BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

In The Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for Authority to Lease Certain Fiber Optic Cables to CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS under the Master Dark Fiber Lease Agreement Pursuant to Public Utilities Code Section 851.	A.17-02-001 (Filed February 3, 2017)

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) NOTICE OF *EX PARTE* COMMUNICATIONS

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Dated: **July 25, 2018**

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Pursuant to Rule 8.4 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), Southern California Edison Company ("SCE") gives the following report regarding its two July 23, 2018 *ex parte* meetings to discuss SCE's Motion to Withdraw the Application, Alternate Proposed Decision (APD), and the Proposed Decision (PD) in the Verizon Lease Application. Both meetings were initiated by SCE. The meetings took place at the Commission's office located at 505 Van Ness Avenue, San Francisco, California.

The first meeting began at 1:30 p.m. and lasted approximately 15 minutes. Dawn Anaiscourt, Director, CPUC Regulatory Affairs, and Stuart Hemphill, Senior Vice President of Customer and Operational Services, met with John Reynolds, Advisor to Commissioner Carla J. Peterman.
No written materials were provided.

The second meeting began at approximately 2:00 p.m. and lasted approximately 15 minutes. Dawn Anaiscourt and Stuart Hemphill met with Elizabeth Podolinsky, Advisor to Commission President Michael Picker. No written materials were provided.

In both meetings SCE requested that the Commission approve SCE's Motion to Withdraw the Application, and reject the APD and the PD. SCE stated that approving the Motion to Withdraw is the best option at this time because the application is moot. SCE will not be moving forward under

the MLA and neither the PD nor the APD change that fact. Approving the motion to withdraw removes the regulatory uncertainty that both the PD and the APD create for SCE and its potential counterparties. Even if SCE were in a position to move forward, the APD has introduced detrimental changes to the deal between SCE and Verizon that change the nature of the transaction and would not be accepted by the parties.

SCE further confirmed that the APD is not a good compromise solution because it would not enable SCE shareholders to make additional investment in fiber infrastructure. Contrary to unsupported statements in the APD, a 50/50 gross revenue sharing mechanism would not provide sufficient return to justify shareholder investment. The 50/50 gross revenue sharing implies equal sharing of benefits, but ignores the incremental costs, risks, and business liabilities incurred by shareholders in executing any MLA transactions. Customers would receive an initial $16.7 million (from all non-tariffed products and services revenue, including MLA transactions), followed by 50% of the incremental gross revenues from any MLA transactions, while the shareholders would have to recover all of their costs through the remaining 50%, if possible, resulting in disproportionally less or negative benefits for shareholders since customers do not incur any incremental costs. There is no evidence in the record that the 50/50 split is an economically viable mechanism to justify shareholder investment. Thus, rather than approving an agreement under which the parties would never transact, the better path forward is to approve SCE's motion with withdraw.

Respectfully submitted,

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