

APPENDIX IX

Formula Rate

1. INTRODUCTION

SCE shall calculate its Base Transmission Revenue Requirements (“Base TRR”), as defined in Section 3.6 of the main definitions section of this tariff, using a formulaic methodology. The formula rate is presented in spreadsheet format in Attachment 1 to this Appendix. Data used as inputs to the formula rate will be derived from SCE’s annual FERC Form 1 filing to the extent possible, or alternatively with documented SCE records.

The Base TRR shall be calculated in accordance with Attachment 1 to this Appendix, and shall be equal to the sum of the Prior Year TRR, the Incremental Forecast Period TRR, and the True Up Adjustment. Additionally, SCE may include a Forecast Adjustment in the Base TRR in the event that SCE reasonably forecasts that a discrete cost item (e.g., individual O&M expense or tax expense) included in the Prior Year TRR will differ during the Rate Effective Period as compared to the amount of the cost experienced during the Prior Year. Such difference must amount to at least 3% of the Base TRR. The amount of the Forecast Adjustment, if any, shall equal the difference between the amount of the cost expected to be incurred during the Rate Effective Period and the amount incurred during the Prior Year.

The formula rate additionally calculates a Wholesale Base TRR. The Wholesale Base TRR is equal to the Base TRR adjusted for three considerations, as these three adjustments are specifically set forth in Attachment 1, Schedule 25: 1) Uncollectibles Expense is not included in the Wholesale TRR; 2) the Wholesale Rate Base Adjustment and associated Wholesale Expense Difference is included in the Wholesale TRR; and 3) Franchise Fees Expense included in the Wholesale TRR is lower than that included in the Base TRR due to the Franchise Fee Factor being applied to a lower TRR.

2. INITIAL IMPLEMENTATION OF FORMULA RATE

The formula rate in Attachment 1 to this Appendix shall become effective on January 1, 2012. SCE’s Base TRR for this period shall be subject to true up beginning on the date the Commission makes this formula rate effective, as provided in Attachment 1 to this Appendix. Retail and Wholesale base transmission rates shall be revised on January 1, 2012, based on the Base TRR and Wholesale Base TRR presented in SCE’s initial filing to implement this formula rate.

3. PROCEDURES FOR UPDATING THE BASE TRR

Each year beginning in 2012 while this formula rate is in effect SCE shall update its Base TRR for the Rate Effective Period from October 1 through September 30 of the following year according to the following procedures and timelines:

- a) On or before June 15 of each year, SCE shall make available the Draft Informational Filing with the Base TRR for the upcoming Rate Effective Period calculated using the formula rate presented in Attachment 1 to this Appendix. The Draft Informational Filing shall be made available to interested parties by a posting on SCE's website, www.sce.com.
- b) On or before September 15 of each year, SCE shall file with the Commission an Informational Filing showing the final Base TRR and all associated proposed rates for the upcoming Rate Effective Period.
- c) The revised Base TRR shall become effective on October 1 of each year.

The Informational Filing shall not subject the formula rate set forth in this Appendix IX to modification, but rather is contestable only with respect to the accuracy of data used as inputs to the formula rate in order to develop the Base TRR in the Informational Filing, as follows: 1) whether SCE has correctly input cost amounts into the formula, and properly calculated cost amounts and rates in the formula, in accordance with the formula; and 2) whether SCE has properly booked costs to the particular accounts that are inputs to the formula.

After the Draft Informational Filing is posted, SCE will engage with Interested Parties to discuss the Draft Informational Filing and respond to formal data requests as follows:

- a) SCE will schedule a meeting to discuss the Draft Informational Filing with Interested Parties. The meeting shall be scheduled not less than 5 business days or more than 15 business days from the date the Draft Informational Filing is made available. An Interested Party is any party that is directly affected by the Draft Informational Filing by being subject to SCE's transmission rates presented in the Draft Informational Filing, or is indirectly affected by such rates because it is representing the transmission rate interests of such customers.
- b) Interested Parties may submit reasonable data requests regarding the Draft Informational Filing to SCE up to 45 days after the Draft Informational Filing is posted. SCE shall make a good faith effort to respond to such data requests within 10 business days of receipt.

In the event that disagreements remain between Interested Parties and SCE after SCE has filed its Informational Filing with the Commission, Interested Parties may protest

that filing with the Commission, noting the specific areas of disagreement, subject to the limits noted above. In the event that the Commission sets an Informational Filing for settlement discussions, a settlement of contested issues may ensue. If so, SCE will make any necessary revisions to its Base TRR in accordance with any settlement agreed to by SCE and the parties and approved by the Commission.

Any revisions to SCE's Base TRR resulting from a Commission Order on an Informational Filing shall be incorporated prospectively in the next Informational Filing. This shall be accomplished by recalculating the True Up Adjustment affected by that True Up TRR using the revised True Up TRR. The difference between the original value of the True Up Adjustment and the recalculated value, including interest, shall be included as a component of the True Up Adjustment in the next Informational Filing. In the event that a Commission Order revises the True Up TRR, but the term of this formula rate is expiring so that there will be no future Informational Filing, SCE shall include the TRR difference in the Final True Up Adjustment.

If SCE determines or concedes that a previously-filed Informational Filing contained errors that affected the True Up TRR calculated in that Informational Filing, including but not limited to filed corrections to its FERC Form 1 that affect inputs to the formula rate, or errors in other input data used in determining the True Up TRR, SCE shall promptly serve notice to the Commission in the docket of the affected Informational Filing that SCE intends to file an Amended Informational Filing, with a brief description of the errors to be corrected in such filing. SCE shall additionally notify the entities that have participated in SCE's annual Informational Filings of the upcoming Amended Informational Filing.

The Amended Informational Filing shall: 1) recalculate the True Up TRR for all affected Prior Years; 2) compare on a monthly basis, the difference between the initial incorrect True Up TRR and the revised correct True Up TRR; and 3) determine the cumulative amount of the difference in (2), including interest calculated pursuant to the interest rate in 18 C.F.R. §35.19a. This difference shall be included as an additional component to SCE's True Up Adjustment in the subsequent annual Informational Filing as a One Time True Up Adjustment in accordance with Attachment 1 to this Appendix.

4. THE TRUE UP ADJUSTMENT AND THE FINAL TRUE UP ADJUSTMENT

The True Up Adjustment component of the Base TRR ensures that during the time the formula rate is in effect SCE will recover its actual costs of owning and operating its ISO transmission facilities, as defined by the True Up TRR. The True Up Adjustment is calculated for each annual update for the previous calendar year (the "Prior Year"), if the formula rate was in effect during some or all of that year, by the following steps, as specifically included in Attachment 1 to this Appendix:

- a) Calculate SCE's actual costs during the Prior Year, as measured by the "True Up TRR". The True Up TRR, as defined in Attachment 1 to this Appendix, is equal

to the Prior Year TRR as defined in Attachment 1 to this Appendix with the following exceptions: a) The Rate Base used is based on average Rate Base values; and b) the True Up TRR does not include Uncollectibles Expense.

- b) Attribute the True Up TRR to each month of the Prior Year as specifically defined in Attachment 1 to this Appendix.
- c) Determine SCE's actual retail base transmission revenues attributable to the formula on a monthly basis for each month of the Prior Year, in accordance with Attachment 1 to this Appendix.
- d) Compare SCE's monthly True Up TRR to SCE's monthly actual retail base transmission revenues. Each monthly difference shall be cumulated, including interest, through the end of the Prior Year, in accordance with Attachment 1 to this Appendix. Interest shall be added to the cumulative total from the end of the Prior Year to the beginning of the Rate Effective Period, in accordance with Attachment 1 to this Appendix. This balance at the beginning of the Rate Effective Period shall then be amortized over the Rate Effective Period so that the balance at the end of the Rate Effective Period is \$0, in accordance with Attachment 1 to this Appendix. The sum of the monthly amounts in the Rate Effective Period required to amortize the balance to \$0 shall be the True Up Adjustment. Interest shall be calculated on a monthly basis using the interest rate specified in the regulations of FERC at 18 C.F.R. §35.19a.
- e) The 12 values of the previous annual Informational Filing True Up Adjustment shall be included in the same months (corresponding to the previous Rate Effective Period) of the calculation in part (d) in accordance with Attachment 1 to this Appendix, thus ensuring that the previous True Up Adjustment amounts are in fact collected from or returned to transmission customers.
- f) As stated in Section 6 below, the initial True Up Adjustment included in the Base TRR effective October 1, 2012 shall include the ending balance of SCE's existing CWIP Ratemaking Mechanism balancing account.

Upon expiration of the formula rate, SCE shall calculate a Final True Up Adjustment. The Final True Up Adjustment shall cover the period of time ending upon the expiration of the formula rate and beginning on the day after the period covered by the most recent True Up Adjustment that was included in the Base TRR. Except as otherwise stated in this paragraph, the Final True Up Adjustment shall be determined using the same calculation methodology as other True Up Adjustments. Interest included in the Final True Up Adjustment shall be calculated through the date of the termination of the formula rate (or, in the event of a partial determination of the Final True Up Adjustment, through the end of the period covered by that partial determination). The Final True Up Adjustment shall be determined within 60 days after SCE files its annual FERC Form 1 cost information necessary to determine the True Up TRR that covers the final month of

this formula rate. To the extent that SCE is able to determine the Final True Up Adjustment in part earlier than this date due to the submittal of a FERC Form 1 covering a part of the period for which the Final True Up Adjustment is to be calculated, SCE will calculate this portion of the Final True Up Adjustment within 60 days of the filing of the relevant FERC Form 1. SCE shall be entitled and required to recover the amount of this Final True Up Adjustment in SCE's successor transmission rates to this formula rate.

5. THE INCREMENTAL FORECAST PERIOD TRR

The Incremental Forecast Period TRR is a component of SCE's Base TRR that represents the amount of transmission revenue requirement costs that SCE expects to incur during the Rate Effective Period incremental to that reflected in the Prior Year TRR as a result of additions of plant in service or CWIP expenditures to Rate Base. The Incremental Forecast Period TRR shall be calculated in accordance with Attachment 1 to this Appendix.

6. TRANSITION OF EXISTING CWIP RATEMAKING MECHANISM INTO THE FORMULA RATE

The formula rate described in this Appendix provides for recovery of CWIP in rate base for projects for which SCE has received Commission approval for such treatment. Accordingly, the existing CWIP Ratemaking Mechanism, as approved in Docket No. ER08-375, will be terminated on the effective date of the formula rate. SCE shall implement the following procedures to assure that the transition to including Commission-approved CWIP in the formula rate occurs in a manner that recovers SCE's Commission-approved CWIP costs, without duplication of recovery of any costs already recovered through the existing CWIP Ratemaking Mechanism:

- a) SCE shall terminate its existing CWIP Ratemaking Mechanism on the date this formula rate becomes effective;
- b) SCE shall include the final December 31, 2011 balance in the existing CWIP balancing account in the True Up Adjustment included in the September 15, 2012 Informational Filing;
- c) No CWIP shall be included in the True Up TRR Rate Base in the formula rate for any period of time during which the existing CWIP Ratemaking Mechanism was in effect;
- d) The impact of a final resolution of SCE's CWIP Ratemaking Mechanism Dockets (Docket Nos. ER08-375, ER09-187, ER10-160, and ER11-1952) shall be included as a "One Time True Up Adjustment" amount in the True Up Adjustment Calculation in the Informational Filing following such final resolution, if such final resolution was not included in the CWIP Ratemaking Mechanism final balance initially included in the formula pursuant to (b) above. This impact shall be

quantified by recalculating SCE's final CWIP balance based on the final resolution of these cases and comparing this final balance to the amount originally included in (b) above as a One Time True Up Adjustment. This difference, including interest, shall be the One Time True Up Adjustment associated with this issue.

7. DEPRECIATION RATES

Depreciation rates for Transmission Plant, Distribution Plant, General Plant, and Intangible Plant shall be as stated in Attachment 1 to this Appendix. Depreciation rates shall not change except as provided in Section 8 below.

8. RIGHTS TO REVISE CERTAIN FORMULA RATE INPUTS

Formula rate inputs for: 1) Return on Equity; 2) Post-Retirement Benefits Other than Pensions Accruals ("PBOPs Accruals") used in the calculation of A&G Expense in Attachment 1 to this Appendix; 3) the depreciation rates included in Attachment 1 to this Appendix used to calculate depreciation expenses included in the Base TRR; 4) Other Regulatory Assets/Liabilities and Regulatory Debits; and 5) the components of the "Credits and Other" term in the income tax calculation in Attachment 1 to this Appendix shall be stated values to be used in the formula rate until changed pursuant to an Federal Power Act Section 205 filing approved or accepted by the Commission. SCE may make, regardless of any other provisions or limitations contained in this Appendix or the formula rate, a single-issue Section 205 filing to change any one or more of the five items noted above. In such a Section 205 filing the sole issue that can or shall be addressed is whether any changes proposed by SCE are just and reasonable. Such a Section 205 single-issue filing shall not include or allow for consideration or examination of any other aspects of the formula rate, or other issues associated with the formula rate.

SCE may make a single-issue Section 205 filing to revise references in the formula to pages, line numbers, or columns in SCE's annual FERC Form 1 filing to reflect any change in the location of a referenced input in the FERC Form 1. Additionally, SCE may make a single-issue Section 205 filing to revise the formula determination of: 1) retail transmission rates; 2) the Gross Revenue Sharing Mechanism ("GRSM") component of Revenue Credits; and 3) the method of determining the amount of O&M Expense attributable to ISO facilities in Attachment 1 to this Appendix, including the addition of new activities. In such a Section 205 filing, the sole issue that can or shall be addressed is whether any revisions proposed by SCE are just and reasonable. Such a Section 205 single-issue filing shall not include or allow for consideration or examination of any other aspects of the formula rate or other issues associated with the formula rate.

With respect to Return on Equity, PBOPs Accruals, Other Regulatory Assets/Liabilities and Regulatory Debits, and the components of the "Credits and Other" term in the

income tax calculation, the effective date of any changed value used in determining the True Up TRR shall be the date specified by the Commission in the order approving the change. For the purpose of calculating the True Up TRR for any year in which one of these amounts was changed pursuant to a Commission Order, the value input into the calculation shall be the weighted average (by time) of the values that were in effect during the year.

With respect to the GRSM component of Other Operating Revenue, SCE shall be required to make a single-issue Section 205 filing to revise the GRSM formula in the event that the California Public Utilities Commission ("CPUC") adopts a revised GRSM mechanism. In such filing, SCE shall propose to the Commission conforming revisions to the GRSM formula consistent with the method approved by the CPUC. Such filing shall become effective on the date the CPUC makes the new method effective. If the Commission approves a change in the GRSM formula, SCE shall revise the GRSM formula used in the determination of all components of the Base TRR, including the True Up TRR, on the date the new method became effective for CPUC ratemaking purposes. This shall be implemented in the determination of the True Up TRR by calculating the contribution of the GRSM amount to the Revenue Credits component of the Prior Year TRR based on both the original GRSM formula and the new formula, and determining the GRSM contribution as the weighted average (by time) of the two calculations.

With respect to the method of determining the percentages applied to recorded total transmission or distribution O&M expenses by account or activity in the determination of O&M Expense in Attachment 1 to this Appendix, any changes to input values or formulas approved by the Commission pursuant to a single-issue Section 205 filing shall apply to all formula Base TRR and associated rate calculations, including the determination of the True Up TRR used in any Informational Filing subsequent to the single-issue Section 205 filing. In any single-issue Section 205 filing in which SCE seeks to revise the method of determining the percentages, SCE shall propose and support all such revisions to the method of determining percentages used in the O&M Expense determination.

With respect to depreciation rates for General, Intangible, or Distribution plant, SCE shall make a single-issue Section 205 filing to revise depreciation rates for these plant categories upon approval by the CPUC of revised depreciation rates, seeking Commission approval to place these depreciation rates in effect for this formula rate for the amounts of General, Intangible, and Distribution plant whose costs are recovered through this formula. The revised depreciation rates for General, Intangible, or Distribution plant become effective under the formula rate on the date upon which the revised depreciation rates go into effect for CPUC ratemaking purposes. For any single-issue Section 205 filing to revise transmission depreciation rates, revised Transmission depreciation rates will become effective upon the date the Commission states in its order approving the revised Transmission depreciation rates.

With respect to the formula determination of retail transmission rates, SCE shall be required to make a single-issue Section 205 filing to revise the formula determination of retail transmission rates to reflect any change in Rate Groups, Rate Schedules, or the design of retail rates applicable to each Rate Schedule subsequent to any Final CPUC Order that affects these aspects of retail transmission rates. In the single-issue Section 205 filing to the Commission, SCE shall propose conforming revisions to its formula determination of retail transmission rates. The effective date of the revisions to the formula determination of retail transmission rates shall be the same date as the CPUC decision became effective.

9. DETERMINATION OF AMOUNT OF TRANSMISSION PLANT - ISO AND DISTRIBUTION PLANT - ISO

SCE shall perform for the Prior Year a study ("Plant Study") to determine:

- A) The amount of plant classified as Transmission in SCE's annual FERC Form 1 filing that is under the Operational Control of the ISO. Such amount shall be called Transmission Plant - ISO.
- B) The amount of plant classified as Distribution in SCE's annual FERC Form 1 filing that is under the Operational Control of the ISO. Such amount shall be called Distribution Plant - ISO.

The Plant Study determination of Transmission Plant - ISO and Distribution Plant - ISO will correspond to the end-of-year plant values for transmission and distribution published in SCE's FERC Form 1.

The methodology used in the Plant Study to determine Transmission Plant - ISO and Distribution Plant - ISO shall be as follows:

- a) For each Transmission account 350-359 and Distribution account 360-362, identify the year-end recorded gross plant amount.
- b) For Transmission accounts 350-359 and Distribution accounts 360-362, classify the assets by each location into one of the following categories:
 - 1) All ISO: All Transmission or Distribution assets at the location are under the Operational Control of the ISO.
 - 2) Non-ISO: No Transmission or Distribution assets at the location are under the Operational Control of the ISO.
 - 3) Mixed ISO and Non-ISO Substation: The Transmission or Distribution substation location has a mixture of assets under the Operational Control of the ISO and assets that are not under the Operational Control of the ISO.
 - 4) Mixed ISO and non-ISO Line: Transmission line locations that have a mixture of assets under the Operational Control of the ISO and assets that are not

under the Operational Control of the ISO that need to be analyzed using the Transmission Line methodology.

- 5) Other: Assets for which there is not sufficient data to categorize into one of the above categories.

For all plant costs classified as (1) "All ISO", classify all such plant costs as Transmission Plant - ISO or Distribution Plant - ISO, as appropriate. For all plant costs classified as (2) "No ISO", classify none of such plant costs as "Transmission Plant - ISO" or "Distribution Plant - ISO".

For all plant costs classified as (3) "Mixed ISO and Non-ISO Substation", perform an analysis of plant costs based on individual components of the substation. Component plant costs that are under the Operational Control of the ISO shall be attributed to either Transmission Plant - ISO or Distribution Plant - ISO, as appropriate. Component plant costs that are not under the Operational Control of the ISO shall not be attributed to either Transmission Plant - ISO or Distribution Plant - ISO. Dual Use assets (supporting both ISO and non-ISO plant) shall be allocated to Transmission Plant - ISO or Distribution Plant - ISO based on the percentage of ISO assets for the location.

For all plant costs classified as (5) "Other" in a location, classify such costs as Transmission Plant - ISO or Distribution Plant - ISO in proportion to the total percentage of Transmission Plant - ISO or Distribution Plant - ISO determined in parts (1) through (4) for that location.

- c) Transmission line costs (including any amounts in accounts 350, 352, and 353) required to be analyzed under the Transmission Line methodology pursuant to (b) (4) above shall be attributed to Transmission Plant - ISO according to the following methodology:
 - 1) For each location, determine the total line miles and total line miles that are under the Operational Control of the ISO. Determine the percent of total line miles under the Operational Control of the ISO to total line miles at that location. This calculation shall be done separately for overhead and underground facilities in the location.
 - 2) Determine the amount of Transmission Plant - ISO by applying the percent determined in (1) to the appropriate plant costs by account at that location.

SCE shall present a summary of the Plant Study for the Prior Year in each annual Informational Filing, in accordance with Attachment 1 to this Appendix. A copy of the Plant Study shall be provided in workpapers accompanying the Informational Filing.

10. DETERMINATION OF AMOUNT OF TRANSMISSION OPERATION AND MAINTENANCE - ISO AND DISTRIBUTION OPERATION AND MAINTENANCE - ISO

SCE shall annually determine the amount of recorded Transmission and Distribution Operation and Maintenance ("O&M") expenses that is attributable to facilities under the Operational Control of the ISO ("ISO O&M Expense"). The method used to determine ISO O&M Expense shall be the following:

- a) For each Transmission O&M account 560-574 and for each Distribution O&M account 580-598, identify the total recorded O&M costs reported on SCE's FERC Form 1, and separate each O&M account into subcategories for purposes of determining the allocation of costs to ISO and non-ISO, as described below.
 1. Identify the amount for each Transmission and Distribution O&M account that has ISO-related costs.
 2. For accounts with no ISO-related costs, show the subtotal of those Transmission and Distribution O&M accounts.

- b) The following adjustments shall be made to Transmission and Distribution FERC Form 1 recorded expense to determine Adjusted Recorded O&M Expense:
 1. Remove all O&M expenses recovered through other FERC-authorized rate mechanisms.
 2. Remove all O&M expenses that are recovered through CPUC-authorized rate mechanisms, and any shareholder-funded O&M expenses.
 3. Add the actual Results Sharing payout for employees of the Transmission and Distribution Business Unit ("TDBU"), calculated as follows.
 - i. The actual annual Results Sharing expense for Transmission will be based on the ratio of Transmission labor expense to the total of Transmission and Distribution labor expense reported in FERC Form 1.
 - ii. The actual annual Results Sharing expense for Distribution will be based on the ratio of Distribution labor expense to the total of Transmission and Distribution labor expense reported in FERC Form 1.

- c) Classify each Adjusted Recorded O&M Expense into one of the following three categories (All ISO O&M, All Non-ISO O&M, or Dual Use O&M), and allocate each Adjusted Recorded O&M Expense included in each category between ISO and non-ISO in accordance with the following allocation principles:
 1. All ISO O&M: O&M expenses attributable to assets and/or entitlements under the Operational Control of the ISO shall be allocated 100% to ISO O&M Expense. The following activities in these accounts are All ISO O&M:

- i. Account 560 – Sylmar/Palo Verde
 - ii. Account 561.500 – Reliability, Planning and Standards Development
 - iii. Account 562 – Sylmar/Palo Verde
 - iv. Account 565 – Transmission for Four Corners
 - v. Account 566 – NERC/CIP Compliance
 - vi. Account 566 – Transmission Regulatory Policy
 - vii. Account 566 – Sylmar/Palo Verde
 - viii. Account 567 – Eldorado
 - ix. Account 567 – Sylmar/Palo Verde
 - x. Account 568 – Sylmar/Palo Verde
 - xi. Account 569 – Sylmar/Palo Verde
 - xii. Account 570 – Sylmar/Palo Verde
 - xiii. Account 571 – Sylmar/Palo Verde
 - xiv. Account 572 – Sylmar/Palo Verde
2. All Non-ISO O&M: Expenses that are not associated with O&M attributable to assets and/or entitlements under the Operational Control of the ISO shall be allocated 0% to ISO O&M Expense. Such expenses are subject to the jurisdiction of the CPUC. The following accounts are All Non-ISO O&M:
- i. Account 565 – WAPA Transmission for Remote Service
 - ii. All Distribution O&M Accounts not listed as Dual Use O&M in Part 3. below.
3. Dual Use O&M: O&M expenses attributable to both ISO-Controlled and non-ISO Controlled assets and/or entitlements and shall be allocated to ISO O&M Expense based on the allocation methodology for each expense item set forth below. The allocation methodology shall establish annually a percentage of the Adjusted Recorded O&M Expense for each account, based on Prior Year data, that shall be attributable to ISO O&M Expense (“Percentage ISO”). The following sub-categories are Dual Use O&M and the allocation methodology used to determine their Percentage ISO is as set forth below:
- i. Account 560 – Operations Engineering is allocated based on the percentage of ISO Labor to total Labor contained within Accounts 561, 562, 563, 564, 566, 570, 571, and 572.
 - ii. Account 561 – Load Dispatching is allocated based on ISO-related outages as a percentage of total transmission outages.
 - iii. Account 561.100 – Load Dispatching-Reliability and Account 561.200 – Load Dispatching-Monitor and Operate Transmission System are allocated based on ISO-related outages as a percentage of total transmission outages.

- iv. Account 562 – Operating Transmission Stations is allocated based on the number of ISO transmission circuits as a percentage of the total number of transmission circuits.
- v. Account 562 – Routine Testing and Inspection is allocated based on ISO-related relay routines as a percentage of total transmission relay routines.
- vi. Account 563 – Inspect and Patrol Lines is allocated based on ISO-Controlled transmission line miles as a percentage of total transmission line miles.
- vii. Account 564 – Underground Line Expense is allocated based on ISO-Controlled underground transmission line miles as a percentage of total transmission underground line miles.
- viii. Account 566 – Training/Other is allocated based on the percentage of ISO Labor to total Labor contained within accounts 561, 562, 563, 564, 566, 570, 571, and 572.
- ix. Account 566 - FERC Regulation and Contracts is allocated based on the number of ISO-related contracts administered by FERC Regulation and Contracts as a percentage of the total number of contracts administered by FERC Regulation and Contracts.
- x. Account 566 – Grid Contract Management is allocated based on the number of ISO-related contracts administered by Grid Contract Management as a percentage of the total number of contracts administered by Grid Contract Management.
- xi. Account 567 –Line Rents is allocated based on the percentage of recorded expense that is related to ISO transmission lines. This is accomplished by identifying each of the recorded line rents as either ISO or Non-ISO based on the specific transmission line that is identified by the agreement.
- xii. Account 567 – Morongo Lease is allocated based on a ratio derived by taking the total acreage of land involved in the Morongo lease payment divided into ISO and Non-ISO segments. This is done by assigning an acreage value to the ISO-controlled transmission lines and Non-ISO controlled transmission lines.
- xiii. Account 568 – Maintenance and Supervision Engineering is allocated based on the percentage of ISO Labor to total Labor contained within Account 570.
- xiv. Account 569 – Maintenance of Structures is allocated based on the percentage of ISO Labor to total Labor contained within Accounts 562 and 570.
- xv. Account 569.100 – Hardware, Account 569.200 – Software, and Account 569.300 – Communication are allocated based on the percentage of ISO Labor to total Labor contained within Accounts 561, 562, 563, 564, 566, 570, 571, and 572.

- xvi. Account 570 – Maintenance of Power Transformers is allocated based on the number of ISO-related transformers as a percentage of the total number of transmission transformers.
- xvii. Account 570 – Maintenance of Transmission Circuit Breakers is allocated based on the number of ISO- related circuit breakers as a percentage of the total number of transmission circuit breakers.
- xviii. Account 570 – Maintenance of Transmission Voltage Equipment is allocated based on the number of ISO-related voltage control equipment as a percentage of the total number of transmission voltage control equipment.
- xix. Account 570 – Maintenance of Miscellaneous Transmission Equipment is allocated based on the percentage of ISO Labor to total Labor contained in the above activities within Account 570.
- xx. Account 570 Substation Work Order-Related Expense is allocated based on the percentage of work orders identified as ISO. This is accomplished by examining each individual capital work order with a related O&M expense component and determining whether that specific work scope is ISO or Non-ISO.
- xxi. Account 571 – Poles and Structures, Insulators and Conductors, and Transmission Line Rights of Way are allocated based on ISO-Controlled overhead transmission line miles as a percentage of total overhead transmission line miles.
- xxii. Account 571 Transmission Work Order-Related Expense is allocated based on the percentage of work orders identified as ISO. This is accomplished by examining each individual capital work order with a related O&M expense component and determining whether that specific work scope is ISO or Non-ISO.
- xxiii. Account 572 – Maintenance of Underground Transmission Lines is allocated based on total ISO-Controlled transmission line miles as a percentage of total transmission line miles.
- xxiv. Account 573 – Provision for Property Damage Expense to Transmission Facilities is allocated by first splitting the recorded costs into transmission lines and transmission substations. Transmission lines are then allocated based on ISO-Controlled transmission line miles as a percentage of total transmission line miles. The transmission substation portion is allocated based on the total number of ISO- related transmission circuit breakers, transformers, and voltage control equipment as a percentage of the total number of transmission circuit breakers, transformers, and voltage control equipment.
- xxv. Account 582 – Operation and Relay Protection of Distribution Substations and Testing and Inspecting Distribution Substation Equipment is allocated based on the percentage of ISO Labor to total Labor contained within Account 592.

- xxvi. Account 590 – Maintenance Supervision and Engineering is allocated based on the percentage of ISO Labor to total Labor contained within Account 592.
- xxvii. Account 591 – Maintenance of Structures is allocated based on the percentage of ISO Labor to total Labor contained within Account 592.
- xxviii. Account 592 – Maintenance of Distribution Transformers is allocated based on the number of ISO-related distribution transformers as a percentage of the total number of distribution transformers.
- xxix. Account 592 – Maintenance of Circuit Breakers is allocated based on the number of ISO-related distribution circuit breakers as a percentage of the total number of distribution circuit breakers.
- xxx. Account 592 – Maintenance of Voltage Control Equipment is allocated based on the number of ISO-related distribution voltage control equipment as a percentage of the total number of distribution voltage control equipment.
- xxxi. Account 592 – Maintenance of Miscellaneous Distribution Equipment is allocated based on the percentage of ISO Labor to total Labor contained in the other activities listed above within Account 592.

SCE shall determine ISO O&M Expense for the Dual Use portion of each O&M account each year by applying the Percentage ISO allocation factors calculated pursuant to the methodologies stated above to the amounts of Dual Use Adjusted Recorded O&M Expense for each account. Total ISO O&M Expense shall be the sum of ISO O&M Expense associated with “All ISO O&M” accounts determined in part c.1 above and ISO O&M Expense associated with “Dual Use O&M” accounts in part c.3 above. In the event that SCE experiences an extraordinary event, resulting in costs otherwise recoverable through this formula rate in a year to be recorded to Account 435 (Extraordinary Deductions) of the Uniform System of Accounts, SCE shall recover the full amount of such Account 435 costs, including any expenses or return on capital, in accordance with the Commission Order authorizing such recovery.