Base Revenue Requirements,
Millions of Dollars (Subject to Rounding)

	ORA TY 2018	ORA 2019	ORA 2020	ORA 2021	SCE TY 2018	SCE 2019	SCE 2020
Estimated Present Revenue Requirement	\$5,640	\$5,359	\$5,668	\$6,042	\$5,640	\$5,534	\$5,965
Proposed GRC Base Revenue Requirement	\$5,359	\$5,668	\$6,042	\$6,205 ¹	\$5,534	\$5,965	\$6,468
Change	\$(281)	\$309	\$374	\$163	\$(106)	431	503

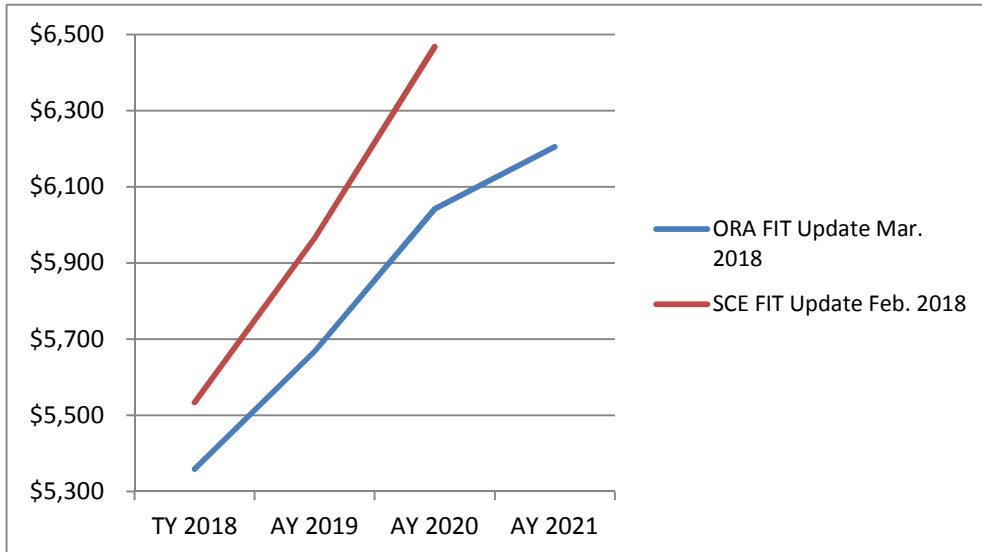
5

6 Source: ORA 2018-2020 figures from revised RO model. SCE figures from Ex. SCE-60, p. 5, Ins. 1-
7 3.

8 Figure 2-1 below compares ORA and SCE's TY 2018 GRC base revenue
9 requirements.

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Figure 2-1
ORA Recommended and SCE Requested TY 2018 GRC Base Revenue Requirements,
Millions of Dollars



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¹ ORA 2020 base revenue requirement, escalated by 2.7% in 2021; see Ex. ORA-21, pp. 13-14.

1 **III. DISCUSSION / ANALYSIS OF TAX ACT CHANGES (Burns)**

2 **A. Tax Act Changes**

3 The changes SCE made to its RO model in response to the Tax Act changes
4 are described below. ORA has incorporated these changes into its RO model
5 identified in this exhibit.

6 **1. Change in Federal Income Tax Rate from 35% to**
7 **21%**

8 SCE adjusted its RO model to reflect a reduction in the federal tax rate from
9 35% to 21%.² The federal tax rate adjustment had impacts on the equity return on
10 rate base, debt return on rate base, current year flow-through tax benefits, prior year
11 flow-through tax benefits and deferred income taxes. ORA verified the reduction to
12 the federal tax rate.

13 **2. Loss of IRC Section 199 Manufacturing Deduction**

14 SCE adjusted its RO model to reflect the elimination of the IRC section 199
15 manufacturing deduction, beginning in 2018.³ ORA verified the deduction
16 elimination.

17 **3. Bonus Depreciation**

18 SCE adjusted its RO model to reflect changes to the bonus depreciation rules
19 that exclude public utility property after September 27, 2017.⁴ SCE's testimony
20 states

21 The new tax legislation is not clear on what accelerated depreciation rules
22 apply when a public utility asset was acquired under a contract prior to
23 September 27, 2017 but placed in service in 2018 or later. While there is
24 no consensus as yet among utilities or accounting firms on this issue, our

² Ex. SCE-60, pp. 6-9.

³ Ex. SCE-60, p. 9. See H.R. 1, p. 73.

⁴ Ex. SCE-60, p. 9.

1 position is that bonus depreciation can still be claimed on public utility
2 property in 2018 through 2020 under the old bonus depreciation rules...”⁵

3 **4. Average Rate Assumption Method (ARAM)**

4 SCE adjusted its RO model to reflect excess tax reserves created by the
5 reduction in federal tax rates, using the Average Rate Assumption Method (ARAM).⁶
6 SCE’s testimony states

7 The estimation of ARAM described above is too complex to embed within
8 our RO model. Therefore, ARAM will not automatically adjust if the
9 Commission adopts levels of cost-of-service expense, book depreciation,
10 or capital expenditures different from SCE’s proposals. To the extent the
11 Commission adopts amounts that differ, the calculation steps described
12 above would have to be repeated using the new information, and a new
13 ARAM adjustment included to avoid a normalization violation.⁷

14
15 If the Commission wishes to make adjustments to SCE’s RO model regarding
16 expenses, book depreciation or capital expenditures, it may need assistance from
17 SCE. As discussed later, ORA was not able to adjust the method used by SCE prior
18 to filing this exhibit.

19 **B. SCE’s Tax Accounting Memorandum Account (TAMA)**

20 Ex. ORA-02, states that ORA does not oppose the extension of the Tax
21 Accounting Memorandum Account (TAMA) through 2020.⁸ Given the uncertainty
22 regarding SCE’s interpretation of the bonus depreciation rules⁹, the complexity of
23 the Average Rate Assumption Method (ARAM)¹⁰ and the likelihood of the issuance
24 of IRS regulations interpreting the new Tax Act, ORA continues its support for the
25 extension of the TAMA through 2020.

⁵ Ex. SCE-60, pp. 9-10 (emphasis added).

⁶ Ex. SCE-60, pp. 10-13.

⁷ Ex. SCE-60, p. 12.

⁸ Ex. ORA-02, p. 2.

⁹ Ex. SCE-60, pp. 9-10.

¹⁰ Ex. SCE-60, p. 12: “The estimation of ARAM described above is too complex to embed within our RO model.”

1 In establishing the TAMA in SCE's 2015 GRC, the Commission noted that a
2 simple memorandum account is most appropriate for this GRC period, and that the
3 Commission wished to "send a clear signal to SCE in favor of prompt disclosure.
4 We expect SCE to bring to our attention any major changes in tax accounting at
5 least as soon as it notifies the SEC, investors, or other public agencies. SCE need
6 not have precise calculations of the revenue requirement impacts in order to alert
7 this Commission of such changes. Failure to disclose such changes in a timely
8 fashion undermines the integrity of the regulatory process and may be found to be a
9 violation of Rule 1."¹¹

10 SCE's TAMA tariff page limits its coverage to tax accounting method changes
11 for tax years 2015-2017, tax law changes related to depreciation and repair
12 deductions, the difference between authorized and recorded non-pole loading net
13 repair deductions, audit adjustments and CPUC approved revenue requirement
14 adjustments related to IRS private letter rulings.¹²

15 For the SDG&E and SoCalGas 2016 GRC, the Commission broadened the
16 scope of the utilities' tax memorandum account:

17 Similar to what we ordered in SCE's TY 2015 GRC proceeding, SDG&E
18 and SoCalGas shall each establish a two-way tax memorandum account
19 to track any revenue differences resulting from the differences in the
20 income tax expense forecasted in the GRC proceedings of SDG&E and
21 SoCalGas, and the tax expenses incurred by them during the GRC period.
22 The purpose of this memorandum account is to increase the transparency
23 of the utilities' incurred and forecasted income tax expenses to the
24 Commission, so that the Commission can more closely examine revenue
25 impacts caused by the utilities' implementation of various tax laws, tax
26 policies, tax accounting changes, or tax procedure changes. This will help
27 the Commission review the reasonableness of the utilities' election of
28 various tax options, such as various tax policies, tax procedures, or tax
29 accounting changes. The account shall have separate line items detailing
30 the differences between tax expenses forecasted and tax expenses
31 incurred, specifically resulting from (1) net revenue changes, (2)
32 mandatory tax law changes, tax accounting changes, tax procedural
33 changes, or tax policy changes, and (3) elective tax law changes, tax

¹¹ CPUC D.15-11-021, p. 461.

¹² SCE tariff, PUC Sheet No. 60657-E, sec. 38 (a), Tax Accounting Memorandum Account.

1 accounting changes, tax procedural changes, or tax policy changes. The
2 account shall remain open and the balance in the account shall be
3 reviewed in every subsequent GRC proceeding until a Commission
4 decision closes the account.

5 Along the same line, we expect, and will require, the Applicants to notify the
6 Commission of any tax-related changes, any tax-related accounting
7 changes, or any tax-related procedural changes that materially affect, or
8 may materially affect, revenues, and to establish a memorandum account to
9 track any revenue differences if applicable. Our reference to 'materially
10 affect' means a potential increase or decrease of \$3 million or more. The
11 failure to disclose such changes in a timely fashion undermines the integrity
12 of the regulatory process, and may amount to a violation of Rule 1.¹³

13
14 For PG&E's 2017 GRC, the Commission reiterated a broadened scope for
15 PG&E's tax memorandum account:

16 we specify here that PG&E should establish a memorandum account that
17 tracks all such differences, not just changes affecting repair deductions as
18 proposed by the Settling Parties. Therefore, consistent with our identical
19 orders in the SDG&E and SoCalGas Test Year 2016 proceeding and the
20 Liberty Utilities Test Year 2016 GRC, [footnote omitted] PG&E shall
21 establish a two-way tax memorandum account to track any revenue
22 differences resulting from the differences in the income tax expense
23 forecasted in this proceeding, and the tax expenses incurred during the
24 2017-2019 GRC period. The purpose of this memorandum account is to
25 increase the transparency of PG&E's incurred and forecasted income tax
26 expenses to the Commission, so that the Commission can more closely
27 examine revenue impacts caused by PG&E's implementation of various tax
28 laws, tax policies, tax accounting changes, or tax procedure changes. This
29 will help the Commission review the reasonableness of PG&E's election of
30 various tax options, such as various tax policies, tax procedures, or tax
31 accounting changes. The memorandum account shall have separate line
32 items detailing the differences between tax expenses forecasted and tax
33 expenses incurred, specifically resulting from (1) net revenue changes, (2)
34 mandatory tax law changes, tax accounting changes, tax procedural
35 changes, or tax policy changes, and (3) elective tax law changes, tax
36 accounting changes, tax procedural changes, or tax policy changes. The
37 account shall remain open and the balance in the account shall be reviewed
38 in every subsequent GRC proceeding until a Commission decision closes
39 the account. [footnote omitted]

40 As we have required of SCE, SDG&E and SoCalGas, PG&E shall notify the
41 Commission of any tax-related changes, any tax-related accounting
42 changes, or any tax-related procedural changes that materially affect, or

¹³ CPUC D.16-09-043, pp. 196-197.

1 may materially affect, revenues. Our reference to ‘materially affect’ means
2 a potential increase or decrease of \$3 million or more. The failure to
3 disclose such changes in a timely fashion undermines the integrity of the
4 regulatory process, and may amount to a violation of Rule 1.¹⁴
5

6 ORA recommends that for SCE’s 2018 GRC, the Commission adopt a
7 broadened tax accounting memorandum account consistent with those instituted for
8 SDG&E, SoCalGas and PG&E, especially in light of the new Tax Act and
9 uncertainties regarding interpretation of some aspects of the Act. SCE’s tax
10 memorandum account should track any revenue differences resulting from the
11 differences in the income tax expense forecast in SCE’s GRC, and the tax expenses
12 incurred by SCE during the GRC period, including any revenue differences resulting
13 from changes in tax deductions, deferred tax assets and liabilities, and other items
14 impacted by tax changes. Consistent with the Commission’s recent decisions on the
15 matter, the purpose of the account should be to increase the transparency of SCE’s
16 incurred and forecast tax expense. The account should have separate line items
17 detailing the differences between tax expenses forecasted and tax expenses
18 incurred. Given the extensive changes in the current tax law, the account should
19 also incorporate changes to deferred income taxes and other functional accounts
20 that are impacted by the tax law. If tax changes result in significant balances, SCE
21 should file an annual advice letter to make appropriate adjustments to SCE’s base
22 rate revenue requirement.

23 **IV. DISCUSSION / ANALYSIS OF RATEMAKING ISSUES (Burns)**

24 SCE’s Ex. SCE-60 proposes a \$106.0 million base revenue requirement rate
25 decrease in TY 2018, a \$403.8 million increase in AY 2019 and a \$503.0 million
26 increase in AY 2020.¹⁵ In an effort to promote rate stabilization, SCE proposes that
27 “the 2018 GRC RRMA [Revenue Requirement Memorandum Account] balance be

¹⁴ CPUC D.17-05-013, pp. 116-117.

¹⁵ Ex. SCE-60, p. 5, Table IV-3, ln. 3.

1 amortized over 2019 and 2020.”¹⁶ SCE also suggests that the Commission “might
2 also consider setting aside the reductions in revenue requirement associated with
3 the Tax Legislation in a new balancing account to be used for specific wildfire-
4 related risk mitigation activities.”¹⁷

5 As discussed in section II above, ORA recommends a \$281 million TY 2018
6 base revenue requirement decrease, along with smaller attrition year increases.
7 ORA agrees with SCE’s proposed effort to promote rate stabilization. However,
8 ORA recommends the amortization of the 2018 GRC RRMA over three years (2018-
9 2020) for the purposes of rate stabilization rather than the two years proposed by
10 SCE. ORA’s proposal will ensure that some benefits associated with the Tax Act will
11 flow through to ratepayers immediately in 2018.

12 SCE’s suggests that the Commission might consider setting aside the
13 reduced revenue requirements associated with the Tax Act in a new balancing
14 account for wildfire-related risk mitigation activities. At this juncture, ORA opposes
15 SCE’s proposal to set aside the reduced revenues; the tax benefits should be flowed
16 through to ratepayers.

17 Table 2-2 below shows ORA’s recommended and SCE’s suggested GRC
18 RRMA revenue requirement amortization.

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¹⁶ Ex. SCE-60, p. 19.

¹⁷ Ex. SCE-60, p. 19.

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Table 2-2
ORA Recommended and SCE Requested GRC RRMA Revenue Requirement
Amortization Examples, \$ Millions (Subject to Rounding)

		2018	2019	2020
1	Ex. SCE-60¹⁸, No Amortization			
2	Prior Year Revenue Requirement	\$ 5,640	\$ 5,534	\$ 5,965
3	GRC Memo Account	\$ (106)		
4	Revenue Requirement Attrition		\$ 431	\$ 503
5	Total YoY Change	\$ (106)	\$ 431	\$ 503
6	Current Year Revenue Requirement	\$ 5,534	\$ 5,965	\$ 6,468
7	Ex. SCE-60, 1-Year Amortization			
8	Prior Year Revenue Requirement	\$ 5,640	\$ 5,640	\$ 5,859
9	GRC Memo Account		\$ (106)	\$ 106
10	Revenue Requirement Attrition		\$ 325	\$ 503
11	Total YoY Change		\$ 219	\$ 609
12	Current Year Revenue Requirement	\$ 5,640	\$ 5,859	\$ 6,468
13	Ex. SCE-60, 2-Year Amortization			
14	Prior Year Revenue Requirement	\$ 5,640	\$ 5,640	\$ 5,912
15	GRC Memo Account		\$ (53)	
16	Revenue Requirement Attrition		\$ 325	\$ 503
17	Total YoY Change		\$ 272	\$ 503
18	Current Year Revenue Requirement	\$ 5,640	\$ 5,912	\$ 6,415
19	Ex. ORA-02-T, No Amortization			
20	Prior Year Revenue Requirement	\$ 5,640	\$ 5,359	\$ 5,668
21	GRC Memo Account	\$ (281)		
22	Revenue Requirement Attrition		\$ 309	\$ 374
23	Total YoY Change	\$ (281)	\$ 309	\$ 374
24	Current Year Revenue Requirement	\$ 5,359	\$ 5,668	\$ 6,042
25	Ex. ORA-02-T, 3-Year Amortization			
26	Prior Year Revenue Requirement	\$ 5,640	\$ 5,547	\$ 5,574
27	GRC Memo Account	\$ (93)		
28	Revenue Requirement Attrition			\$ 374
29	Total YoY Change	\$ (93)	\$ 27	\$ 374
30	Current Year Revenue Requirement	\$ 5,547	\$ 5,574	\$ 5,948

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¹⁸ Ex. SCE-60, p. A-71. SCE's table on p. A-71 refers to "\$ in Thousands", but are likely \$ millions.

1 **V. DISCUSSION / ANALYSIS OF SUMMARY OF EARNINGS (Oh)**

2 ORA received SCE's tax updated RO model (version 5.1) on February 20,
3 2018. ORA inputted its cost forecasts, summarized in the Joint Comparison Exhibit
4 (JCE) (SCE-29), into the tax updated RO model.

5 While the results are summarized in eight tables shown at the end of this
6 exhibit, ORA notes that there were differences in the beginning forecasted balances
7 between the JCE and the tax updated RO model.¹⁹ Additionally, as stated
8 previously, the ARAM is too complex to embed in the RO model, and as such, the
9 recommended adjustments made by ORA have not resulted in any changes to
10 ARAM. ORA did not have the opportunity to validate the tax updated RO model with
11 SCE.

- 12 • Table 2-3 is ORA's recommended CPUC revenue requirement at present
13 and proposed rates.
- 14 • Table 2-4 is SCE's requested CPUC revenue requirement at present and
15 proposed rates.
- 16 • Table 2-5 compares ORA's and SCE's CPUC revenue requirement at
17 proposed rates.
- 18 • Table 2-6 compares ORA's and SCE's CPUC revenue requirement at
19 present rates.
- 20 • Table 2-7 is ORA's recommended total company revenue requirement at
21 proposed rates. The table details revenues for total company and the
22 allocation between CPUC and FERC jurisdictions, as well as a Rate Base
23 adjustment.
- 24 • Table 2-8 is SCE's requested total company revenue requirement at
25 proposed rates. The table details revenues for total company and the
26 allocation between the CPUC and FERC jurisdictions, as well as a Rate
27 Base adjustment.
- 28 • Table 2-9 is ORA's recommended CPUC revenue requirement for post-
29 test years at proposed rates.

¹⁹ Per SCE email of February 23, 2018: "The main drivers are (1) The escalation rates updated in SCE-59 (December 2017 Update – SCE RO Model 4.0) impact the capitalization base for 2016-2020. This change has downstream impact to a few RO Model generated forecasts. (2) 2018-2020 contain incremental adjustments included in SCE-59 and SCE-60 update testimony. These adjustments also impact several RO Model generated forecasts because of labor and non-labor changes."

1 • Table 2-10 is SCE’s requested CPUC revenue requirement for post-test
2 years at proposed rates.

3 ORA used the tax updated RO model to calculate the Summary of Earnings
4 depicted in this report.

5 The various ORA witnesses provided input data for the RO model.
6 Discussions and analyses of the input data are contained in the corresponding ORA
7 exhibits.

8 The values shown in the following tables were extracted from the same RO
9 model with different inputs. The numbers shown in the SCE columns were extracted
10 from the tax updated RO version that was provided by SCE on February 20, 2018.
11 The figures displayed in the ORA columns were extracted from the same RO models
12 with ORA’s recommended adjustments to expense and capital, with the exception of
13 pension and Post-Retirement Benefits Other than Pension (PBOP), which are
14 summarized in the JCE. For escalation, pension and PBOP, ORA accepts SCE’s
15 updated forecast.

16 ORA’s Table 2-7 and 2-8 show ORA’s and SCE’s Summary of Earnings at
17 proposed rates for the total company, allocated between FERC and CPUC. The
18 tables also reflect a Rate Base Adjustment, which is a rate base offset that was
19 adopted in SCE’s Test Year 2015 GRC decision D.15-11-021.²⁰ As discussed in
20 that decision, “...the offset is implemented as a direct line item adjustment to rate
21 base, independent of other factors. The rate base offset in turn impacts other
22 revenue-dependent portions of the model (e.g., taxes, franchise requirements). The
23 value of the offset is amortized (on a straight line basis) over the course of 27 years
24 (2016 to 2042).”²¹

25 The Rate Base Adjustment, combined with the FERC and CPUC allocation,
26 add up to the total company amounts.

27

²⁰ D.15-11-021, p. 431, “...we adopt a simple rate base offset to offset the future tax expense related to the change in accounting for repair deductions.”

²¹ D.15-11-021, p. 455.

Table 2-3
Southern California Edison
CPUC 2018 GRC
ORA Tax Updated Summary of Earnings at Present and Proposed Rates
CPUC Jurisdiction
\$ in Thousands

Line No.	Item	ORA Revenue at Present Rates for 2018	ORA Revenue at Proposed Rates for 2018	ORA's Proposed Increase (\$)	ORA's Proposed Increase (%)
1.	Total Operating Revenues	5,640,432	5,359,228	(281,204)	-4.99%
2.	Operating Expenses:				
3.	Production				
4.	Steam	4,461	4,461	-	-
5.	Nuclear	76,747	76,747	-	-
6.	Hydro	41,446	41,446	-	-
7.	Other	81,965	81,965	-	-
8.	Total Production O&M	204,619	204,619	-	-
9.	Transmission	87,658	87,658	-	-
10.	Distribution	486,861	486,861	-	-
11.	Customer Accounts	142,150	142,150	-	-
12.	Uncollectibles	12,122	11,576	(546)	-4.51%
13.	Customer Service & Information	20,919	20,919	-	-
14.	Administrative & General	595,926	595,926	-	-
15.	Franchise Requirements	51,317	49,005	(2,312)	-4.51%
16.	Revenue Credits	(152,542)	(152,542)	-	-
17.	Total O&M	1,449,032	1,446,173	(2,859)	-0.20%
18.	Escalation	93,547	93,547	-	-
19.	Depreciation	1,728,654	1,728,654	-	-
20.	Taxes Other Than On Income	315,732	315,732	-	-
21.	Taxes Based On Income	114,494	69,486	(45,008)	-39.31%
22.	Total Taxes	430,226	385,218	(45,008)	-10.46%
23.	Total Operating Expenses	3,701,458	3,653,592	(47,866)	-1.29%
24.	Net Operating Revenue	1,938,974	1,705,636	(233,338)	-12.03%
25.	Rate Base	22,415,437	22,415,437	-	-
26.	Rate of Return	8.65%	7.61%	-1.04%	-12.03%

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Table 2-4
Southern California Edison
CPUC 2018 GRC
SCE Tax Updated Summary of Earnings at Present and Proposed Rates
CPUC Jurisdiction
\$ in Thousands

Line No.	Item	SCE Revenue at Present Rates for 2018	SCE Revenue at Proposed Rates for 2018	SCE's Proposed Increase (\$)	SCE's Proposed Increase (%)
1.	Total Operating Revenues	5,640,432	5,534,406	(106,026)	-1.88%
2.	Operating Expenses:				
3.	Production				
4.	Steam	7,845	7,845	-	-
5.	Nuclear	76,747	76,747	-	-
6.	Hydro	41,446	41,446	-	-
7.	Other	81,965	81,965	-	-
8.	Total Production O&M	208,003	208,003	-	-
9.	Transmission	91,118	91,118	-	-
10.	Distribution	532,099	532,099	-	-
11.	Customer Accounts	159,329	159,329	-	-
12.	Uncollectibles	12,122	11,954	(168)	-1.39%
13.	Customer Service & Information	21,007	21,007	-	-
14.	Administrative & General	647,853	647,853	-	-
15.	Franchise Requirements	51,317	50,607	(710)	-1.38%
16.	Revenue Credits	(153,070)	(153,070)	-	-
17.	Total O&M	1,569,778	1,568,900	(878)	-0.06%
18.	Escalation	103,952	103,952	-	-
19.	Depreciation	1,752,338	1,752,338	-	-
20.	Taxes Other Than On Income	324,801	324,801	-	-
21.	Taxes Based On Income	56,504	38,919	(17,585)	-31.12%
22.	Total Taxes	381,305	363,720	(17,585)	-4.61%
23.	Total Operating Expenses	3,807,373	3,788,910	(18,463)	-0.48%
24.	Net Operating Revenue	1,833,059	1,745,496	(87,563)	-4.78%
25.	Rate Base	22,939,281	22,939,281	-	-
26.	Rate of Return	7.99%	7.61%	-0.38%	-4.78%

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Table 2-5
Southern California Edison
CPUC 2018 GRC
Comparison of Tax Updated Summary of Earnings at Proposed Rates
CPUC Jurisdiction
\$ in Thousands

Line No.	Item	ORA			
		Revenue at Proposed Rates for 2018	SCE Revenue at Proposed Rates for 2018	SCE Exceeds ORA (\$)	SCE Exceeds ORA (%)
1.	Total Operating Revenues	5,359,228	5,534,406	175,178	3.27%
2.	Operating Expenses:				
3.	Production				
4.	Steam	4,461	7,845	3,384	75.85%
5.	Nuclear	76,747	76,747	—	—
6.	Hydro	41,446	41,446	—	—
7.	Other	81,965	81,965	—	—
8.	Total Production O&M	204,619	208,003	3,384	1.65%
9.	Transmission	87,658	91,118	3,460	3.95%
10.	Distribution	486,861	532,099	45,238	9.29%
11.	Customer Accounts	142,150	159,329	17,179	12.08%
12.	Uncollectibles	11,576	11,954	378	3.27%
13.	Customer Service & Information	20,919	21,007	88	0.42%
14.	Administrative & General	595,926	647,853	51,927	8.71%
15.	Franchise Requirements	49,005	50,607	1,602	3.27%
16.	Revenue Credits	(152,542)	(153,070)	(528)	0.35%
17.	Total O&M	1,446,173	1,568,900	122,727	8.49%
18.	Escalation	93,547	103,952	10,405	11.12%
19.	Depreciation	1,728,654	1,752,338	23,684	1.37%
20.	Taxes Other Than On Income	315,732	324,801	9,069	2.87%
21.	Taxes Based On Income	69,486	38,919	(30,567)	-43.99%
22.	Total Taxes	385,218	363,720	(21,498)	-5.58%
23.	Total Operating Expenses	3,653,592	3,788,910	135,318	3.70%
24.	Net Operating Revenue	1,705,636	1,745,496	39,860	2.34%
25.	Rate Base	22,415,437	22,939,281	523,844	2.34%
26.	Rate of Return	7.61%	7.61%	0.00%	0.00%

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Table 2-6
Southern California Edison
CPUC 2018 GRC
Comparison of Tax Updated Summary of Earnings at Present Rates
CPUC Jurisdiction
\$ in Thousands

Line No.	Item	ORA Revenue at Present Rates for 2018	SCE Revenue at Present Rates for 2018	SCE Exceeds ORA (\$)	SCE Exceeds ORA (%)
1.	Total Operating Revenues	5,640,432	5,640,432	-	-
2.	Operating Expenses:				
3.	Production				
4.	Steam	4,461	7,845	3,384	75.85%
5.	Nuclear	76,747	76,747	-	-
6.	Hydro	41,446	41,446	-	-
7.	Other	81,965	81,965	-	-
8.	Total Production O&M	204,619	208,003	3,384	1.65%
9.	Transmission	87,658	91,118	3,460	3.95%
10.	Distribution	486,861	532,099	45,238	9.29%
11.	Customer Accounts	142,150	159,329	17,179	12.08%
12.	Uncollectibles	12,122	12,122	(0)	0.00%
13.	Customer Service & Information	20,919	21,007	88	0.42%
14.	Administrative & General	595,926	647,853	51,927	8.71%
15.	Franchise Requirements	51,317	51,317	(0)	0.00%
16.	Revenue Credits	(152,542)	(153,070)	(528)	0.35%
17.	Total O&M	1,449,032	1,569,778	120,746	8.33%
18.	Escalation	93,547	103,952	10,405	11.12%
19.	Depreciation	1,728,654	1,752,338	23,684	1.37%
20.	Taxes Other Than On Income	315,732	324,801	9,069	2.87%
21.	Taxes Based On Income	114,494	56,504	(57,990)	-50.65%
22.	Total Taxes	430,226	381,305	(48,921)	-11.37%
23.	Total Operating Expenses	3,701,458	3,807,373	105,915	2.86%
24.	Net Operating Revenue	1,938,974	1,833,059	(105,915)	-5.46%
25.	Rate Base	22,415,437	22,939,281	523,844	2.34%
26.	Rate of Return	8.65%	7.99%	-0.66%	-7.62%

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Table 2-7
Southern California Edison
CPUC 2018 GRC
ORA Tax Updated Summary of Earnings at Proposed Rates
Total Company for 2018
\$ in Thousands

Line No.	Item	Total Company	FERC	Rate Base Adjustment*	CPUC
1.	Total Operating Revenues	6,335,546	947,994	28,325	5,359,228
2.	Operating Expenses:				
3.	Production				
4.	Steam	4,461	-	-	4,461
5.	Nuclear	76,747	-	-	76,747
6.	Hydro	41,446	-	-	41,446
7.	Other	81,965	-	-	81,965
8.	Total Production O&M	204,619	-	-	204,619
9.	Transmission	167,116	79,458	-	87,658
10.	Distribution	491,052	4,190	-	486,861
11.	Customer Accounts	142,150	-	-	142,150
12.	Uncollectibles	13,685	2,048	61	11,576
13.	Customer Service & Information	20,919	-	-	20,919
14.	Administrative & General	635,476	39,550	-	595,926
15.	Franchise Requirements	57,932	8,668	259	49,005
16.	Revenue Credits	(203,460)	(50,917)	-	(152,542)
17.	Total O&M	1,529,490	82,997	320	1,446,173
18.	Escalation	99,459	5,912	-	93,547
19.	Depreciation	1,983,309	254,655	-	1,728,654
20.	Taxes Other Than On Income	383,152	67,421	-	315,732
21.	Taxes Based On Income	184,953	109,354	6,113	69,486
22.	Total Taxes	568,105	176,775	6,113	385,218
23.	Total Operating Expenses	4,180,363	520,338	6,433	3,653,592
24.	Net Operating Revenue	2,155,183	427,655	21,892	1,705,636
25.	Rate Base	28,323,380	5,620,244	287,700	22,415,437
26.	Rate of Return	7.61%	7.61%	7.61%	7.61%

* Rate Base Adjustment. Decision 15-11-021 adopted a rate base offset of \$344.026 million, applied initially in 2015, as a prospective ratemaking treatment so that ratepayers are not forced to pay prospectively for the effects of past tax benefits that they never received.

Table 2-8
Southern California Edison
CPUC 2018 GRC
SCE Tax Updated Summary of Earnings at Proposed Rates
Total Company for 2018
\$ in Thousands

Line No.	Item	Total Company	FERC	Rate Base Adjustment*	CPUC
1.	Total Operating Revenues	6,523,217	960,486	28,325	5,534,406
2.	Operating Expenses:				
3.	Production				
4.	Steam	7,845	-	-	7,845
5.	Nuclear	76,747	-	-	76,747
6.	Hydro	41,446	-	-	41,446
7.	Other	81,965	-	-	81,965
8.	Total Production O&M	208,003	-	-	208,003
9.	Transmission	172,453	81,335	-	91,118
10.	Distribution	539,618	7,519	-	532,099
11.	Customer Accounts	159,329	-	-	159,329
12.	Uncollectibles	14,090	2,075	61	11,954
13.	Customer Service & Information	21,007	-	-	21,007
14.	Administrative & General	691,464	43,611	-	647,853
15.	Franchise Requirements	59,648	8,783	259	50,606
16.	Revenue Credits	(203,992)	(50,921)	-	(153,071)
17.	Total O&M	1,661,620	92,402	320	1,568,898
18.	Escalation	110,631	6,679	-	103,952
19.	Depreciation	2,008,270	255,933	-	1,752,337
20.	Taxes Other Than On Income	391,954	67,153	-	324,801
21.	Taxes Based On Income	154,677	109,645	6,113	38,919
22.	Total Taxes	546,631	176,798	6,113	363,720
23.	Total Operating Expenses	4,327,152	531,812	6,433	3,788,907
24.	Net Operating Revenue	2,196,065	428,674	21,892	1,745,499
25.	Rate Base	28,860,641	5,633,659	287,700	22,939,282
26.	Rate of Return	7.61%	7.61%	7.61%	7.61%

* Rate Base Adjustment. Decision 15-11-021 adopted a rate base offset of \$344.026 million, applied initially in 2015, as a prospective ratemaking treatment so that ratepayers are not forced to pay prospectively for the effects of past tax benefits that they never received.

Table 2-9
Southern California Edison
CPUC 2018 GRC
ORA Tax Updated Summary of Earnings at Proposed Rates for Post Test Years
CPUC Jurisdiction
\$ in Thousands

Line No.	Item	ORA Revenue at Proposed Rates for 2018	ORA Revenue at Proposed Rates for 2019	Increase/ (Decrease) from 2018 to 2019	ORA Revenue at Proposed Rates for 2020	Increase/ (Decrease) from 2019 to 2020
1.	Total Operating Revenues	5,359,228	5,667,723	308,495	6,041,691	373,968
2.	Operating Expenses:					
3.	Production					
4.	Steam	4,461	4,461	-	4,461	-
5.	Nuclear	76,747	76,747	-	76,747	-
6.	Hydro	41,446	41,446	-	41,446	-
7.	Other	81,965	81,965	-	81,965	-
8.	Total Production O&M	204,619	204,619	-	204,619	-
9.	Transmission	87,658	87,658	-	87,658	-
10.	Distribution	486,861	486,861	-	486,861	-
11.	Customer Accounts	142,150	142,150	-	142,150	-
12.	Uncollectibles	11,576	12,242	666	13,050	808
13.	Customer Service & Information	20,919	20,919	-	20,919	-
14.	Administrative & General	595,926	593,239	(2,688)	591,969	(1,270)
15.	Franchise Requirements	49,005	51,826	2,821	55,245	3,420
16.	Revenue Credits	(152,542)	(156,360)	(3,817)	(159,258)	(2,898)
17.	Total O&M	1,446,173	1,443,155	(3,018)	1,443,215	60
18.	Escalation	93,547	138,826	45,280	183,057	44,231
19.	Depreciation	1,728,654	1,801,884	73,229	1,899,554	97,671
20.	Taxes Other Than On Income	315,732	332,817	17,086	352,453	19,636
21.	Taxes Based On Income	69,486	131,884	62,398	229,002	97,117
22.	Total Taxes	385,218	464,702	79,484	581,455	116,753
23.	Total Operating Expenses	3,653,592	3,848,567	194,975	4,107,281	258,714
24.	Net Operating Revenue	1,705,636	1,819,156	113,520	1,934,410	115,254
25.	Rate Base	22,415,437	23,907,318	1,491,881	25,421,984	1,514,666
26.	Rate of Return	7.61%	7.61%	0.00%	7.61%	0.00%

Table 2-10
Southern California Edison
CPUC 2018 GRC
SCE Tax Updated Summary of Earnings at Proposed Rates for Post Test Years
CPUC Jurisdiction
\$ in Thousands

Line No.	Item	SCE Revenue at Proposed Rates for 2018	SCE Revenue at Proposed Rates for 2019	Increase/ (Decrease) from 2018 to 2019	SCE Revenue at Proposed Rates for 2020	Increase/ (Decrease) from 2019 to 2020
1.	Total Operating Revenues	5,534,406	5,965,179	430,773	6,468,180	503,001
2.	Operating Expenses:					
3.	Production					
4.	Steam	7,845	7,845	-	7,845	-
5.	Nuclear	76,747	76,747	-	76,747	-
6.	Hydro	41,446	41,446	-	41,446	-
7.	Other	81,965	81,965	-	81,965	-
8.	Total Production O&M	208,003	208,003	-	208,003	-
9.	Transmission	91,118	91,118	-	91,118	-
10.	Distribution	532,099	532,099	-	532,099	-
11.	Customer Accounts	159,329	159,329	-	159,329	-
12.	Uncollectibles	11,954	12,885	931	13,971	1,086
13.	Customer Service & Information	21,007	21,007	-	21,007	-
14.	Administrative & General	647,853	644,719	(3,134)	643,516	(1,203)
15.	Franchise Requirements	50,607	54,546	3,939	59,145	4,599
16.	Revenue Credits	(153,070)	(156,749)	(3,679)	(159,711)	(2,962)
17.	Total O&M	1,568,900	1,566,957	(1,943)	1,568,477	1,520
18.	Escalation	103,952	154,691	50,739	203,661	48,970
19.	Depreciation	1,752,338	1,872,039	119,701	2,048,898	176,859
20.	Taxes Other Than On Income	324,801	345,741	20,940	371,725	25,984
21.	Taxes Based On Income	38,919	109,661	70,742	187,024	77,363
22.	Total Taxes	363,720	455,402	91,682	558,749	103,347
23.	Total Operating Expenses	3,788,910	4,049,089	260,179	4,379,785	330,696
24.	Net Operating Revenue	1,745,496	1,916,089	170,593	2,088,395	172,306
25.	Rate Base	22,939,281	25,181,218	2,241,937	27,445,654	2,264,436
1	26. Rate of Return	7.61%	7.61%	0.00%	7.61%	0.00%