

December 1, 2014

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

RE: Southern California Edison Company's Formula Transmission Rate Annual Update Filing in Docket No. ER11-3697-\_\_\_ (TO9)

Dear Ms. Bose:

Under Southern California Edison Company's ("SCE") Transmission Owner Tariff ("TO Tariff"), SCE calculates its retail and wholesale Base Transmission Revenue Requirements ("Base TRR") using a formula transmission rate. SCE hereby submits for informational purposes its third annual formula transmission rate annual update filing ("TO9 Annual Update"), pursuant to Section 3 of Attachment 1 to Appendix IX of SCE's TO Tariff (the "Formula Rate Protocols"). The TO9 Annual Update revises SCE's retail and wholesale Base TRR and associated retail and wholesale transmission rates effective January 1, 2015. Pursuant to the formula rate set forth in Attachment 2 to Appendix IX of SCE's TO Tariff (the "Formula Rate"), this Annual Update revises the retail Base TRR from the currently-effective amount of \$821 million to \$916 million, and the wholesale Base TRR from \$815 million to \$910 million.

This submission is provided to the Commission for informational purposes only. This filing is not subject to the requirements of Section 205 of the Federal Power Act, and pursuant to Section 3 of the Formula Rate Protocols, does not subject SCE's Formula Rate to modification.

SCE requests that the Commission issue a notice of filing for the TO9 Annual Update and establish a comment date.

## **I. Background**

On June 3, 2011, in Docket No. ER11-3697-001, SCE submitted its original formula transmission rate to the Commission. 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,<sup>1</sup> with an effective date of January 1, 2012. SCE engaged in settlement discussions with intervening parties, reaching an agreement in principle in July 2013. SCE filed the Offer of Settlement on August 26, 2013, and it was approved by the Commission on November 5, 2013.<sup>2</sup> 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 filed its second formula transmission rate annual update filing ("the TO8 Annual Update") on November 26, 2013, pursuant to the process outlined in the Formula Rate Protocols. FERC issued an order on February 18, 2014, acknowledging receipt of the filing for informational purposes.

On June 9, 2014, SCE provided notice to the Commission and formula rate parties that SCE had determined that there were several errors in the 2012 True Up TRR reflected in the TO8 Annual Update, and that SCE intended to file an Amended TO8 Annual Update to modify the 2012 True Up TRR. SCE posted the revised 2012 True Up TRR and associated workpapers on its website, along with the TO9 Draft Annual Update, on June 13, 2014.<sup>3</sup>

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<sup>1</sup> 136 FERC ¶ 61,074 P 1.

<sup>2</sup> 145 FERC ¶ 61,103.

<sup>3</sup> The \$6 million increase in the 2012 True Up TRR is reflected in the TO9 Annual Update as a One-Time Adjustment in Schedule 3 of the Formula Rate.

On June 19, 2014, the Commission issued an Order on Remand in FERC Docket No. ER08-375-006 which approved a base ROE for SCE of 10.55 percent for the locked-in period from March 1, 2008 through December 31, 2008 for use in its CWIP Ratemaking Mechanism. SCE's CWIP Ratemaking Mechanism has now been replaced with its formula transmission rate. Pursuant to Section 6(d) of the Formula Rate Protocols, SCE is including the impact of this resolution as a One Time True Up Adjustment in this TO9 Annual Update.<sup>4</sup>

SCE is now submitting the TO9 Annual Update to the Commission in accordance with Section 3 of the Formula Rate Protocols, which specifies that each year SCE will file an Annual Update on or before December 1, revising the Base TRR and associated rates to be effective on January 1.

## **II. SCE's Formula Transmission Rate**

SCE's formula transmission rate is similar to many formula rates in effect subject to the Commission's jurisdiction.<sup>5</sup> The Base TRR is calculated as the sum of the Prior Year TRR, the Incremental Forecast Period TRR ("IFPTRR"), and a True Up Adjustment. The Prior Year TRR represents the transmission costs that SCE incurred in the previous calendar year, in this instance, 2013. The IFPTRR represents the incremental transmission costs that SCE expects to incur during the Rate Effective Period as compared to the costs incurred in the Prior Year.<sup>6</sup> And the True Up Adjustment trues up actual transmission revenues to actual transmission costs during the Prior Year.

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<sup>4</sup> The \$2 million increase in the end of year 2011 CWIP balance is reflected in the TO9 Annual Update as a One-Time Adjustment in Schedule 3 of the Formula Rate.

<sup>5</sup> See, for example, the SDG&E formula rate approved by the Commission in Docket No. ER07-284.

<sup>6</sup> The Rate Effective Period for this Annual Update is January 1, 2015 through December 31, 2015.

### **III. Reason for Increases in SCE's Base TRR**

In this Annual Update, SCE's retail Base TRR increases from the currently-effective amount of \$821 million to \$916 million, an increase of \$95 million. The wholesale Base TRR also increases by \$95 million, from \$815 million to \$910 million. The primary reason for the increase in the Base TRR is the completion by SCE of several major transmission projects in 2013 and the resulting inclusion of the costs of these projects in the transmission plant in service.

### **IV. TO9 Draft Annual Update and Documents Submitted With This Filing**

SCE's Formula Rate Protocols require SCE to post a Draft Annual Update on SCE's website on or before June 15 of each year. SCE posted the TO9 Draft Annual Update on June 13, 2014.

This filing consists of the following documents:

- 1) This filing letter;
- 2) An attestation by an SCE officer;
- 3) Attachment 1: The populated formula transmission rate, in both pdf and Excel formats, showing the calculation of the TO9 Base TRR and associated rates;
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on January 1, 2015;
- 5) Attachment 3: Revisions to formula rate inputs from the TO9 Draft Annual Update; and
- 6) Attachment 4: Workpapers supporting the inputs to Attachment 1, including information required pursuant to the Settlement in Docket No. ER11-1952, the Settlement in Docket No. ER11-3697, and the Formula Rate Protocols.

**V. Service**

Copies of this filing 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.

**VI. Communications**

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

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Very truly yours,