

June 9, 2014

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

RE: Notice of Revision to Southern California Edison Company's Formula
Transmission Rate Annual Update in Docket No. ER11-3697

Dear Ms. Bose:

Under Southern California Edison's ("SCE") Transmission Owner Tariff ("TO Tariff"), SCE calculates its retail and wholesale Base Transmission Revenue Requirements ("Base TRR") using a formula transmission rate. On November 26, 2013, SCE submitted for informational purposes its second formula transmission rate Annual Update ("TO8 Annual Update"), pursuant to Section 3 of Attachment 1 to Appendix IX of SCE's TO Tariff ("Formula Protocols"). The TO8 Annual Update revised SCE's retail and wholesale Base TRR and associated retail and wholesale transmission rates effective January 1, 2014. The Commission issued an order on February 14, 2014, acknowledging receipt of the filing for informational purposes.

SCE has determined that the TO8 Annual Update must be amended to correct certain errors. Pursuant to Section 3(d)(8) of the Formula Protocols, SCE is providing notice to the Commission and parties to this proceeding of its intent to file an Amended TO8 Annual Update.

I. Background on SCE's Formula Rate

On June 3, 2011, in Docket No. ER11-3697-001, SCE submitted its original formula transmission rate to the Commission.¹ Several entities intervened or protested the filing. The Commission accepted the filing on August 2, 2011, subject to refund, and hearing and settlement judge procedures,² with an effective date of January 1, 2012. SCE engaged in settlement discussions in that docket with intervening parties, reaching an agreement in principle in July 2013. SCE filed the Offer of Settlement on August 26, 2013, which was approved by the Commission on November 5, 2013.³ The Offer of Settlement included revised Attachments 1 and 2 to SCE's TO Tariff Appendix IX, which constitute SCE's currently-effective Formula Rate Protocols and Formula Rate spreadsheet. SCE then filed the TO8 Annual Update pursuant to the process outlined in the Formula Rate Protocols. As noted above, FERC issued an order on February 18, 2014, acknowledging receipt of the filing for informational purposes.

Section 3(d)(8) of the Formula Rate Protocols provides:

8) If SCE determines or concedes that a previously-filed Annual Update contained errors that affected the True Up TRR calculated in that Annual Update, 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 True Up TRR, SCE shall promptly serve notice to the Commission in the docket of the affected Annual Update that SCE intends to file an Amended Annual Update, 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 Update filings of the upcoming Amended Annual Update. The Amended Annual Update shall:

- i recalculate the True Up TRR for all affected Prior Years;
- ii compare, on a monthly basis, the difference between the initial incorrect True Up TRR and the revised correct True Up; and

¹ Appendix IX to SCE's TO Tariff.

² 136 FERC ¶ 61,074 P 1.

³ 145 FERC ¶ 61,103.

iii determine the cumulative amount of the difference in (ii), including interest calculated pursuant to the interest rate in 18 C.F.R. § 35.19a.

Absent an order requiring refunds outside of the True Up process, the difference in (iii) shall be included as an additional component to SCE's True Up Adjustment in the subsequent Annual Update as a One Time True Up Adjustment in accordance with the Formula Rate.

The purpose of this letter is to serve notice to the Commission that SCE intends to file an Amended TO8 Annual Update.

II. Corrections to the 2012 True Up TRR

As part of the TO8 Annual Update, SCE calculated its actual transmission revenue requirement for calendar year 2012 pursuant to the settlement Formula Rate ("2012 True Up TRR"). SCE has determined that certain items included in the 2012 True Up TRR reflected in the TO8 Annual Update were incorrect. A discussion of these items is provided below.

1. Treatment of Whirlwind Substation: As an element of the Tehachapi Renewable Transmission Project ("TRTP"), SCE constructed the new 500/220 kV Whirlwind Substation. This substation has been under the operational control of the California Independent System Operator ("CAISO") since being placed into service in February, 2012. However, in the 2012 Plant Study, Whirlwind Substation was mistakenly treated as non-ISO as shown on page 8 of the workpapers for Schedule 7 of the Formula Rate. Whirlwind was properly treated as ISO incentive plant for other purposes in the TO8 Annual Update. Thus, a correction is needed in the 2012 Plant Study to move Whirlwind plant costs from non-ISO to ISO.
2. Corrections to Plant Study Classifications: In the process of developing the 2013 Plant Study to be utilized in the upcoming TO9 Draft Annual Update, SCE discovered that certain mixed substation facilities (i.e., substations

with both ISO and non-ISO equipment) had been improperly classified in the 2011 and 2012 Plant Studies. Correction of this problem transfers plant costs from ISO to non-ISO in both the 2011 Plant Study and the 2012 Plant Study. This correction will change the beginning-of-year ISO transmission plant balance and the end of year transmission plant balance for purposes of determining ISO transmission plant for 2012.

3. Accounting Reclassification of Storm Water Pollution Prevention Plan Costs: As part of the requirements for constructing TRTP, SCE was required to implement a Storm Water Pollution Prevention Plan (“SWPPP”). SCE originally recorded all associated costs for SWPPP as capital. SCE has now concluded that a portion of the SWPPP costs should have been expensed and not capitalized. This adjustment impacts five TRTP Segment 3 workorders and three TRTP Segment 9 workorders, reducing ISO plant in 2010 through 2012, and increasing 2012 transmission O&M expenses. The changes to the 2010 and 2011 incentive ISO plant impact the end-of-year 2011 CWIP Balancing Account balance, as well as 2012 transmission plant, the latter of which will impact the 2012 True Up TRR.
4. Workorder Adjustment to Incentive Projects: As a part of its monitoring of workorders for incentive projects, SCE has identified several minor corrections that impact incentive project costs reflected in the 2012 True Up TRR.
5. Corrections to Preferred Securities Issuance Costs: In populating Schedule 5 ROR-2 for the upcoming TO9 Draft Annual Update, SCE discovered an error in the preferred stock issuance costs included in the TO8 Annual Update, which when corrected, will result in a minor reduction to the cost of capital.

III. Impacts on the 2012 True Up TRR

These corrections impact the following schedules: Schedule 4 TUTRR, Schedule 5 ROR, Schedule 6 PlantInService, Schedule 7 PlantStudy, Schedule 8 AccDep, Schedule 9 ADIT, Schedule 10 CWIP, Schedule 13 WorkCap, Schedule 14 IncentivePlant, Schedule 15 IncentiveAdder, Schedule 17 Depreciation, Schedule 19 OandM, Schedule 20 AandG, Schedule 24 CWIPTRR, Schedule 27 Allocators, Schedule 28 FFU, and Schedule 34 Unfunded Reserves. As of the date of this letter, SCE is still working to complete the precise impacts of these revisions on the 2012 True Up TRR. However, it appears that the 2012 True Up TRR of \$620 million reflected in the TO8 Annual Update will increase by approximately six million dollars.

SCE intends to post on its website the revised 2012 True Up TRR by June 13, 2014, and to engage interested parties on these adjustments prior to filing the revised 2012 True Up TRR with the Commission. The revised TO8 posting will include the populated formula transmission rate, showing SCE's revised calculation of the 2012 True Up TRR along with associated workpapers.

Pursuant to the Formula Protocols, SCE intends to include as an additional component to SCE's True Up Adjustment in its TO9 Annual Update, a One Time True Up Adjustment to reflect the corrected 2012 True Up TRR. SCE does not intend to modify the TO8 Base TRR or the associated transmission rates. The TO9 Draft Annual Update, reflecting these revisions, will also be posted on SCE's website by June 13, 2014.

IV. Service

Copies of this notice have been served on all parties to Docket No. ER11-3697, including the California Public Utilities Commission, as well as the CAISO, and all Participating Transmission Owners in the CAISO.

V. Communications

SCE requests that all correspondence, pleadings and other communications concerning this notice be served upon:

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Very truly yours,

